法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 17 FEBRUARY 2014

FCCC ACTIVITIES

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

The Flanders-China Chamber of Commerce (FCCC) and Flanders Cleantech Association (FCA) are organizing an information session on “Cleantech opportunities for Flemish companies in China” on 26 February 2014 at FCA, Roderveldlaan 5/1, 2600 Berchem.

Programme:

15h30	Welcome by FCCC and FCA
15h40	“China in a nutshell – Top 3 challenges and solutions from Flanders” by Mr. Dirk Fransaer, CEO of VITO
16h00	“Your product in China? – a roadmap” by Mr. Tom Huysmans, CEO of Liquisol
16h20	“Cleantech opportunities and challenges for Flemish SMEs in China” by Mr. Raf Vermeire, Expert, EU SME Center
16h40	“Intellectual property and your business in China” by Mr. Simon Cheetham, ASEAN IPR SME Helpdesk Team Leader, China IPR SME Helpdesk (English)
17h00	Conclusions and possible next steps
17h10	Networking drink
18h30	End

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

Please register online by 22 February via this link:
http://www.flanders-china.be/eventdetail.asp?id=325&id_cat=1&cat=up&lang1=

Price: FCCC/FCA Members: €65. Non-members: €95

ACTIVITIES

Group business trip to China for beginners – 22 to 29 March 2014 – Beijing, Shanghai, Guangzhou

Flanders Investment & Trade (FIT) and UNIZO are organizing a group business trip to China for beginners from March 22 till 29 to Beijing, Shanghai and Guangzhou. Discover your next export market together with FIT representatives:

- Beijing: Mr Peter Christiaen
- Shanghai: Mrs Sara Deckmyn
- Guangzhou: Mr Dirk Schamphelaere

Exporting to China is less obvious than exporting in Europe or to America. The “China for beginners” route is aimed at exporters who don't have any experience in exporting to China and would like to explore the Chinese market under expert guidance. The route consists of:

- a workshop on 11 February 2014
- a group business trip from March 22 to 29, 2014
- a follow-up session on 13 June 2014

Only 30 places are available. Registration is possible before February 3, 2014.

Contacts: Michèle Surinx (T 02 504 87 91), Tijl Vanpraet (T 02 504 87 62).
www.flandersinvestmentandtrade.be

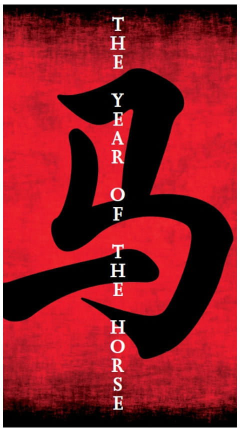
China Europa – 16~18 September 2014 – Shenyang

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 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).

Pictures will soon be online at the FCCC website.

Meeting with the Ambassador of Belgium in China and Consuls General – 3 February 2014 – Brussels

The Flanders-China Chamber of Commerce (FCCC) organized a meeting with the Ambassador and Consuls General of Belgium in China on 3 February 2014 at BNP Paribas Fortis in Brussels. The event presented an excellent opportunity to brief the Ambassador and Consuls General of Belgium in China on member companies' activities in China.

Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce; Mr Michel Malherbe, Ambassador of Belgium in China; Mrs Cathy Buggenhout, Consul-General of Belgium in Shanghai; Mr Christian de Lannoy, Consul General of Belgium in Guangzhou; and Mr Evert Maréchal, Consul General of Belgium in Hong Kong addressed the meeting.

Pictures of the event can be downloaded via this link:
http://www.blueclic.com/fccc_newyearreception

Briefing: "The Future of Foreign Investors in China" – 22 January 2014 – The Conference Board/FCCC, Brussels

The Conference Board – in partnership with the Flanders-China Chamber of Commerce – organized a briefing on "The Future of Foreign Investors in China" on 22 January 2014 in Brussels. Following the introduction by Mr Egbert Lox, Board Member Flanders-China Chamber of Commerce/Senior Vice President Government Affairs, Umicore; Mr. David Hoffman, Vice President and Managing Director of The Conference Board China Center for Economics and Business, gave an interesting briefing. The briefing took stock of economic trends and policy developments to provide a "reality check" on China's attractiveness as an end market and competitiveness as a production base. The session illuminated a set of key considerations for setting realistic objectives for growth and profitability in China, near- to medium-term.

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

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.

EXPAT CORNER

Canada scraps millionaire visa scheme

Canada’s government has announced that it is scrapping its controversial investor visa scheme, which has allowed rich Hong Kong and Chinese citizens to immigrate since 1986. The surprise announcement was made in Finance Minister Jim Flaherty’s budget, which was delivered to parliament in Ottawa. Tens of thousands of Chinese millionaires in the queue will have their applications scrapped and their application fees returned. The South China Morning Post revealed how the scheme spun out of control when Canada’s Hong Kong Consulate was overwhelmed by a massive influx of applications from Chinese millionaires. Applications to the scheme were frozen in 2012 as a result, as immigration staff struggled to clear the backlog. Under the scheme, would-be migrants worth a minimum of CAD1.6 million loaned the government CAD800,000 interest free for a period of five years. The simplicity and low relative cost of the risk-free scheme made it the world’s most popular wealth migration program. A parallel investor migration scheme run by Quebec still remains open. Many Chinese migrants use the alternative scheme to get into Canada via the French-speaking province and then move elsewhere in Canada. The federal government has previously pledged to crack down on what it said was a fraudulent practice. All together 59,000 investor applicants and 7,000 entrepreneurs will have their applications returned. 70% of the backlog, as of last January, was Chinese, suggesting more than 46,000 mainlanders will be affected by the announcement. Canada's Immigration Minister Chris Alexander invited Chinese millionaires to find other ways of getting into the country besides the scrapped Immigrant Investor Program (IIP). A new Immigrant Investor Venture Capital Fund will be launched later this year, which will demand visa-seekers provide a larger sum and put it into targeted “at-risk” investments.

FINANCE

JPMorgan Chase in new scandal involving insurance regulator

JPMorgan Chase is embroiled in another scandal involving top Chinese officials and jobs for well-connected individuals. China Insurance Regulatory Commission (CIRC) Chairman Xiang Junbo had asked JPMorgan Chief Executive Jamie Dimon to do him a “favor” by hiring a young job applicant, a family friend of Xiang, who now worked at the bank, the New York Times reported. U.S. authorities were investigating whether the hiring at JPMorgan was done explicitly to win business from Chinese companies. At least six other Wall Street firms had also received requests for information related to their hiring. JPMorgan said Dimon had nothing to do with the decision to hire the young woman, described within the bank as well qualified. Dimon met the applicant in June 2012 during a meeting with Xiang at a time when JPMorgan was seeking work from Chinese insurance companies. The New York Times added that Xiang introduced his young interpreter to Dimon as the meeting was wrapping up and portrayed her as the daughter of a close friend and a potential JPMorgan employee. JPMorgan created a special internship to accommodate the applicant, who later landed a full-time job at the bank. Separately, investment bank UBS has suspended two members of its staff in Hong Kong after launching an investigation into the hiring of an employee related to the head of a Chinese corporate client.

Investment product sold by CCB could default

A high-yield investment product distributed by China Construction Bank (CCB) has missed four interest and principal payments, raising concern similar products may default in future. The product created by the Jilin Province Trust Co raised CNY972.7 million in six tranches from CCB clients. The trust then invested the money in a Shanxi-based coal mine company's projects. The trust product required a minimum investment of CNY3 million and returns were based on the amount invested. An investor placing CNY50 million in the trust was expected to receive CNY6 million a year. Jilin Trust said in a statement in December that the debtor, Fuyu Energy Co, failed to pay back the principal and interest on the first and second tranches. Last month, investors of a trust product distributed by the Industrial and Commercial Bank of China (ICBC) suspected a default as one interest payment was overdue and owners of the coal company they invested in were detained by the police. Investors got back their principal earlier this month but not the interest from the last tranche.

Non-performing loans expected to rise further

Non-performing loans (NPLs) at Chinese banks jumped CNY28.5 billion in the fourth quarter of last year to CNY592.1 billion, the highest level since September 2008. The bad-loan ratio increased to 1% at the end of December, up from 0.97% three months ago. "The ratio is expected to further rise to 1.2% to 1.3% at the end of this year," said Shen Jianguang, Mizuho Securities' Greater China Chief Economist. He noted credit risks in industries such as shipbuilding and steel manufacturing, which face overcapacity problems. Given the slower pace of economic growth and looming overcapacity in various industries, banks' asset quality would see increasing pressure, Shen said. Wang Tao, Economist at UBS Securities, expects Chinese banks' bad loans to keep growing this year amid the deceleration in economic growth. The risk associated with local government debts would remain, but the overall economic slowdown would be the main reason to drive up bad loans, she said. "The overcapacity problem in various industries will be a major concern," Wang added. The bad-loan figures might not be able to reflect the actual loan quality of banks as the credit risk of the shadow banking sector was not factored in, she said, warning against risks in off-balance-sheet lending. Liao Qiang, Senior Director at Standard & Poor's, said the loan quality of Chinese banks was expected to deteriorate noticeably this year. Beijing's effort to rein in the rapid growth in shadow banking might result in tightened credit for certain segments such as local government projects and property developments. "A drain of credit for these segments may lead to a surge in bad loans," Liao said.

- Liquidity is likely to stay relatively tight at least in the first half of the year after the People's Bank of China (PBOC) issued an "unusually hawkish" monetary report, according to Dariusz Kowalczyk, Senior Economist at Crédit Agricole Corporate and Investment Bank. "They seem determined to conduct a tighter liquidity policy until banks slow their expansion of credit," he added. Wang Guobing, Analyst at Northeast Securities, said the effects of fine-tuning measures will only be seen in the second half of the year.
- Shanghai plans to regulate the booming online finance sector to ensure the safety of the money that consumers place in online accounts like Alibaba's Yu'ebao and Tencent's Tenpay. The revenue from online finance services, including third-party payment and online P2P credit, totaled CNY20 billion, a 40% annual growth. Yu'ebao had attracted 43.03 million users with aggregate deposits of CNY185.3 billion at the end of 2013.
- The China Banking Regulatory Commission (CBRC) has ordered some smaller lenders to set aside more funds to avoid a cash shortfall. Different requirements are being instituted in each province, such as quarterly stress tests, in response to CBRC studies last year that showed increasing risks and pressure at those lenders. Some

banks were asked to set aside reserves to ensure cash supply for 30 to 45-day periods.

- Several commercial banks launched wealth management products with an expected annualized yield up to 6.35% and a minimum investment of CNY50,000 to compete for market share with internet-based finance products such as Yu'E Bao, which are becoming increasingly popular. Yu'E Bao had achieved CNY250 billion in assets by January 15 and more than 61 million customers by February 6.
- Banking services were disrupted in Guangzhou when about 100 cash delivery guards went on strike following the accidental shooting death of a colleague at the weekend. Several bank branches across the city started running out of cash. The cash delivery company Sui Bao is managed by the Guangzhou Public Security Bureau and employs more than 1,000 guards and 200 armed delivery trucks.
- Bank of China (Hong Kong) expects the city's yuan deposits to keep growing despite capital outflow risks, reaching CNY1.16 trillion by the end of this year, driven by the prospect of steady appreciation in the currency and increasing overseas investments by mainland Chinese.
- Chinese banks will see a further deterioration in their loan quality and profitability this year amid tight liquidity and a quickening pace in liberalizing interest rates, Standard & Poor's Ratings Services said. The banks remain heavily exposed to debt-laden local government financing platforms and manufacturers with overcapacity. S&P also said it expects rising credit costs, narrowing interest margins and slowing growth in non-interest income to hit the banks' earnings this year.
- China's outstanding trust loans reached CNY4.8 trillion by the end of 2013, up from CNY3 trillion in December 2012, according to the China Trustee Association. Bank customers bought CNY2.2 trillion worth of outstanding trust investment products, up from CNY2 trillion a year earlier. Outstanding trust loans to local governments to fund infrastructure and urban development projects jumped significantly from CNY502 billion in 2012 to CNY961 billion last year. New loans extended through trust firms took up 9% of China's aggregate social financing in December last year.
- A policy package from the central bank for the China (Shanghai) Pilot Free Trade Zone will be implemented "very, very soon", according to the Shanghai-based Oriental Morning Post. Six to seven sets of bylaws will be announced by the People's Bank of China (PBOC), laying out details of the 30-point policy guidelines issued earlier. Those guidelines govern financial reforms in the zone. The 30-point package focuses on capital account and interest rate liberalization, but it also touches on other aspects of finance, including fundraising and trading.

FOREIGN INVESTMENT

AlixPartners says risk of corruption high in China

China is one of the riskiest countries in the world and a place where companies would avoid doing business because of the prospect of corruption, a recent survey by international business advisers AlixPartners found. The survey, which covered China for the first time, interviewed lawyers and executives of multinationals involved in compliance and found 25% of the companies avoided China and the Middle East for fear of corruption, while 39% avoided Africa. Of the respondents, 41% said corruption was unavoidable in China. Another survey by Kroll, a risk consultancy in the United States, showed 80% reporting exposure to fraud in China for 2012 to 2013, up from 69% between 2011 and 2012. On average, companies lost 1.2% of their revenue to fraud in China for 2012 to 2013, compared with 0.8% previously.

- A growing number of Chinese entrepreneurs are emigrating to St Kitts, a small island in the Caribbean Sea, as part of efforts to bypass Chinese regulations on offshore fundraising. The emigrants included Zhang Lan, Founder of restaurant chain South Beauty. The island does not require a minimum residency period to apply for citizenship like most countries, making it appealing to Chinese businesspeople as a shortcut to obtaining a foreign identity.

FOREIGN TRADE

Growth in China exports, imports surprises

Export growth in China unexpectedly accelerated to 10.6% year-on-year last month from a 4.3% rise in December, while imports gained 10%, also faster than the 8.3% growth the previous month. Most economists had expected much weaker growth or even a decline in exports last month, mainly because over-invoicing at trading companies a year earlier had pushed exports up by 25% year-on-year in January last year and imports up by 28.8%. “This is really out of people’s expectations. The surge in exports is likely a result of large inflows of hot money into the mainland betting on yuan appreciation,” said Liu Ligang, Economist at ANZ Bank. China’s trade surplus reached USD31.86 billion last month, compared with USD29 billion a year earlier. In the early months of last year, trading companies had been discovered to report fake transactions so as to channel more foreign capital into China to bet on the appreciation of the yuan. The situation eased after the State Administration of Foreign Exchange (SAFE) tightened its control over speculative inflows in May, but signs in recent months showed that such arbitrage activities may have picked up again, the South China Morning Post reports. Analysts voiced renewed concerns that speculative inflows brought about the robust trade figures. Economists were both encouraged and puzzled by the trade data because the better-than-expected numbers came in despite fewer working days last month due to the Lunar New Year holidays. However, the mainland's exports to Hong Kong, the place chosen by many Chinese firms to forge round-trip trade deals, fell 18% year-on-year in January.

China is targeting export growth of about 7.5% this year. “As the European and U.S. economies show signs of warming up, uncertainties remain for China's export outlook, such as the recent turmoil in emerging markets,” said Liu Xuezhi, Analyst with Bank of Communications.

- A recent decision by the European Commission will allow foreigners to bring their own horses to China for competitions due to improved quarantine conditions in China. For now the measure only applies to the Global Champions Tour's Shanghai leg in June, where local organizers' preparations for quarantine facilities and sanitary conditions met European Union requirements. China hosted the 2008 Beijing Olympics' equestrian event in Hong Kong, which applies the same quarantine standards as the EU. The green light for the Shanghai event means a permanent agreement between China and the EU on quarantine standards could be achieved soon.
- Australian policymakers see little evidence of a slump in China's economic growth, defying global pessimism. The Reserve Bank of Australia and the country's Treasury forecast China’s economy will grow 7.5% this year. The view is underpinned by a 21% expansion in Australian-Chinese trade to a record AUD141.8 billion last year, led by shipments of iron ore to fuel China's construction boom.
- China's imports of crude oil and key commodities surged to a record high in the first month of the year. China imported 28.16 million metric tons of crude oil in January, up 11.9% year-on-year. The daily crude imports reached a new record of 6.63 million barrels. Iron ore imports also soared to a record high of 86.83 million tons, up 18% compared with December, marking a 33% increase year-on-year. In addition to iron ore, copper imports in January totaled 536,000 metric tons, a record high with a year-on-year growth of 53%.
- China and Sri Lanka could sign a free trade agreement (FTA) by the end of the year, Sri Lankan Foreign Minister G.L. Peiris said during a four-day visit to China.
- The Chinese Communist Party's Central Commission for Discipline Inspection (CCDI) has accused the Ministry of Commerce (MOFCOM) of mismanagement and abuse, including officials who misused their posts for personal gain. Commerce Minister Gao Hucheng said the Ministry accepted the criticisms.

HEALTH

Chinese should drink more milk

Chinese will be urged to drink more milk and get fewer calories from traditional staples in a national plan to improve food supply and nutrition. The China Food and Nutrition Development Plan for 2014-2020, issued by the Chinese government, aims to raise average milk consumption to about 100 milliliters a day by 2020, up from the 15 ml per day under the 2000-2010 plan.

- Health authorities in Jiangxi province have confirmed another human case of H10N8, a new strain of bird flu. Several more human H7N9 virus infections were also reported, bringing the total to more than 120 H7N9 cases this year, including at least 31 deaths.
- Guangzhou has closed its live poultry markets for two weeks as part of efforts to halt the spread of bird flu. The city government said the closure took effect on February 15 and lasts through February 28.

MACRO-ECONOMY

Slow increase of price index in January

China's consumer price index (CPI) climbed 2.5% year-on-year last month, on par with the rise in December, the slowest increase since June last year. Last month's inflation was higher than the 2% in January last year, likely because the Lunar New Year holiday began earlier this year, pushing up demand for vegetables and meat. The Producer Price Index (PPI) fell by 1.6% last month. The reading has been negative for 23 months. Food inflation in January rose 3.7%, the fastest monthly increase since March 2013, reflecting strong demand during the Chinese Lunar New Year.

- Reform will be the top priority for the city this year, Shanghai Mayor Yang Xiong said, with construction of the free trade zone (FTZ) the most important of 21 major missions, which range from economic reforms, promoting industrial innovation, lifting living standards, to improving government.
- Anti-trust authorities are expected to launch more investigations this year in dozens of industries after expanding their teams nationwide. Xu Kunlin, Director of the Price Supervision Department at the National Development and Reform Commission (NDRC), recently revealed a plan to recruit at least 170 employees for the anti-trust law enforcement team. About 20 of the new members will work for the Beijing Department of the NDRC, and the rest will join local units. According to the Supreme People's Court, judges have heard more than 61 anti-trust lawsuits from 2008 to 2013.
- Premier Li Keqiang has pledged to return more authority on investment issues to the market this year, as a method to reduce government intervention and counter corruption. The Premier called on the government to adopt the "negative list" approach in delegating powers and reducing administrative approvals. He especially stressed the importance of facilitating investment, urging for "the greatest determination" in reducing administrative approvals that may impede investors.
- The World Bank has lowered its expectation of China's 2014 economic growth to 7.7% from the previous 8%, reflecting deleveraging and less reliance on policy-induced investment.

MERGERS & ACQUISITIONS

Danone increases stake in Mengniu Dairy

French food company Danone said it will spend USD665 million to increase its stake in China's largest dairy firm Mengniu Dairy Co. Danone will purchase 121.2 million new shares of Mengniu through a joint venture with China's COFCO Group and Denmark's Arla Foods. The purchase will raise its stake in Mengniu from 4% to about 9.9%. The deal is subject to the approval of Mengniu's shareholders, and is expected to be completed within a few months. Mengniu will use the funds to repay debts and strengthen its balance sheet. "Through the collaboration with Mengniu, Danone could speed up the expansion of its yogurt business and also boost its milk powder business," said Song Liang, Senior Analyst at market research firm China Commercial Distribution Promotion Center. Danone spent CNY2.6 billion to purchase a 4% stake in Mengniu and establish a joint venture with the company last year. Danone's share of China's yogurt market in 2012 was 1.6%, while Mengniu's was 16.8%, according to Euromonitor International.

RRJ to take 45% stake in joint venture with Bright Dairy

RRJ Capital, a private equity firm run by former Goldman Sachs Partner Richard Ong, plans to invest CNY1.52 billion for a 45% stake in a joint venture with Shanghai-listed Bright Dairy & Food. Bright Dairy will consolidate all the dairy farms and related business into the joint venture, Bright Holstan, according to a filing to the Shanghai Stock Exchange (SSE). The capital raised from the strategic shareholder would be used as working capital for dairy farms and related businesses. The deal will need approval from shareholders and government regulators including the Shanghai Municipal State-owned Assets Administration. RRJ is an Asian investment firm that focuses on private equity investments in China and Southeast Asia. Based in Singapore and Hong Kong, it was founded by Ong in March 2011. Last year, the private capital firm invested USD50 million in Shanghai-based property developer CIFI, marking its first investment in China's real estate sector. It also bought a HKD2.71 billion stake in environmental services company China Everbright International. Bright Dairy & Food's parent firm, Bright Food Group, is also working with Citigroup on a planned purchase of Tnuva Food Industries, Israel's largest food manufacturer and distributor. Bright Food, whose domestic brands include White Rabbit candy, last year bought a 60% stake in British cereal maker Weetabix for USD1.2 billion.

- Forbes Media is drawing interest from companies including China's Fosun International and Singapore's Spice Global Investments, with final offers for the Forbes magazine publisher submitted. Forbes, which is working with Deutsche Bank on the sale, is seeking as much as USD400 million.

PETROCHEMICALS

PetroChina discovers huge gas deposit in Sichuan

PetroChina, China’s largest oil and gas producer, has discovered a huge gas deposit in the Sichuan Basin that is equivalent to two years of national consumption. The finding in the Moxi block in the Anyue field was certified by the Ministry of Land and Resources to hold 440.4 billion cubic meters of proven geological reserves, of which 308.2 billion cu m are “technically recoverable,” China National Petroleum Corp (CNPC), the parent company of PetroChina, said in a newsletter. The company did not give a timeframe and the development cost for the field. The new find will “provide abundant resources to the national gas pipeline network,” it said. PetroChina is building a facility capable of pumping 4 billion cu m of gas a year in the block where the new discovery is made, and another 6 billion cu m per year under the second phase. To date, 600 million cu m have been produced at the block. China’s natural gas consumption has been rising rapidly as it turns to the cleaner-burning fuel to cut pollution. Its gas consumption in 2013 rose 13.9% from a year earlier to 167.6 billion cu m, making China the world’s third-largest gas consumer. Over 30% of its consumption was imported. Analysts said the news should be taken with a pinch of salt given the firm's tarnished track record in bringing previously announced major discoveries to production. Neil Beveridge, Senior Analyst at Sanford C. Bernstein, said while the discovery could add 10% to PetroChina's gas reserve, the firm's track record on major reserve discoveries may have dampened excitement over the announcement.

Brightoil in talks to buy U.S. firms’ China operations

Marine fuel supply and oil trading firm Brightoil Petroleum has held talks with U.S. oil companies Anadarko Petroleum and Newfield Exploration to buy their China operations. Hong Kong-listed Brightoil has been searching for upstream investment opportunities in China and overseas for several years. Trading in its shares has been suspended, pending an announcement of a “very substantial acquisition”. Reuters reported in November that Anadarko was considering the sale of its holdings in oil and gas projects in China worth about USD1 billion. Houston-based Anadarko owns about a 35% interest in production and development projects in the Bohai Bay. It also has a 50% stake in a South China Sea exploration project. Brightoil, which has a market value of USD2.5 billion, is the third-largest marine fuel supplier by volume in Singapore, which is the largest bunkering port in the world. Last year, the company's trading and bunkering business added crude oil, diesel and petrochemicals. Brightoil's management had said upstream oil and gas was a key area of its development to diversify away from the volatile oil trading business, which commands low profit margins. Its gross profit margin rose to 2.2% in the year to June last year from 1.3% a year earlier, while its pre-tax profit excluding fair-value change in derivative financial instruments stood at HKD11.8 million, compared with a loss of HKD772.4 million previously, the South China Morning Post reports.

- China plans to increase the share of non-fossil fuels in its overall energy consumption to 10.7% this year in an effort to further improve its energy mix. Raising energy efficiency, controlling consumption, optimizing the mix and guaranteeing supply are this year's four major tasks listed by the National Energy Administration (NEA). Non-fossil fuels took up 9.8% of China's total energy use in 2013. The 12th Five Year (2011-2015) Plan set a target of non-fossil fuels of 11.4% of the country's energy consumption by 2015.
- By 2030, as much as 75% of China's oil might be imported. The dependency on overseas natural gas will also rise rapidly, bringing with it grave energy security concerns, according to Li Wei, Director of the Development Research Center of the State Council. By 2030, China and India are expected to account for half of the world's oil consumption. The U.S., on the other hand, will likely be the center of world oil production by 2020.

RETAIL

Adidas' largest store opens in Beijing

Adidas' first store under the "Home Court" store concept opened in Beijing's Sanlitun area. Locating its largest store in the Chinese capital shows the significance the Chinese market holds for the company. In 2012, China generated sales of €1.6 billion and group sales reached €14.9 billion that year. In the first nine months of 2013, sales in Greater China rose 7% year-on-year, with sales in the third quarter of 2013 increasing 9%. Under Adidas's Route 2015 strategy, the company will continue to open stores in lower-tier cities and Western China, while upgrading existing stores in bigger cities, said Gianni Conti, Vice President Retail for Adidas Group, Greater China Area. Adidas operates more than 7,600 stores in China. The company says it plans to be in 1,400 lower-tier cities by 2015. Nike (China) and Adidas Sports (China) led the sportswear market in China with market shares of 12% and 11%, respectively, in 2012, according to Euromonitor International. Affected by the global economic downturn, the sportswear industry in China saw its overall market value decline from 9% in 2011 to 5% in 2012. Domestic players Li Ning, Anta, Xtep and Peak – suffering from issues like high stock levels, a lack of technology and innovation, and rapid store expansion – saw their market share drop, the China Daily reports.

- Spending by Chinese consumers on shopping and dining out over the recent Lunar New Year holiday rose 13.3% to CNY610.7 billion from last year, the Ministry of Commerce (MOFCOM) said. The figures suggest consumer confidence is high despite the softening economic growth momentum. National tourism revenue during the week rose 16.4% from last year to CNY126.4 billion, the National Tourism Administration (NTA) said. The number of tourists rose 14% to more than 231 million. The value of transactions through China UnionPay cards jumped 23% to nearly CNY200 billion.
- China Mobile users in Shanghai can now use their phones to pay Metro fares by directly swiping their phones. The new service also allows people to pay for purchases in 20,000 stores in Shanghai. To protect consumers, there is a spending limit of CNY1,000 per day. Consumers can access the service by replacing their SIM cards with radio frequency identification (NFC) technology at Shanghai Mobile's outlets if they have NFC-capable phones.
- Many napkins used in restaurants are unhygienic and of poor quality, including those from Ikea, China Central Television (CCTV) said. Jierou napkins made by C&S Paper Co were found to have excessive moisture content, while the number of napkins bearing the brand Breeze and produced by the Gold HongYe Paper Group did not match the figure marked on its packaging.

SCIENCE & TECHNOLOGY

Moon rover revived after encountering problems

China's moon rover Yutu is "awake" at last after its second lunar night but experts are still trying to find out the cause of its technical problems. The rover can receive signals as normal, but experts are still working to verify the cause of some mechanical control issues. It was expected to work on the moon for at least three months. Problems emerged before the rover entered its second dormancy period on January 25. Experts feared it might not be able to function again given the extremely low temperatures during the lunar night. One night on the moon is about 14 days on Earth, during which the temperature falls below minus 180 degrees Celsius. During the lunar night, there is no sunlight to provide power to Yutu's solar panel. The rover stays in power-off mode and communication with Earth is cut off. Yutu touched down on the moon's surface on December 15. China is the third country in the world to soft-land on the moon after the United States and the former Soviet Union.

- A team of scientists from Jilin University has developed a "water-jet" printer that they say may make ink printing a thing of the past. The secret lies in the paper, which is coated with invisible dyes that react with water. Words and images of a slightly lower quality than ink-jet or laser printing appear as the jet of liquid touches the paper. The research was published in the scientific journal Nature Communications.
- Chinese scientist Zhang Xingdong, who specializes in regenerating damaged tissue with bio-materials, has been accepted as a Member of the U.S. National Academy of Engineering, the only Chinese among the 67 new members elected this year. The Academy had 214 foreign associates by 2014, nine of them from the Chinese mainland. China is the only country that uses osteo-inductive calcium phosphate ceramics in clinical applications.
- Nine people in Harbin in Heilongjiang province have been arrested and accused of helping students cheat on their postgraduate entrance exams. They are accused of giving students at the Harbin University of Science and Technology earpieces connected to radio devices so they could be told the answers during their exams last month to get into an MBA course.
- The Wenchang Satellite Launch Center in Hainan province, the fourth in China, is expected to see its first launch in late 2014 or early 2015, with construction completed before June. The center will cost CNY2.5 billion. It includes a rocket assembly plant, a command center and facilities such as a space research center, as well as a theme park. Located about 19 degrees north of the equator, the new launch center is suitable for launching geosynchronous and heavy satellites, large space station components and lunar and interplanetary missions.

STOCK MARKETS

Luxembourg lobbying for yuan quota

Luxembourg is lobbying Beijing for equal treatment with London, which was granted an investment quota last year allowing investors based there to invest their offshore yuan directly in China's securities markets. In an effort to capture a larger share of Europe's offshore yuan business, top Luxembourg officials, including the Minister of Finance, plan to visit China in May or June for talks with financial authorities. Luxembourg, which holds the largest pool of yuan deposits in Europe, is seeking to be accepted into the renminbi qualified foreign institutional investor (QFII) scheme. "We are very confident the Chinese will look at the second batch of jurisdictions that they would offer RQFII status to and Luxembourg would be among them," said Nicolas Mackel, Chief Executive of Luxembourg for Finance, a government-backed agency tasked with promoting and developing the country's finance industry. Competition among would-be offshore yuan centers has been intensifying, and acceptance into the RQFII scheme has been a key target for each of them, as the two-year-old program is the only channel through which offshore yuan can be invested directly in the onshore securities markets. London was the first offshore yuan center after Hong Kong to be accepted into the RQFII scheme. It was granted an CNY80 billion quota when British Finance Minister George Osborne paid a visit to Beijing in October last year. A week later, Singapore received a CNY50 billion quota during a visit by Vice Premier Zhang Gaoli.

- China Metal Resources Utilization, which manufactures products from recycled copper, aims to raise around HKD680 million in a Hong Kong initial public offering (IPO) to fund plant construction and repay loans. It is confident government subsidies and tax rebates that it relies on will be maintained in the next few years. "China has placed high emphasis on environmental protection in the past few years," Chairman Yu Jianqiu said. "We believe government support for metals recycling will rise in the next few years." China Metal's net profit tripled year-on-year to CNY132 million in the first nine months of last year. Its net profit margin rose to 7.8% from 5.3%.

- Foshan Haitian Flavoring and Food Co surged 29.6% in its trading debut. Analysts said they expect shares of Foshan Haitian to rise further as China's condiment industry will grow rapidly due to increasing demand for essentials amid the country's urbanization process. Foshan Haitian is the flagship firm in China's fast-growing condiment industry. It is China's largest soy sauce maker with a market share of between 16% and 19% in 2010. The company raised CNY3.84 billion.
- China General Nuclear Power Group (CGNPG) has picked China International Capital Corp and Deutsche Bank to arrange an initial public offering (IPO) in Hong Kong. The Shenzhen-based firm planned to seek about USD2 billion from the share sale in the second half of this year. It might consider selling shares in China's domestic stock market after the Hong Kong listing. Beijing-based rival China National Nuclear Corp (CNNC) had prepared for a Shanghai IPO in 2012 but the flotation has not been realized. China planned to add 8.6 gigawatt (GW) of nuclear power capacity this year, almost equal to Britain's yearly nuclear power capacity.
- Two Chinese internet firms, Cogobuy and Locojoy, are planning initial public offerings (IPOs) in the Hong Kong market. The two follow China's second-largest e-commerce firm JD.com, which has begun marketing a USD1.5 billion share offering in the United States. Cogobuy, a Shenzhen-based e-commerce operator specializing in sales of electronic components, is looking to raise as much as USD300 million in the second quarter. Locojoy, a Beijing-based developer of mobile and web games, plans to raise about USD100 million in its Hong Kong share sale, also targeted for the second quarter. About 30 Chinese companies could list in the U.S. this year, investment bankers said.
- Shanghai stocks rose 3.49% last week, the biggest weekly gain since September, buoyed by ample market liquidity after the week-long Spring Festival holiday. Funding costs fell with the seven-day Shanghai Interbank Offered Rate dropping 58.5 basis points to a one-month low of 4.44%.
- Yang Jianbo, the former Director of a trading unit at Everbright Securities, has filed a lawsuit against China's securities regulator over a punishment he received for insider trading following a trading error that caused wild fluctuations in the Shanghai stock market last year. He was fined CNY600,000 and banned from the securities industry for life. Yang lodged the lawsuit at the Beijing No 1 Intermediate People's Court on February 8 to ask that the punishment by the CSRC be revoked.
- China's ratings agencies do not differentiate – 96% of domestic ratings are AA or above. According to the three dominant domestic agencies – Chengxin, Lianhe and Dagong, which collectively control 80% of the domestic market – all Chinese credits exist in a tight, four-notch cluster veering between "extremely strong" creditworthiness and the merely "very strong", which Chengxin uses to describe AAA and AA ratings. If Chengxin – 49% owned by Moody's – would apply the same ratings scale used by Moody's internationally, a lot of Chinese debt would look low-grade, deterring investors. Banks and insurance firms buy most of the bonds issued in the Chinese market, and these institutions can only buy securities rated AA-minus or above.

TRAVEL

Airlines warn not to use third-party boarding apps

Airlines are urging passengers not to use third-party boarding applications on their mobile phones, claiming the apps are illegal and could even prevent them from taking their flight. China Eastern urged passengers to use its official mobile phone application. Many domestic online flight ticket agents and travel agencies have launched mobile phone applications for flight services. Some allow users to choose their seats and even check in on their mobile phones. Third-party apps combine the services of over 10 carriers in a single application.

- 20 years from now, it will probably be a Chinese manufacturer that will be a big threat to both Airbus and Boeing, John Leahy, Airbus' Chief Operating Officer (COO) said at the Singapore Airshow. China set up Commercial Aircraft Corp of China (COMAC) in

2008 with the goal of producing large passenger aircraft. The company has been marketing its ARJ21, a twin-engine regional jet, and the C919 family of narrow-body airplanes at the airshow. The C919's final assembly phase is expected by the end of this year and the first flight is scheduled for 2015.

- Work on the world's longest cable-stayed bridge linking Shanghai and Nantong in Jiangsu province will commence at the end of this month. Use of the bridge will significantly shorten the travel time from the current 3 hours to just about an hour. The 11-kilometer highway-railway bridge, including a 5-kilometer span across the Yangtze river, will be built at a cost of CNY14.2 billion. The bridge is expected to be ready in 2017.
- American Airlines Group, the world's largest carrier, will expand its presence in China, where it expects to see revenue grow 67% this year. The airline, which completed a merger with U.S. Airways Group in December, will launch two new non-stop services from Shanghai and Hong Kong to Dallas this summer, said Scott Kirby, President of the new American Airlines. With the new flights, AA will have five daily flights between China and the United States. AA only has a small share of the China-U.S. air traffic market, because the former U.S. Airways didn't have any trans-Pacific routes.
- The Shanghai Transport and Port Administration wants taxi passengers to use dispatch booking systems or apps, or wait for taxis at designated spots instead of hailing them on the roads as they used to do. The city will build more taxi-waiting spots near commercial centers, large residential areas and other public places this year to help citizens have easier access to taxis.
- China plans to build the world's longest underwater tunnel beneath the Bohai Sea by 2026. Once approved, work could begin as early as 2015 or 2016. The project will cost an estimated CNY220 billion. Work on a feasibility report could take two or three years. The 123-km underwater tunnel will accommodate a rail line connecting the port cities of Dalian in Liaoning province and Yantai in Shandong province, cutting travel time to only 40 minutes, down from eight hours by ferry.
- Taxi apps are causing confusion at Beijing Capital International Airport with some passengers getting taxis quickly while others have to wait. Instead of waiting in the long line for taxis at the airport, many passengers use taxi-booking apps. The airport will discuss the situation with Beijing's traffic authorities, which supervise ground transport in the airport area.
- Japan issued 79,000 visas for mainland Chinese group tourists last month and more than 30,000 for individual visitors, the highest number since Japanese Prime Minister Shinzo Abe took office in December 2012. The total number represents a tenfold increase on the same period last year.
- Beijing's road congestion worsened last year despite measures to ease traffic flow, with traffic jams averaging one hour and 55 minutes every work day – an increase of 25 minutes from 2012 – according to a report by the Beijing Commission of Transport. Guo Jifu, Director of the Beijing Transportation Research Center, said the conflict between the growth of vehicles and roads would inevitably lead to even worse traffic jams. Last year, the number of vehicles on the road grew by 5%, while the length of roads in the capital increased by less than 1%.

VIP VISITS

First meeting of official representatives of mainland China and Taiwan

The Chinese mainland and Taiwan agreed to establish a liaison mechanism in their first formal meeting since 1949. The agreement was reached after Zhang Zhijun, Director of the State Council Taiwan Affairs Office, held a landmark dialogue with visiting Taiwan Mainland Affairs Council Chairman Wang Yu-chi in Nanjing, capital of Jiangsu province. The mechanism will aim at tackling major disagreements and facilitating all-round development of cross-Strait relations, but it will not replace existing non-official communication channels such as the mainland's Association for Relations Across the Taiwan Straits (ARATS) and Taiwan's Straits Exchange Foundation (SEF). Wang invited Zhang to visit Taiwan, and Zhang accepted. Analysts said the meeting offers a new platform for interaction between the mainland and Taiwan. Nanjing was once the capital of the Kuomintang government and is the location of the tomb of Sun Yat-sen, a founder of the Kuomintang and pioneer of the Chinese democratic revolution. The meeting also marked the first time a senior Taiwanese official had returned to

Nanjing in his official capacity since the KMT government moved its seat from Nanjing to Guangzhou on February 5, 1949.

China and Hungary strengthen relations

China and Hungary have showcased their friendship and reinforced bilateral relations during Hungarian Prime Minister Viktor Orban's visit to Beijing with a long list of cooperation agreements. Infrastructure construction, especially the implementation of an ongoing Budapest-Belgrade rail upgrade project, will take the lead in bilateral cooperation, which also covers sectors such as finance, science, agriculture, and people and cultural exchanges. “As the first foreign state leader visiting China after Lunar New Year, your trip signals the intimate relations between our two countries,” Premier Li Keqiang told his Hungarian counterpart. The Hungarian government approved an application by the Bank of China (BOC) to establish a branch office in Hungary, the first Chinese bank to do so. Tian Guoli, Chairman of BOC, said his bank hopes to establish a Central and Eastern European financial center in Hungary and will gradually improve the bank's ability to provide financing support to the region. BOC is seeking to become the clearing bank for yuan business in Hungary.

- Chinese President Xi Jinping told visiting U.S. Secretary of State John Kerry that China was committed to enhancing dialogue and mutual trust with Washington despite growing tensions between Beijing and allies of the United States, including Japan and the Philippines. On North Korea, Kerry said China “could not have made it more clear” that denuclearization on the Korean peninsula must occur, and had promised to take “additional steps” against Pyongyang if it was not serious.

ONE-LINE NEWS

- China remained the world's top art buyer for the fourth straight year, accounting for USD4.078 billion in sales, according to France-based Artprice. China and the United States account for two-thirds of the global art market. Britain was third, followed by France, Germany and Switzerland.
- A crackdown on Dongguan's sex trade may cost city businesses, including hotels, shops and restaurants, at least CNY50 billion – or one-tenth of the local economy – analysts said. Dongguan, a city of 8.2 million located between Shenzhen and Guangzhou, has been in the spotlight since China Central Television (CCTV) aired an exposé on its thriving sex industry, triggering a police crackdown.
- Guangzhou plans to expand its urban boundaries by taking two rural counties under its jurisdiction, making Conghua and Zengcheng city districts. Meanwhile, Luogang district would be absorbed into Huangpu district, leaving the city with 11 districts in all. The move would expand available urban land to 7,434 square kilometers from 3,843 sq km currently.
- The Ministry of Public Security (MPS) announced it had recovered CNY49.26 billion after busting 149,800 cases of economic crime. The Ministry's announcement highlighted 10 major cases from last year, including GlaxoSmithKline's (GSK) alleged bribing of Chinese officials. Chinese police have urged the public to blow the whistle on graft, with offers of financial rewards for accurate tips.
- Chinese Premier Li Keqiang has called for a complete halt to construction of new government buildings, training centers and hotels in an effort to curtail government spending. In July, the government ordered a five-year suspension of the construction of new official buildings, but in December the central government warned that the ban was not being enforced effectively.

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

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