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

# NEWSLETTER | 17

MARCH 2014

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## FCCC ACTIVITIES

### China Job Market – Gent – 1 April 2014

A job market for Chinese high potentials will be organized by Ghent University Doctoral Schools, the Flanders-China Chamber of Commerce (FCCC) and the Province of East Flanders. The fair will take place on 1 April at 12h00 at the International Convention Center (ICC) in Ghent, where at the same time the Graduate Fair and Job Market for Young Researchers will be 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) will receive a personal invitation to visit the Graduate Fair. The job market will also be advertised through the Chinese interuniversity student council.

The purpose of the Fair is 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. Additionally, jobseekers receive ample information about diverse career and further study options available to them. Interested companies are given the opportunity to network with the visitors, introduce them to their business and offer CV analysis.

You are invited to participate in the China Job Market. Reserving a booth, you will have direct access to Chinese students, doctoral students and postdoctoral fellows in all academic disciplines: veterinary sciences, bioscience engineering, sciences, engineering and architecture, economics and business administration, pharmaceutical sciences, medicine, arts and philosophy, psychology, pedagogical sciences and law.

If your company is interested in participating, please register before 28 March 2014 via this link: [http://www.flanders-china.be/eventdetail.asp?id=333&id\\_cat=1&cat=up&lang1=](http://www.flanders-china.be/eventdetail.asp?id=333&id_cat=1&cat=up&lang1=)

Participation fee for FCCC Members: €195. Non-Members: €245.

## ACTIVITIES

### Invitation to participate in the Sino Belgian Business Survey 2014

A record 22 million in new auto sales, GDP growth declining to the lowest level in 24 years... In a country that recorded the worst performing stock market in Asia, while at the same time achieving record retail sales, it's difficult to see just how companies in China performed in 2013. How did your company perform in 2013? When we talk about the growth of our business in China, are we comparing apples to apples, or are we comparing apples to oranges? We keep our survey simple. Please take a few minutes to fill out this survey.

[Click here to take the survey](#)

The survey results will be shared in panel discussion events in Shanghai (March 27) and Brussels (April 24), where a panel of industry leaders will help us compare apples to apples. This survey is organized by Moore Stephens Verschelden in close cooperation with Flanders-China Chamber of Commerce (FCCC). This electronic survey is intended for those companies doing business in China. Please only fill out once per company.

### 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

### Cleantech opportunities for Flemish companies in China – 26 February 2014 – Berchem (Antwerp)

The Flanders-China Chamber of Commerce (FCCC), the Flanders Cleantech Association (FCA) and the EU SME Center in Beijing organized an information session on "Cleantech opportunities for Flemish companies in China" on 26 February 2014 at FCA in Berchem.

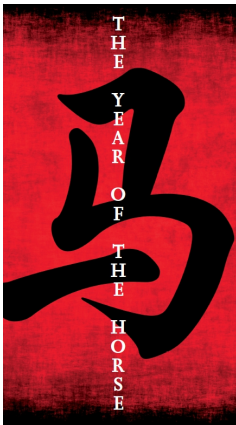
The event was introduced by Mrs. Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce (FCCC) and Mrs. Carine Vanhove of the Flanders-Cleantech Association.

Mr. Dirk Fransaer, CEO of VITO, introduced the top 3 challenges and solutions from Flanders; Mr. Tom Huysmans, CEO of Liquisol, talked about the roadmap for your product in China; and Mr. Daniel Sahr, Expert, EU SME Center, gave his insights on cleantech opportunities and challenges for Flemish SMEs in China. Finally, Mr. Simon Cheetham, ASEAN IPR SME Helpdesk Team Leader, China IPR SME Helpdesk, talked about intellectual property and your business in China.

The workshop provided a unique opportunity to exchange experiences about entrepreneurship in China, more specifically in the cleantech sector.

The event was organized with the support of Flanders Investment and Trade (FIT).

### FCCC New Year Reception – 13 February 2014 – Brussels



The Flanders-China Chamber of Commerce held its annual New Year Reception on 13 February 2014 at AG Insurance in Brussels.

Addresses were delivered by:

Mr Bert De Graeve, Chairman Flanders-China Chamber of Commerce;  
His Excellency Mr Liao Liqiang, Ambassador of the People's Republic of China in Belgium;  
Mrs Claire Tillekaerts, CEO of Flanders Investment & Trade (who replaced Mr Kris Peeters, Minister-President of the Government of Flanders, Flemish Minister for Economy, Foreign Policy, Agriculture and Rural Policy).

## 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](http://www.flanders-china.be/sponsorship_opportunities_2014.doc)

The FCCC remains at your disposal for any further information you might require.

## **PUBLICATIONS**

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

See [FCCC Members' Portraits](#) on the FCCC website.

## **NPC & CPPCC SESSIONS**

### **Premier Li Keqiang meets the press**

At a press conference immediately following the closing session of the National People's Congress (NPC), Premier Li Keqiang said the government would continue to fight corruption. "For corrupt behavior and officials, we will show zero tolerance. No matter who it is, how senior his position is, as long as he violates Party discipline and law, he will be severely dealt with and punished to the full extent of the law." He said the government comprehensively audited China's government debt last year and the results showed that the overall risks are under control. The overall government debt level is below the internationally recognized alarm line, and China will enhance and standardize regulations on local government financing vehicles. He added that a timetable had been established to push forward regulatory obligations under Basel III. Premier Li said he did not like to see defaults of financial products, but that this was sometimes inevitable. Monitoring would be stepped up to ensure there are no regional systemic financial risks.

The biggest difficulty for China's economy last year was downward economic pressure, the Premier said. Central government income showed negative growth, and there was a liquidity crunch. Interbank rates surpassed 13% at one point, while power consumption and cargo transport posted sharp falls. Some predicted that the growth rate would be as low as 3% or 4%, Li said. "We have limited room for fiscal and monetary policy maneuvers, but we showed guts and wisdom, held our ground, and innovated. We ensured bottom lines for growth and employment, and upper limits for inflation, we faced down the pressure and met our targets." The Premier still expected stark and complex challenges this year. "We have to ensure growth and employment, and watch out against inflation. We need a reasonable balance point for all the objectives. As long as we face our challenges squarely and exert our strengths and avoid risks, we will be able to keep economic growth at a reasonable rate," he said.

The central government made it a priority last year to delegate powers. "We abolished or delegated 416 items previously regulated by the central government last year. As a result, new business registration was up 27.6%, with private company registration up 30%. "Power delegation is a powerful tool in reducing corruption and rent-seeking," the Premier added. "For the market, nothing is prohibited unless stipulated in the law; for the government, nothing is done unless mandated by the law." "I have seen some pessimistic views on Chinese economy," Li said, "but we achieved our goals without undertaking stimulus measures last year, so why can't we this year? I don't deny that situations could be more complex this year: we set this year's growth target at 7.5% with a view towards ensuring employment, livelihood and citizen income. There is no income without jobs. Each year we need to add more than 10 million urban jobs and create 6 million to 7 million jobs for migrant workers. Therefore we need appropriate GDP growth. We said the target is "about 7.5%", which means there is flexibility. The lowest growth rate I can live with must be one that creates adequate employment to ensure income growth."

Turning to U.S.China relations, the Premier said that President Xi's California meeting with President Obama last year reached a consensus: a new model of Sino-U.S. relationship defined by non-conflict and win-win cooperation. "As long as we respect each other's core interests and major concerns, manage our differences and negotiate on an equal basis, and expand our converging interests, we will advance our relationship," he said.

Concerning real estate reform, Li said the government will implement differentiated policies based on diverse needs and local conditions in different cities. The government will put in more efforts to resolve basic housing problems. "We will push forward subsidized public rental housing, ease housing shortage for young people and migrant workers, and ensure housing equality," he said, adding that the government will increase supply of ordinary commercial housing, suppress speculation, and ensure sound growth of the housing market. Li clarified

what he meant by “war on smog” in his government work report. Air pollution is a focus of popular concern, a major livelihood issue. “For many people, the first thing they do every morning is to check PM2.5 levels. We are declaring war on our own inefficient and polluting mode of growth. We started PM2.5 monitoring in 161 cities, the largest scale in any developing country. This year we set a target of lowering energy intensity by 3.9%, on top of last year’s 3.7%. This is the equivalent of cutting coal burning by 220 million tons. We will show an iron fist against big and immoral polluters. To tackle smog takes time, but we cannot just sit and wait for wind and rain to drive smog away. Government and individuals need to take action,” the Chinese Premier said.

On obstacles for Chinese businesses in Europe, and vice versa, Li said that promoting Chinese products and safeguarding the interests of Chinese businesses was part of his job description. “When I visited European countries last year, I told European leaders Chinese construction for nuclear power and high speed railway is the fastest and most cost effective. I am confident. China needs to upgrade its economy and its export products. Chinese made equipment needs to be exported and face international scrutiny and competition. China and Europe can achieve win-win in helping exports of Chinese equipment, as components and technology behind Chinese equipment are sourced globally. China and Europe are the biggest trade partners to each other. There are frictions and conflicts, but as long as we respect each other and negotiate, we can resolve our differences. China and Europe both want a multipolar world with fewer trade barriers,” Premier Li Keqiang concluded.

- Premier Li Keqiang’s first Government Work Report was endorsed at the closing session of the National People’s Congress (NPC) with 2,887 yes votes, 15 no votes and 5 abstentions, the highest approval of the government work report since 2004, when then Premier Wen Jiabao received just 7 opposing votes. Based on suggestions from NPC deputies and CPPCC members, 16 revisions were made to the report. 378 NPC Deputies voted against the Supreme People’s Court’s report, while 95 abstained, compared to 605 votes against and 120 abstentions last year. The report by the Supreme People’s Procuratorate received 390 votes against and 108 abstentions, compared to last year’s 485 objections and 121 abstentions.
- China’s top court will deal severely this year with judicial employees who break the law or violate discipline, as authorities move to prevent corruption in the judicial system. In 2013, 381 judicial employees, including judges and prosecutors, were investigated on suspicion of violating laws and discipline. Of the 381, 101 received criminal punishments, according to the work report of Zhou Qiang, President of the Supreme People’s Court (SPC). The fight against terrorism and corruption will be top priorities for judicial officials over the coming year, the Chief Justice and Chief Prosecutor said in their annual reports to the National People’s Congress (NPC).
- The number of officials probed for work-related crimes soared by 41.3% at the city level and 60% at provincial level last year, according to Procurator General Cao Jianming. A total of 253 city-level officials and eight provincial-level officials were investigated last year by prosecutors for embezzlement, bribery and abuse of public funds. China’s procuratorates probed a total of 51,306 officials in 37,551 work-related cases last year, with a year-on-year increase of 8.4% and 9.4% respectively.

## FINANCE

### Limits on deposit rates to be lifted in two years

China may fully liberate deposit rates within two years as it accelerates financial reforms to support internationalization of the yuan, People’s Bank of China (PBOC) Governor Zhou Xiaochuan said. It is the first time a timetable for long-lasting interest rate reform has been revealed. “Many other rates are already liberated, and the opening up of the deposit rate is on schedule,” Zhou told reporters. “Personally, I think it’s very likely to be realized within one to two years.” Zhou said the process is also being driven by newly emerged internet financing businesses and wealth management products. China has been promoting interest rates reform over the past decade to gradually allow financial institutions to decide their saving rates and interest on loans. The move is essential to prevent debt building up as banks will allocate their money more efficiently, economists have said. Deposit insurance, a mechanism to protect depositors from bank failures once interest rates are liberated, will “hopefully” be set up this year, Zhou said. Domestic financial reforms, including capital account liberalization, are also urgent measures to boost the internationalization of the currency, Zhou said. “The



People's Bank of China will not excessively push to widen use of the yuan, but rather create a sound policy, credibility and confidence to let people choose to use the currency," Zhou added. According to SWIFT, the yuan overtook the Swiss franc to become the seventh most-used currency for payments worldwide in January, with a 1.39% share in all global payments. "China's financial reforms are likely to advance faster than many had expected in 2014," HSBC said in a report, adding that the focus will be on financial trials in Shanghai's pilot free trade zone (FTZ), the Shanghai Daily reports.

## Ten companies to invest in privately-owned banks

Ten companies, including internet firms Alibaba and Tencent, have been picked to invest in China's first five privately-owned banks, the China Banking Regulatory Commission (CBRC) announced. However, the eligibility of the 10 firms, which also include Shanghai-based conglomerates Fosun Group and JuneYao Group, and China's biggest auto parts supplier Wanxiang Group, will be reviewed before they can file a formal application, CBRC Chairman Shang Fulin said. The central government has approved the CBRC's trial program to set up the five private banks. There is a cap on the maximum stake that each shareholder can take in the private bank, Shang said. The first banks will be located in Shanghai, Tianjin, and the provinces of Guangdong and Zhejiang. The banks will be expected to focus on lending to small- and medium-sized companies (SMEs). Shang Fulin gave no timetable for when they would open or details of their size. "The trial of privately-owned banks is the highlight of the banking reforms in 2014," Lian Ping, Chief Economist at the Bank of Communications (BoCom), said. These private banks will be the first to be formed since 1996, when China Minsheng Banking Corp was established. A Tencent-led bank will be established in the Qianhai experimental zone in the southern city of Shenzhen, China's first special economic zone. Competitor Alibaba, which runs the country's largest e-commerce site, applied for a license via its affiliated Small and Micro Financial Services Group. Alibaba will team up with Wanxiang Group, which is also based in Hangzhou.

## Big Four lenders face drop in share value

China's Big Four lenders, which reported USD126 billion of earnings in the year to September, sank to the lowest valuations on record in Hong Kong trading last week. The MSCI China Financials Index dropped to an almost decade low. The state-controlled banks are getting squeezed by slower economic growth and rising bad debts just as policymakers open up the financial system to non-government competitors. Their shares have lost USD70 billion of value this year. "The market is concerned about future profitability in China," Diana Choyleva, the head of macro-economic research at Lombard Street Research, said. Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), Agricultural Bank of China (ABC) and Bank of China (BOC), were stock-market favorites as recently as 2011, when the Chinese economy was growing at close to 10% and banks reaped profits from a USD3 trillion lending spree during the previous two years. Now investors are concerned that those loans will turn sour at an increasing rate as growth slows towards 7.5%. Moreover, People's Bank of China (PBOC) Governor Zhou Xiaochuan said that the central government would free up deposit rates within two years, while the China Banking Regulatory Commission (CBRC) said it had approved a trial program to establish five privately-owned banks. "The more the government moves to freeing the market, the more they have to compete on more level terms," said Michael Aronstein of MainStay Marketfield Fund.

- China's new yuan-denominated lending totaled CNY644.5 billion in February, less than half of a four-year high of CNY1.32 trillion in January, the People's Bank of China (PBOC) said. But the lending was CNY24.5 billion higher than in the same month of last year. Analysts had expected about CNY700 billion in new yuan lending. M2, the broad measure of money supply, rose 13.3% year-on-year, 1.9 percentage points faster than a year earlier but 0.1 percentage points slower than in January.
- The China Insurance Regulatory Commission (CIRC) is pushing domestic insurers to fast-track compensation to relatives of the 153 missing Chinese passengers of Malaysia Airlines flight MH370 which disappeared on a flight to Beijing. Ping An Insurance could be the hardest hit by claims as it confirmed it had 38 customers on the plane and was trying to confirm if there were 15 more.
- Shanghai-based Chaori Solar Energy Science & Technology Co, the first company in China to default on a corporate bond, said that it would sell assets in a bid to meet

interest payments as possible bankruptcy looms. The bond's lead underwriter and trustee China Securities had asked Chaori to provide immovable assets, equipment and accounts receivable to be sold, the solar cell maker said in a filing to the Shenzhen Stock Exchange. Chaori might undergo restructuring or bankruptcy proceedings if it fails to repay debts.

- Bank of China (BOC) has launched a new index that tracks the development of the yuan's offshore indicators, including the amount of deposits, loans and trading volume, to reflect the currency's level of involvement in global trade and investment. At the end of 2013, the index's reading was 0.91%, representing the yuan's market share in the entire global financial market.
- HKEx will launch renminbi currency futures for after-hours trading on April 7 to meet demand from the European and U.S. markets. It is also considering extending the maturity of renminbi currency futures to manage longer-term risk exposures.
- More e-commerce companies will be allowed to offer cross-border payment services in Shanghai's pilot free trade zone (FTZ), while a study will be done on letting authorized firms transport foreign currency in cash from abroad, the State Administration of Foreign Exchange (SAFE) said.
- China's central bank is prepared to take its strongest action since 2012 to loosen monetary policy if economic growth slows further, by cutting the amount of cash that banks must keep as reserves, sources involved in internal policy discussions say. A cut would be triggered if growth slips below 7.5% and toward 7%, they said.
- China may include banks and insurers in value-added tax (VAT) reform next year, according to Kenneth Leung, Tax Partner of Ernst & Young. Banks may have to pay 11% VAT next year, compared to a 5% turnover tax at present. Insurance companies may also have to pay VAT next year. The reform to replace the business tax with VAT for some service sectors started in Shanghai in 2012.
- Citi opened its new sub-branch in the Shanghai pilot free trade zone (FTZ). The sub-branch will initially focus on corporate clients with cross-border financing needs. The business scope will be gradually expanded following new policies in the FTZ. Its current services include global cash management, cross-border trade finance and financial market products.
- Dozens of former stockbrokers at HSBC have recently found new jobs at Chinese investment banks in Hong Kong after they left the British lender over disagreements on salaries. People familiar with the situation told the South China Morning Post that 50 former employees of HSBC's Asian securities unit in the bank's office in the city had signed new offers with BOC International (BOCI), while more than a dozen joined the Hong Kong office of China Merchants Securities.
- China's fiscal revenue rose faster in the first two months of this year – 11.1% to CNY2.49 trillion – as import-related taxes rebounded. During the same period of last year the revenue grew 1.6%, the Ministry of Finance announced. The value-added (VAT) and consumption tax for imported goods rose 15.3% to CNY215.8 billion in the first two months while import duties jumped 21.4% to CNY43.2 billion.
- German carmaker Daimler launched the sale of the first yuan-backed bond (Panda bond) worth CNY500 million in China by a foreign non-financial company. The Bank of China (BOC) is believed to be the sole underwriter of the bond which will mature in one year.
- The People's Bank of China (PBOC) has suspended the use of virtual credit cards and code scanning payment services by third-party payment companies Alibaba's Alipay and Tencent's TenPay over security concerns. It banned the payment companies from providing online payment services for bricks-and-mortar merchants. Financial institutions are also prohibited from setting up payment accounts with them. The PBOC said the new payment services needed more consideration to guarantee the security of consumers' data.
- Risks in the domestic bond market can be controlled, and occasional defaults won't affect its overall steady condition or reduce demand for financing and investment, the China Securities Regulatory Commission (CSRC) said. "Compared with developed countries, our debt ratio is not high and the risks are controllable," CSRC Spokesman Zhang Xiaojun said. "Default in bond markets is a normal outcome of market forces, and we should regard it in an objective and rational way."

- Ping An Insurance's net profit rose 40.4% last year to CNY28.15 billion, driven by improved investment performance. Its investment income more than doubled to CNY52.65 billion, with impairment losses reduced to CNY415 million from CNY15.9 billion. Ping An would maintain its strategy of investing in fixed-income investment products to achieve stable returns. Such investments accounted for 82.2% of its portfolio last year, up from 81.4% in 2012. Ping An's insurance business maintained stable growth last year with written premiums increasing 12.2% to CNY335 billion.
- China has doubled the range in which the yuan is allowed to fluctuate against the U.S. dollar each day to 2% effective March 17. Widening the trading band will help to "optimize the efficiency of capital allocation and market allocation of resources to accelerate economic development," the People's Bank of China (PBOC) said in a statement. The yuan has been trading at about six to the dollar. Analysts say Beijing might allow that to rise to 5.88 to the dollar by mid-2014, a rise of about 2%.

## FOREIGN INVESTMENT

### German robot maker sets up Shanghai plant

Germany's leading robot manufacturer KUKA aims to grab a bigger share of the market in China with its first overseas plant in Shanghai. The company, which sold about 3,000 robots in China last year accounting for 20% of the country's market, wants to "grow further" in the country, KUKA Chief Executive Till Reuter said at an inauguration event for its new facility. The plant, in suburban Songjiang district, is capable of churning out 5,000 robots a year and provides 350 jobs. It will allow for shorter delivery times and shorten the distance with customers across Asia, KUKA said. Production already started at the end of last year. Rising labor costs and industrial upgrading are spurring automation solutions in China, which is expected to become the largest industrial robot market this year, said Xu Jianguo, Chairman of the new Shanghai Robot Industry Association. While global leaders like KUKA and ABB currently dominate China's high-end industrial robot market, the country wants domestic makers to account for more than 45% of the sector by the end of this decade, the Shanghai Daily reports.

### China and Ireland set up technology fund

China and Ireland have jointly invested in a USD100 million fund to facilitate bilateral investment in the technology sector, as capital from Beijing continues to play a constructive role in Dublin's economic rebound. The fund, which was launched with USD50 million injections each from the China Investment Corp (CIC) and Ireland's National Pension Reserve Fund, expects to attract up to USD250 million, said Brendan Howlin, Irish Minister of Public Expenditure and Reform. The two countries' sovereign-wealth funds will finance the purchase of stakes in Irish technology companies. Co-managed by Chinese firm WestSummit Capital and Dublin outfit Atlantic Bridge Capital, the fund was established under the auspices of the Ireland Strategic Investment Fund, a national initiative to stimulate exports and boost foreign direct investment (FDI) as the country emerges from its debt crisis. The latest Chinese investment in Ireland was by Bank of Communications (BoCom), whose financial leasing arm established its European headquarters in Dublin in February, from where it will manage 21 aircraft. Ireland is also promoting more investment in China. Since 2008, China has outpaced Australia to become the top market in the Asia-Pacific region for small and medium-sized Irish enterprises, said Alan Dixon, Shanghai-based Director of Enterprise Ireland, a government agency overseeing the development and growth of Irish enterprises across the world. Total Chinese investment in Ireland amounted to USD150 million by the end of 2012, compared with USD148 million by the end of 2011, according to the Economic and Commercial Counselor's Office of the Chinese Embassy in Ireland. Bilateral trade stood at €8 billion.

## FOREIGN TRADE

### China's trade with Latin America set to outpace EU within two years

Latin America's trade with China will surpass that with the EU in two years, according to a study by the United Nations Economic Commission for Latin America and the Caribbean. Chinese investment in the continent's energy and infrastructure sectors is rising rapidly, with more than USD550 billion of infrastructure projects in the market. Some estimates forecast that in 15 years, China will overtake the U.S. to become Latin America's largest trading partner. Trade between China and Latin America grew 8% to USD255.5 billion in 2012, faster



than the 6.2% growth of the continent's trade with the U.S., according to the International Monetary Fund (IMF). China is already the biggest trading partner of Brazil, Chile and Peru. Its trade with Brazil grew 10% last year to USD83.3 billion, according to the Brazilian Ministry of Commerce. China has been Mexico's second-largest trading partner, behind the U.S., since 2003. From 2002 to 2012, trade between China and Mexico, the second-largest South American economy, rose 823%. In 2012, trade between Mexico and China grew 7.6% to USD62.66 billion. Chinese investment in Chile, previously small, is rising sharply. Chile's government received investment applications totaling more than USD200 million from Chinese companies in 2012, positioning China for the first time as one of the 10 largest sources of investment applications in the country. Investment applications from Chinese firms in Chile jumped sixfold last year to USD1.25 billion.

## HEALTH

### Compound for treating HFMD discovered

Chinese scientists have discovered a small molecular chemical compound that can be used for treating hand, foot and mouth disease (HFMD), a highly contagious viral infection that affects infants and children below five years old. The compound has been found to be effective on both coxsackievirus A16 (Cox A16) and enterovirus 71 (EV71), the two major viruses that cause the disease, said Rao Zihe, President of the Biophysical Society of China, who headed the research. Over 1 million Chinese children are infected with the virus every year.

- A total of 72 people died from H7N9 bird flu in China in the first two months of this year, government figures showed, far more than the 46 deaths in the whole of last year. China reported 41 deaths and 99 cases of H7N9 avian influenza in February alone, bringing the total cases this year to 226. Chinese officials and the World Health Organization (WHO) say there is no evidence of sustained human-to-human transmission but there have been "family clusters".
- Four Shanghai-based baby formula producers have been given time until May 31 to meet revised standards or face losing their licenses. The checks were part of a nationwide campaign to review licenses of some 120 baby formula producers. One of the the four local producers is Dumex, owned by France's Danone. The other three are Chenguan, Huaguan and Niubeizi, whose products are mainly sold in second-tier cities in China.
- Bakery chain BreadTalk is using ingredients supplied by a company accused of systematically repackaging out-of-date products. Worm-infested wheatmeal and butter two years past its expiry date were among shocking discoveries made by an undercover reporter at Hangzhou Guangqi Trade Co. CCTV made the claims in a program marking Consumer Rights Day on March 15.

## IPR PROTECTION

### China ready to set up dedicated IP courts

Chinese law experts and industry insiders have said the time has come to found courts dedicated solely to hearing IP issues. In 1993, the nation's first IP division at a court was established at the Beijing First Intermediate People's Court. There are now some 420 IP divisions and more than 2,700 IP judges in the nation's courts. The new proposal comes as the number of IP-related lawsuits surge. Courts nationwide dealt with some 30,000 civil IP cases in 2009, but the number soared to nearly 90,000 last year. The number of criminal IP cases grew from about 3,600 to nearly 10,000 over the same period. "Because of the expansion of traditional technologies and emerging new ones, we have to keep renewing our knowledge about all fields and professions," said Jiang Ying, IP Division Judge at the Beijing First Intermediate People's Court. Most IP lawsuits are about patents, trademarks and copyrights, but the disputes are scattered across civil, administrative and criminal divisions, which "leads to increased difficulties in hearing procedures because judges in different divisions may have discrepancies in their recognition of cases", said Jiang. "The criminal procedure usually has a lower standard than civil courts when identifying a trade secret," she explained. "So it is possible that the defendant is judged guilty for infringing on a trade secret in a criminal procedure, but found innocent in the civil process after that." Without nationally constituted IP courts, another problem is local protectionism, said Yang Wu, Chairman of the All-China Patent Agents Association. "In some cases, copying is recognized as IP infringement

in one province but not in another,” he said. “Some officials only consider local interests and ignore local IP infringement,” said Li Jia, General Manager of the Zhonghao Chenguang Research Institute of Chemical Industry.

- Local customs at Urumqi international airport recently seized more than 700 mobile phone shells and parts with counterfeited trademarks including Nokia, Apple and Samsung that a Russian traveler bought at a local wholesale market and planned to take back to Moscow. In the past three years, Urumqi airport customs uncovered some 100 shipments of counterfeits and seized about 50,000 fake items with a combined potential sales value of more than CNY2 million.
- The Luoyang National New & High Tech Industry Development Zone was recently listed as a national demonstration zone for IP, the first high-tech zone in Henan province to win the honor. Companies in the zone filed 1,641 patent applications last year including more than 708 for inventions. The zone also has six national R&D centers. Eight other high-tech zones across the nation made the list as well.
- The first cross-Strait IP alliance was formed this month between the Xiamen Innovation and Intellectual Property Protection Association and Taiwan’s Intellectual Property Protection Association in Taipei. With secretariats in both cities, it will host regular exchanges between Chinese mainland and Taiwan companies, and offer legal consultation and information for investors.
- Shenzhen-based BYD Auto Co topped the nation last year in the number of granted invention patents in the auto industry, according to statistics from SIPO. It was also the only automaker from China that ranked in the top 10 in the number of invention patents and international patent applications through the Patent Cooperation Treaty (PCT). The company now has some 2,100 invention patents, including 340 granted last year.
- China and the United States helped drive international patent filings to a record level last year, and cross-border applications surged to more than 200,000, the World Intellectual Property Organization (WIPO) said. Innovation in engine technology was a leading factor behind patent activity. China saw its applications under the Patent Cooperation Treaty (PCT) jump 29% to 21,516, passing Germany to become the third-largest user of the system, behind Japan.

## MACRO-ECONOMY

### Number of billionaires expected to grow fast

The number of billionaires on China’s mainland is expected to exceed the combined number of billionaires in the United Kingdom, Russia, France and Switzerland by 2023, according to the annual wealth report by Knight Frank. The number of ultra high-net wealth individuals (UHNWIs), with USD30 million or more in net assets excluding their main residence, meanwhile, is forecast to jump 80% to exceed 14,200 in China by 2023, said the world’s leading independent property consultancy, which released the eighth edition of its annual report this year. In Asia, the number of UHNWIs is set to exceed 58,500 by 2023, overtaking the total number in North America. Based on the growth forecast in terms of UHNWI populations over the next 10 years, 19 of the top-20 cities are from Asia – where Ho Chi Minh City in Vietnam emerged on top – and 15 of the cities are from China.

### Slowing economic growth in first two months

China’s economic growth eased sharply in the first two months. The country’s industrial production rose 8.6% from a year earlier in the January-February period, slower than the pace of 9.7% in December last year, the National Bureau of Statistics (NBS) announced. Retail sales increased 11.8% year-on-year in the first two months, easing from the jump of 13.6% in December due to soft consumption during the Spring Festival holiday. Fixed-asset investment (FAI) gained 17.9% on year during the two months – the slowest since 2002 – down from the 19.6% full-year growth in 2013. Retail sales growth cooled to 11.8% in the two months from 13.6% in December. Power production, an indicator of industrial demand, grew a weak 5.5%. “The activity data point to a risk that China’s first-quarter growth will likely progress at below 7.5%,” said Zhou Hao, Economist at Australia & New Zealand Banking Group. “We see that the central bank has eased its monetary policy as the yuan has depreciated by 1.7% in past

weeks and market liquidity has improved significantly, but the new figures suggested more policy easing should be introduced.” Lian Ping, Chief Economist for China at the Bank of Communications (BoCom), said China will likely roll out new policies to support growth as inflation was not a top concern right now.

- The Chinese government has unveiled its urbanization plan for 2014-20. Urbanization will serve as a strong engine for sustainable and healthy economic growth, it said. “Domestic demand is the fundamental impetus for China’s development, and the greatest potential for expanding domestic demand lies in urbanization,” it added. The current proportion of permanent urban residents to China’s total population is 53.7%, lower than developed nations, at 80%, and developing countries with similar per capita incomes, at 60%. The number of rural migrant workers rose 2.4% to 268.9 million last year, accounting for 19.8% of the population.

## MERGERS & ACQUISITIONS

### Landbridge Group bids to take over WestSide Corp

Australia’s Queensland coal seam gas (CSG) operator WestSide Corp received an off market take-over bid worth about AUD160 million from Landbridge Group, a private firm based in Shandong province. WestSide is an Australian Securities Exchange-listed company with gas production and significant uncontracted gas reserves and exploration interests in Queensland. It operates the Meridian SeamGas CSG fields west of Gladstone in Queensland, and has interest in several gas exploration programs in the Bowen Basin.

## PETROCHEMICALS

### Oil firms making progress in shale gas development

Recent progress made by China’s two oil majors in shale gas development suggested the country could meet its 2015 production target for the unconventional fuel. China Petrochemical Corp (Sinopec) this month signed an agreement with the government of Chongqing for an output capacity of 5 billion cubic meters per year by 2015 at its Fuling project. China National Petroleum Corp (CNPC) is ready to start commercial production with more wells being put into use at its main Changning-Weiyuan shale block in Sichuan province. The progress shows China, which is believed to sit on the world’s largest shale gas reserves, could meet its annual output target of 6.5 billion cubic meters by the end of next year, according to analysts. The official target was previously deemed difficult due to a lack of technological knowhow and preferential policies as well as high costs. Annual shale gas output was 200 million cu m in 2013, the Ministry of Land and Resources said. Zhou Jiping, Chairman of PetroChina Co, CNPC’s listed unit, also urged the government to improve subsidies to lure more private firms to help develop the unconventional fuel, the Shanghai Daily reports.

- The Chairman of Wison Engineering Services Co, Hua Bangsong, has been arrested by Chinese police over alleged bribery. Wison denied media reports the company had been involved in offering “unlawful advantages” on a procurement contract with PetroChina for a petrochemical project in Sichuan province. Several former top PetroChina officials, including ex-Chairman Jiang Jiemin, have been under investigation since last year.
- The Shanghai Futures Exchange is ready to roll out the country’s first yuan-denominated crude oil futures, which it hopes will become a benchmark in Asia before gaining global influence. Yang Maijun, the bourse’s Chairman, said foreign investors will be allowed to trade in the contract without setting up a local subsidiary. Similar contracts for non-ferrous metals, precious metals and natural rubber will follow suit. The bourse has finished all technical preparations, Yang said, and is awaiting regulatory approval.
- China Resources Gas, one of the nation’s largest city gas distributors, has set aside HKD3 billion to HKD4 billion this year to acquire city gas projects, after posting a 31% jump in net profit last year. It had 176 operating projects as of the end of last year, of which 48 are in early-stage development and are loss-making. It had only seven projects in 2008. CR Gas posted a net profit of HKD2.16 billion compared with HKD1.65 billion in 2012. Gas sales volume grew 30% to 12.1 billion cubic meters

(BCM) from 2012.

## REAL ESTATE

### Home sales down in first two months

The value and volume of home sales in China fell in the first two months of this year as buying sentiment cooled. The value of new homes sold across the country fell 5% from the same period a year earlier to CNY598.5 billion. By volume, the new home sales shed 1.2% year-on-year to 93.77 million square meters. Since late last year, new austerity measures in over a dozen cities and tighter credit at commercial banks have slowed buying pace around the country over the past few months. In Shanghai, the minimum down payment for second-home buyers has been raised to 70% from 60% previously while non-locals must prove they have lived in the city for 24 of the last 36 months before buying a house. The previous rule required proof of 12-month residency in the last 24 months. "We are likely to see a decline in sales volume in 2014 following an extremely robust 2013," said Sky Xue, Analyst at China Real Estate Information Corp. Investment in housing projects rose 18.4% year-on-year to CNY542.6 billion in the first two months, compared with an annual growth of 23.4% a year ago.

Wang Shi, Founder of the nation's largest residential developer China Vanke, posted a blunt warning on his micro blog: "The situation in China's property market is very bad." Another property tycoon – Ren Zhiqiang, Chairman of Huayuan Property Co – forecast single-digit home price gains in 2014. Ren warned other developers not to be positive about the property market this year. UBS said the pace of home price increases could slow from about 10% in 2013 to between 5% and 10% in 2014, as supply in first-tier cities improves and monetary conditions tighten. Shanghai E-house China R&D Institute said that as of the end of February, inventories of new apartments stood at 82.33 million sq m in the top 20 cities, up 12.2% year-on-year. But Hui Jianqiang, Research Director of Beijing Zhongfangyanxie Technology Service, said the actual situation in the overall property market "isn't that bad" when viewed on a year-on-year basis. In the first two months, 104.66 million sq m of properties of all kinds traded for CNY709 billion nationwide. Last year, the comparable figures were 104.71 million sq m and CNY736.1 billion, according to the National Bureau of Statistics (NBS).

## RETAIL

### Wumart Stores reports decline in net profit

Wumart Stores, one of China's largest supermarket chains, reported its first decline in full-year net profit in more than six years. Wumart achieved sales of CNY18.9 billion in 2013, up 9%, but net retail profit fell 23.7% to CNY459 million, the first slide since 2008. The company attributed the decline to consolidation and restructuring of the store network in the past year, driven by rising rents and operating costs. Beijing-based Wumart closed at least 52 stores of various types last year, including outlets where leases were expiring or stores that were underperforming. "The fact that Wumart remains a regional player, with most of its sales coming from the North and only a limited presence in the Eastern region, also drags down their market performance," said Jason Yu, General Manager of Kantar Worldpanel. Last year, Wumart dropped plans to acquire stores and an equity stake from rival C.P. Lotus Corp. Wumart "needs to strengthen its competitiveness in the face of RT-mart and the fast emergence of Yonghui Super Stores, by either increasing its price competitiveness or store differentiation," Yu said.

- Want Want China, China's top snack food and dairy products maker, reported net profit grew by nearly a quarter last year. Lower costs for key raw materials, product price increases and a better sales mix were the main reasons for the company's better-than-expected net profit last year, which rose to USD687.3 million from USD553.8 million in 2012. Total revenue grew 13.7% to USD3.8 billion, and its gross profit margin improved by 2 percentage points to 41.5%.

## SCIENCE & TECHNOLOGY

### Slowing growth in number of Chinese studying abroad

The number of Chinese people going abroad to study grew much more slowly in 2013 than in previous years, but the number of returnees soared by nearly 30% in the same period, compared to 2012. About 412,900 Chinese went overseas to study last year – up 3.5% from 2012 – according to Ministry of Education figures. The increase was far smaller than the 15% rise in 2012 and the 20% hike in 2011. “Chinese families are becoming more rational when choosing overseas studies, instead of simply following a trend,” said Zong Huawei, Deputy Director of the International Cooperation Division of the Chinese Service Center for Scholarly Exchange in Beijing. Zong was in Shanghai in advance of the 19<sup>th</sup> China International Education Exhibition Tour on March 22 and 23 on which some 200 education institutes from more than 10 countries are represented. Zong said China’s good economic environment and job prospects are behind the dramatic increase of returnees. Last year, more than 363,500 Chinese people who had been living or studying abroad came back to China, an increase of 29% from 2012. Zong said the number of overseas students in China also increased. At the end of 2012, there were 350,000 overseas students in the country – up 6% from 2012. At the current growth rate, China will come close to the Ministry of Education’s goal of 500,000 overseas students by 2020, Zong said.

- China’s moon rover Yutu woke up again after its third dormancy, but mechanical problems have not been resolved. Its panoramic camera, radar and other equipment are functioning normally. The rover has now survived its designed lifespan of three months.

## STOCK MARKETS

### CSRC to clarify QFII policy

The China Securities Regulatory Commission (CSRC) said it would clarify its tax policy regarding participants in the Qualified Foreign Institutional Investor (QFII) program this year, as part of an effort to further open up China’s capital market. Talk about China introducing a capital gains tax of 10% has created uncertainty among investors. The CSRC also plans to increase quotas for the QFII program, a main gateway for foreign investors to access China’s yuan-denominated securities markets, and the Renminbi Qualified Foreign Institutional Investor (RQFII) program, which allows overseas investors to invest in China’s securities market with offshore yuan.

- Central China Securities has scrapped its plans for an initial public offering (IPO) in Shanghai as it believes it will be easier and quicker to raise up to USD400 million in Hong Kong. The mid-sized firm, based in Henan province, appeared on the global radar in 2008 when it announced with Wall Street bank Citigroup a plan to set up an investment banking joint venture. The plan was later scrapped as Citigroup decided to team up with other local partners. The firm had not yet formally applied to the Hong Kong stock exchange for the listing, but it aimed to launch it within two months.
- During the annual meeting of the National People’s Congress (NPC), Yao Gang, Vice Chairman of the China Securities Regulatory Commission (CSRC), said the industry watchdog might abolish a policy requiring Chinese companies planning a listing in Hong Kong to first seek approval from the regulator. This would make it easier and faster for mainland companies to raise capital on the Hong Kong stock exchange in the future.
- Jailed billionaire Huang Guangyu, Founder and former Chairman of Gome Electrical Appliances, and his wife Du Juan will pay HKD420.6 million to the company as compensation for misconduct in a 2008 share repurchase deal. Their agreement with Hong Kong’s Securities and Futures Commission (SFC) ends a nearly five-year legal battle between the couple and the regulator. The SFC has agreed to stay its proceedings and take no further action after the payment, which equals the gains they made from the deal.
- Internet firm Alibaba Group has decided to seek a listing in the United States instead of Hong Kong, which did not accept its shareholding structure for listing. Fewer Chinese companies have listed in the U.S. since 2011 amid accounting scandals and



poor market sentiment. Eight Chinese companies listed in the U.S. last year and only two in 2012, research company Zero2ipo said in a report. Analysts polled by Reuters have put Alibaba's market value at around USD140 billion and the value of the IPO at USD15 billion.

## TRAVEL

### CNMIEC to build railway in Sri Lanka

China National Machinery Import and Export Corp (CNMIEC) is to be awarded the second and third stages of a railway line project in Sri Lanka between Beliatta and Kataragama towns, valued at USD600 million. The first phase of the project from Matara to Beliatta to extend the railway line by 28 kilometers is already under construction by CNMIEC at a cost of USD272 million. The Export/Import Bank has agreed to grant a loan for the project. The first phase of the railway line is expected to be completed by 2016.

- A plan to build a second bridge across Hangzhou Bay, which will reduce the driving time between Shanghai and Ningbo to less than two hours, was approved. The 66-kilometer span, of which 54 km will be over water, will link Shanghai's Jinshan district with Cixi city in Ningbo in Zhejiang province. The first Hangzhou Bay Bridge opened in 2008 at a cost of CNY11.8 billion.
- Cathay Pacific Airways tripled its net profit last year to HKD2.62 billion largely on the back of savings in fuel costs and a slight improvement in passenger yields as Hong Kong's flagship carrier plans to expand cargo and passenger traffic in 2014. A HKD2.3 billion reduction in total fuel costs was the main contributor to the bottom line. Passenger revenues climbed 2.4% in the year to HKD71.8 billion.

## VIP VISITS

### President Xi meets Saudi-Arabian Crown Prince

China and Saudi Arabia – Beijing's biggest foreign source of crude oil – promised to forge a stronger relationship and expand their cooperation beyond the traditional field of oil in areas like aviation, space and new energy. President Xi Jinping met visiting Saudi Crown Prince Salman bin Abdulaziz Al Saud at the Great Hall of the People in Beijing, saying the two countries should elevate the level of their strategic relations. He told the Crown Prince, also Saudi Arabia's First Deputy Prime Minister and Defense Minister, that China wants to work with Saudi Arabia to push forward negotiations on the free trade agreement (FTA) between China and the Gulf Cooperation Council (GCC). The GCC groups six Arab states that border the Gulf – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). The FTA negotiations began in 2004 and have produced a number of major agreements. China's trade volume with GCC countries in 2012 exceeded USD150 billion.

- President Xi Jinping will kick off a trip to Europe on March 22, the Foreign Ministry announced. It will be Xi's first visit to Western Europe since taking office last March. He will participate in the international Nuclear Security Summit scheduled to be held in The Hague on March 24 and 25, visit the UNESCO headquarters in Paris, and also pay official visits to Germany and Belgium. Xi's visit to the EU Headquarters in Brussels will be the first by a Chinese President.

## ONE-LINE NEWS

- China Resources Cement, one of China's biggest cement producers, saw net profit rise 43.6% last year to HKD3.34 billion, with turnover up 15.8% to HKD29.34 billion. Investment bank Jefferies forecast that net profit would also grow more than 40% in the first half of this year. The state-owned enterprise planned to increase production capacity organically and through acquisitions, Chairman Zhou Longshan said.
- China will surpass its goal of having 58 gigawatt (GW) of installed nuclear power capacity by the end of the decade, according to Sun Qin, Chairman of the China National Nuclear Corp (CNNC), adding that the country may build 20 or more nuclear reactors in the next six years. China now gets below 2% of its electricity from 17

nuclear reactors. 31 additional units are under construction.

- The United States Securities and Exchange Commission (SEC) has charged bankrupt AgFeed Industries and six of its former senior executives, four of them Chinese, with “conducting a massive accounting fraud in which they repeatedly reported fake revenues from their China operations to prop up the stock price”. They reported false revenues totaling USD239 million from 2008 to mid-2011.
- Hong Kong billionaire Joseph Lau was found guilty of offering former Macao Transport and Public Works Secretary Ao Manlong a USD2.58 million bribe for the acquisition of land near Macao airport in 2005. Lau’s Chinese Estates Holdings is building an upmarket residential property on the site in which it has invested more than USD2.5 billion. Macao’s Court of First Instance sentenced Lau and a co-defendant to five years and three months imprisonment, but Hong Kong and Macao do not have an extradition agreement.

## QUOTES OF THE WEEK

“When confronted with mounting difficulties, one needs courage. To tackle a difficult situation, one needs wisdom. The thing we need to fear is not difficulty, but lack of preparedness.”

“Wise people will seek common interests, while the unwise will focus only on differences.”

“We managed to achieve the economic growth target last year without resorting to short-term stimulus policy. Why can’t we make it again this year?”

Chinese Premier Li Keqiang, during his press conference following the NPC closing session on March 13, 2014.

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#### **Contact:**

Flanders-China Chamber of Commerce

Lammerstraat 18, B-9000 Gent

Tel.: +32 9 266 14 60/61 – Fax: +32 9 266 14 41

E-mail: [info@flanders-china.be](mailto:info@flanders-china.be)

Website: [www.flanders-china.be](http://www.flanders-china.be)

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