



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

# NEWSLETTER | 27 JANUARY 2014

**The Chairman and the Board of Directors of the Flanders-China Chamber of Commerce wish the members and newsletter readers a happy and prosperous Year of the Horse!**

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## FCCC ACTIVITIES

### Meeting with the Ambassador of Belgium in China and Consuls General – 3 February 2014, 18h00 – Brussels

The Flanders-China Chamber of Commerce (FCCC) is organizing a meeting with the Ambassador and Consuls General of Belgium in China. This event will take place at 18h00 on Monday 3 February 2014 at 18h00 at BNP Paribas Fortis, Koningsstraat 20 in Brussels.

This event is an excellent opportunity to brief the Ambassador and Consuls General of Belgium in China on your companies' activities in China.

Programme:

18h00	Registration
18h30	Speeches by 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 Mr Evert Maréchal, Consul General of Belgium in Hong Kong
19h00	Exchange of views and networking with the Ambassador and Consuls-General
20h00	End of programme

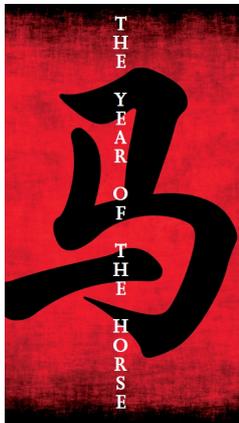
The event is organized with the support the Federal Government of Belgium, Flanders Investment & Trade (FIT), AWEX and Brussels Invest & Export.

Register before 30 January 2014 via the following link:

[http://flanders-china.be/eventdetail.asp?id=321&id\\_cat=1&cat=up&lang1=](http://flanders-china.be/eventdetail.asp?id=321&id_cat=1&cat=up&lang1=)

The participation fee for members of the FCCC is €45. The fee for non-members is €75.

### FCCC New Year Reception – 13 February 2014, 18:00 h. – Brussels



The Flanders-China Chamber of Commerce will hold its annual New Year Reception on Thursday 13 February 2014 at 18:00 h. at AG Insurance, Nieuwbrug 17, 1000 Brussels.

Addresses will be 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;  
Mr Kris Peeters, Minister-President of the Government of Flanders, Flemish Minister for Economy, Foreign Policy, Agriculture and Rural Policy.

Please register online before February 9 via the following link:

[http://www.flanders-china.be/eventdetail.asp?id=320&id\\_cat=1&cat=up&lang1=](http://www.flanders-china.be/eventdetail.asp?id=320&id_cat=1&cat=up&lang1=)

## 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.

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[www.flandersinvestmentandtrade.be](http://www.flandersinvestmentandtrade.be)

## PAST EVENTS

### 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.

## PUBLICATIONS

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

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

## EXPAT CORNER

### Foreign experts confident about Chinese economy

Foreign experts who attended a meeting with Premier Li Keqiang said they are confident about the Chinese economy in 2014, thanks to robust economic figures for last year. Alistair Michie, Adviser to China’s Foreign Experts Advisers Committee, said he has no doubt that China will be able to deliver another decade of sustainable growth. Michie was one of more than 70 foreign experts who attended the meeting with Premier Li to offer suggestions on the nation’s development.

## FINANCE

### Mutual funds suffer losses

Mutual funds operating in China lost a combined CNY44 billion in the fourth quarter of last year as equity funds suffered the most due to a sluggish stock market. The loss narrowed the net gain the funds made last year to CNY172.4 billion, up 38% from a year earlier, data from TX Investment Consulting Co showed. Equity funds reported a loss of CNY35 billion from October through December when tight liquidity and concerns over the reboot of initial public offerings (IPOs) depressed the stock market. Bond funds suffered a loss of CNY6.8 billion in the fourth quarter while hybrid funds lost a combined CNY12.7 billion.

- Citi has launched an automated yuan cross-border pooling solution for its clients in the Shanghai free trade zone (FTZ), allowing companies to automatically transfer yuan between their onshore and offshore entities without providing supporting documents or applying for approvals on a deal basis.
- A doubling in China’s money-market funds in the past six months is draining bank deposits and raising the risk of financial failures during cash crunches, Fitch Ratings warns. The assets under management of such plans surged to a record CNY737

billion on December 31 from CNY304 billion on June 30. Assets managed by China's 67 trusts soared 60% to USD1.67 trillion in the 12 months to September, dwarfing the scale of money-market funds.

- Ten small loan companies may be given access to the People's Bank of China's credit rating system if the central bank is satisfied with a trial run that is being conducted, Song Mei, Chairman of Shanghai-based Jishiyu, which is one of the firms in the trial run, told Shanghai Daily. The credit rating system run by the PBOC provides financial institutions with personal credit histories to enable them to evaluate risks of potential borrowers. The system opened to all commercial banks in 2005.
- Mercedes-Benz will launch a yuan-denominated bond in China, becoming the first non-financial foreign enterprise to issue yuan debt on the Chinese interbank market. Bank of China (BOC) will be the principal underwriter. How Mercedes will use the proceeds hasn't been disclosed, but experts said the money is most likely to be spent on domestic projects.
- China Investment Corp (CIC) Vice President and General Manager Gao Xiqing has retired, with former Deputy General Manager Li Keping promoted in his place. Bank of China President Li Lihui has also stepped down and is moving to a Commission under the National People's Congress (NPC). Former BOC Vice President Chen Siqing, 52, succeeded Li.
- The People's Bank of China (PBOC) injected CNY255 billion into the interbank market in the largest single-day injection of funds in almost a year, but more liquidity is probably needed. The central bank pumped the cash into the seven and 21-day reverse bond repurchase agreements. The central bank injected more than CNY1.3 trillion in January and February last year. This year, the amount would need to be larger to avoid a cash squeeze, analysts said. Still, the PBOC would continue to let interbank rates hover at higher levels to discourage commercial banks from frivolous lending that had helped fuel property price bubbles and excess production capacity.
- Tianhong Asset Management, the sole partner of Alibaba in the sale of money market funds on the company's e-commerce platform, is on its way to overtaking China Asset Management to become China's biggest mutual fund manager. Tianhong's total assets under management now stand at about CNY260 billion, but are rising fast thanks to the popularity of online shopping. China Asset Management has been the country's biggest asset management firm since 2007.
- The Ministry of Finance published new rules making it easier for banks to write off small loans of up to CNY10 million without permission from the regulator, in the latest effort to help lenders deal with an expected rise in bad loans as the economy slows. The Finance Ministry also said that if a borrower has entered bankruptcy, financial institutions can write off loans after two years, if they have not received repayment. The previous limit was three years.
- The China Banking Regulatory Commission's (CBRC) Guangdong office is studying the feasibility of introducing new rules to make it easier for Hong Kong banks to operate in Guangdong province, as part of efforts to build the region into a free trade zone (FTZ). "The Guangdong-Hong Kong-Macao free trade zone is strategically important for banks on both sides and we'll grab this opportunity to open up the financial market," He Xiaojun, Deputy Director of the Guangdong Office said.
- The yuan has been among the top 10 currencies used for payment for two straight months and remained in 8<sup>th</sup> place in December, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) said in a report. The yuan has overtaken 22 currencies over the past three years. Yuan payments were concentrated in Hong Kong, which has a 74% market share by value, according to the SWIFT report.
- China's fiscal revenue, comprising central and local government income, climbed 10.1% year-on-year in 2013 to CNY12.91 trillion, down from the 12.8% gain reported in 2012. The central government fiscal revenue rose 7.1% from 2012 to CNY6 trillion last year while that of local governments added 12.9%.
- Hong Kong's banking system has received a "negative" rating from credit agency Moody's for the second year running on the back of concerns about lower profitability and growing credit risks due to its exposure to the mainland where shadow banking is a problem. Hong Kong is the only place in North Asia, besides Mongolia, that has a negative outlook for its banking system over the next 12 to 18 months, while in south Asia, Singapore, India and Vietnam were also rated "negative", the rating agency said.

- China's monetary authorities may tax individual foreign exchange transactions when necessary to curb speculation as China is still facing high capital inflows. The Tobin tax may be introduced to control cross-border money flows as a relatively high interest rate and a strong yuan will continue to draw foreign capital, Guan Tao, Director of the Department of International Payments at the State Administration of Foreign Exchange (SAFE) said.
- Chairman Jiang Jianqing of the Industrial and Commercial Bank of China (ICBC) said during the World Economic Forum (WEF) in Davos, the bank isn't obligated to help repay investors if there is a default on some CNY3.3 billion in payments on a financial product it sold in 2010. He added that in the future, if customers buy "wealth management products or other products, they must see clearly the risks." ICBC sold the "Credit Equals Gold #1" product to investors on behalf of China Credit Trust Co.

## FOREIGN INVESTMENT

### Chinese units of Big Four auditing firms suspended in U.S.

The Chinese units of the Big Four auditing firms KPMG, Deloitte & Touche, PricewaterhouseCoopers (PwC) and Ernst and Young are to appeal a U.S. ruling suspending them from practicing in the U.S. for six months. The Chinese units were censured for "willfully" failing to provide the U.S. securities regulator with the audit working papers of Chinese companies under investigation for accounting fraud. The ruling will not take effect until reviewed and approved by the full SEC Committee. In their statement, the auditing firms said: "It is regrettable that the SEC's administrative law judge has recommended sanctions against the Big Four firms in China for failing to produce work papers to the SEC in circumstances where such production would have violated Chinese law and regulations. The firms intend to appeal and thereby initiate that review without delay." The firms "can and will" continue to serve all their clients without interruption in the meantime, it said. If the decision is upheld, more than 200 Chinese companies listed in the U.S. will have to find new auditors. The ruling is the latest escalation in a six-year standoff between China and U.S. securities regulators over accessibility to audit documents, the Shanghai Daily reports.

## FOREIGN TRADE

### 12 new free trade zones to follow in Shanghai's footsteps

The central government has agreed in principle to approve 12 new free trade zones (FTZs), three months after giving the special status to a zone in Shanghai. The 12 would include zones in Guangdong, which has been lobbying the central government by highlighting its economic ties with Hong Kong, and Tianjin. Those two FTZs were likely to be launched in about a year. Other candidates included Zhejiang's Zhoushan, which consists of several islands with a focus on the shipping business; Qingdao; Chengdu; Wuhan; and Hangzhou. A Shanghai-based researcher said the approval of more FTZs might not necessarily erode Shanghai's edge, but would increase the bargaining power of the new zones. "A collective lobbying effort from various provinces and municipalities would probably prompt the central government to make determinations on financial liberalizations, such as convertibility of yuan under the capital account," said the Shanghai Academy of Social Sciences researcher, who asked not to be identified. Analysts said more free-trade zones would increase competition for talent and capital and result in an infrastructure building spree in the near term. In the longer term, they said that punishing competition and economic development might ultimately result in three prominent zones – one each in eastern, southern and northern China. Yuan internationalization and financial services would be key elements in all zones.

## HEALTH

### Shanghai doctor dies from H7N9 virus

A 31-year-old Shanghai emergency room doctor has been confirmed to have died from the H7N9 bird flu virus. He worked at the Pudong New Area People's Hospital and had denied that he had close contact with live poultry. Experts said the public needn't panic as there was no evidence the virus could spread between humans. But the World Health Organization (WHO) Representative said human-to-human transmission of the H7N9 bird flu virus might occur on a limited scale in China. Shanghai has reported seven cases of H7N9 infection this year. Shanghai's live poultry markets will shut from the end of this month until April 30 in a bid to

prevent more cases. Experts warned that more cases could be reported in the Lunar New Year holiday season due to increases in poultry consumption. Human cases of H7N9 have also been reported in Jiangsu, Fujian and Guangdong, which reported its third H7N9 death. China has reported more than 200 human cases of H7N9 since March last year. Feng Zijian, Deputy Director of the Chinese Center for Disease Control and Prevention, said that there have been no mutations of the virus in terms of drug resistance, viral activity and in transmission capacity since March. Ten human H7N9 bird flu cases were reported in China on January 24, including seven in Zhejiang province, forcing cities in the province to close their live poultry markets. All the newly reported cases are in critical condition. One infection was also reported in Beijing. Zhejiang has seen new human H7N9 cases for 17 consecutive days since January 9. The new cases brought the number of infections in the province to 46 so far this year.

- China has confirmed the second human case of the new H10N8 strain of bird flu. A 55-year-old woman was admitted to hospital in Nanchang, the capital of Jiangxi province on January 15, complaining of a sore throat and dizziness, and is now in critical condition.

## IPR PROTECTION

### Ministry of Public Security details IPR campaign

As many as 59,222 people suspected of intellectual property rights infringement were seized by Chinese police in 2013, the Ministry of Public Security said. They were involved in 55,180 cases with an estimated value of CNY173 billion. More than 90 million tons of counterfeit and substandard goods were confiscated, and 1,260 criminal networks smashed. During a special campaign against online sales of fake drugs, a record 300 million pills worth CNY2.2 billion were seized by police. Police officers cooperated on IPR with Interpol, the World Customs Organization and law enforcement authorities from various countries, including the United States, Britain and France. The Ministry also took part in Interpol's Operation Hurricane against counterfeiting and trafficking last year, helping to resolve 2,914 cases. China has an average of about 200,000 administrative punishment cases concerning IPR infringement each year.

### EU and China launch "IP Key" program

A new round of cooperation on intellectual property between China and the European Union was launched on January 16. The European side will provide a total investment of €7.5 million to fund a program called "IP: A Key to Sustainable Competitiveness", or "IP Key" for short. Around €1.5 million will be offered by the Office for Harmonization in the Internal Market (OHIM), the largest IP agency in Europe. On the Chinese side, the Department of Treaty and Law of the Ministry of Commerce (MOFCOM) will coordinate the Chinese contribution to the partnership, with the participation of some 15 IP authorities. Zhang Xiangchen, Assistant Minister of Commerce, said at the launch ceremony that the partnership is a "model program" among those invested by the EU in China. The three-year new project is based on two prior EU-China IP cooperation projects – IPR1 from 1996 to 2004 and IPR2 from 2007 to 2011, which focused on the legal framework and IP enforcement. The new project will "move from purely technical assistance to partnership and cooperation activities", said Antonio Campinos, President of OHIM.

- Two brands of traditional Chinese medicine with a common origin are headed to court over a trademark dispute. Zhangzhou Pien Tze Huang Pharmaceutical Co recently announced that it had filed a lawsuit against Xiamen Traditional Chinese Medicine Co, claiming that the defendant infringed on its right to the trademark of its top product Pien Tze Huang. It also made allegations of unfair competition, saying the Xiamen company's advertisement made false comparisons between its own Babao Dan and Pien Tze Huang, causing injury to the latter's reputation. The plaintiff has asked for CNY30 million as compensation and that the Xiamen company stop the advertisements. Pien Tze Huang is a famous Chinese traditional medicine used to help relieve internal heat, flush out toxins, cool the blood and reduce stasis.
- The State Intellectual Property Office (SIPO) dealt with 825,000 applications for invention patents last year, an increase of 26.3% over 2012, and nearly 330,000 international filings via the Patent Cooperation Treaty, SIPO Commissioner Shen

Changyu announced at an annual meeting of heads of local IP offices.

- Chongqing's IP office and the Chongqing University of Technology will jointly establish China's first museum of IP culture that integrates exhibitions, research, information exchange and knowledge promotion. The museum, located in the university, will be divided into five parts, including IP information in fields of automobiles and advanced equipment manufacturing. The project is scheduled to be finished by the year 2019.

## MACRO-ECONOMY

### Think tank puts focus on migration deficit

Beijing-based think tank Center for China and Globalization (CCG) urged the central government to upgrade its immigration office to a ministerial-level agency to tackle the "migration deficit" caused by a growing trend of people taking their skills and wealth abroad. The number of Chinese emigrants reached 9.34 million last year, compared with 848,900 immigrants, leaving a migration deficit – or an excess of emigrants over immigrants – of 8.5 million. The figures were contained in the Center's Annual Report on Chinese International Migration 2014. The deficit has increased 129% since 1990, when it was 3.71 million. It makes China the fourth-largest source country for international emigrants after India, Mexico and Russia. The U.S., Canada, Australia and New Zealand are the top four destinations for Chinese. The number of emigrants resulted in a brain drain and money outflow, said the report. "Most of the Chinese emigrants are middle-class people aged 35 to 55," it said. "Their leaving weakens middle-class support for China's social transformation and causes a huge loss to society's reforms and progress." In 2012, 6,124 Chinese moved to the U.S. through the investment immigration scheme, causing an asset outflow of between USD3 billion and USD6 billion. Meanwhile, the outflow of wealth and talent was not offset by immigration, with relatively high barriers for entry. Wang Huiyao, Director of the CCG suggested the central government should upgrade the immigration office to a state-level bureau. The main body managing foreigners, the Exit-Entry Administration Bureau, is a department under the Ministry of Public Security, the South China Morning Post reports.

- China's national consumption has been estimated by Larry Hu, Moody's head of China economics, to be about 30% of GDP. That would likely increase to 40% in the coming years, he said. By comparison, U.S. domestic consumption was 69% of GDP in 2012. China's consumption fell as a percentage of GDP, while fixed-asset investment (FAI) rose. This happened despite buoyant retail sales rising 13.6% in December from a year earlier. For years economists have been urging China to rebalance its economy.
- At the first meeting of the Central Leading Group for Overall Reform, President Xi Jinping urged officials to make resolute and timely efforts to implement new policies. Headed by Xi, the group has six departments: economy and ecology; democracy and justice; culture; society; Party construction; and discipline and supervision. Premier Li Keqiang attended the meeting along with Liu Yunshan, a Member of the Political Bureau of the CPC Central Committee, and Vice Premier Zhang Gaoli. All are Vice Chairmen of the leading group.
- China aims to establish an "early warning system" that would aggregate industrial data from several sources and provide signals of possible overcapacity, Chen Bin, Director General of the National Development and Reform Commission's Industrial Coordination Department, told a news conference. Overcapacity is seen as a major barrier to China's goal of maintaining sustainable growth in 2014.
- The IMF expects China's economy to grow 7.5% this year and 7.3% the next, which would be among the lowest rates in more than a decade. It also called on China to move more quickly towards consumption-led growth and away from investment, and to contain the building up of risks in the financial sector without excessively slowing growth.
- China's manufacturing activity may have contracted for the first time in six months in January, pointing to a weak start for the economy. The HSBC Flash China Manufacturing Purchasing Managers' Index (PMI) dropped to 49.6 in January from December's final reading of 50.5, according to HSBC Holdings and research firm Markit. Qu Hongbin, Chief Economist for China at HSBC, said the index was mainly dragged down by cooling domestic demand.
- The retirement age will inevitably be postponed as China feels the pressure of its

ageing population, the Ministry of Human Resources and Social Security said. "Postponing the retirement age would objectively help ease society's burden of caring for the ageing population," Ministry Spokesman Li Zhong said. Under Chinese law, men retire at 60 and women at 55. Li said this should be changed to keep pace with rising life expectancy, which today is 75.

- Salary increases are expected to hit 8.8% in 2014, a slight rise on the 8.6% for 2013, according to a survey by 51job.com, a human resources service provider. It found that the highest salary increases occurred in the financial sector, reaching 10.4%, followed by real estate (10.1%), high tech (9.9%) and bio-pharmaceuticals (9.2%). Salaries in the high-tech sector are expected to increase by 0.8 percentage points in 2014 from 2013, the highest growth among the surveyed sectors.

## MERGERS & ACQUISITIONS

### Value of M&As hit record in China last year

The value of mergers and acquisitions (M&As) in China hit a record last year after recovering from a five-year low, driven by a surge of activities in the second half, according to a report by PricewaterhouseCoopers (PwC). The value of M&A deals, including domestic, inbound and outbound, reached USD260 billion last year, up 28% from 2012 which was a five-year low. There were 4,448 M&A deals last year, with 59% in the second half. "Strong M&A activity shows a return of market confidence, and we expect these strong growth trends to continue into the first half of 2014," said Roger Liu, PwC Partner. Domestic M&A deals powered the market recovery last year as the total value amounted to USD148.1 billion, up from USD89.6 billion in 2012. More M&A activities are expected across resources and industrial sectors because of the stepped-up efforts to reform state-owned companies, PwC said in the report. "The key drivers to fuel M&A growth will include further liberalization of markets, state-owned enterprise reforms, government support for outbound activities, and recovering equity capital markets," Liu said. Outbound M&As slowed to USD51.5 billion from a record USD66.4 billion in 2012 when CNOOC made a USD15 billion acquisition. There were a record 119 deals in the second half of last year, the Shanghai Daily reports.

- Chinese regulators have approved Hony Capital's CNY1.8 billion investment in Shanghai Chengtou Corp. The 10% stake made Hony, China's leading home-grown private equity firm, the second-largest shareholder in Shanghai Chengtou, which is engaged in property development. It also has an environmental protection unit that converts municipal waste into energy. Bringing in Hony as a strategic investor echoes the city government's moves in reforming the state-owned assets sector, Jiang Yao, General Manager of Shanghai Chengtou, said.

## PETROCHEMICALS

### Russia starts crude oil deliveries to China

Russia has started delivering crude oil to China as of the beginning of the year. Rosneft announced that it had received an advanced payment from China for oil deliveries starting this month. Rosneft and China's state-owned China National Petroleum Corp (CNPC) signed long-term crude oil supply contracts during the St Petersburg International Economic Forum in June 2013. Rosneft plans to supply 360 million metric tons of crude oil to China for a period of 25 years, according to the contract, valued at USD270 billion in total. The advance payment totaled USD70 billion with a first subsequent payment of USD20 billion. CNPC's Economics and Technology Research Institute estimated that China's oil demand in 2014 will reach 518 million metric tons with an annual growth of 4%. Crude imports will reach 298 million tons, up 7.1% year-on-year. The two countries also reached a framework agreement in 2009 for Russia to deliver about 70 billion cubic meters of natural gas to China annually for 30 years starting from 2014. China has become the third-largest natural gas user in 2013 with a total consumption of 167.6 billion cubic meters, up 13.9% year-on-year. Duan Zhaofang, a natural gas expert at the Institute, estimated that the nation's gas use in 2014 will reach 186 billion cu m, a rise of 11% year-on-year.

- CNOOC aims to raise output by up to 5.6% this year as it plans to bring up to 10 new projects on stream. Net oil and gas production may reach 422 million to 435 million

barrels of oil equivalent (BOE), including 69 million barrels from Nexen, the Canadian unit it acquired last year. The company expects 7 to 10 new projects to start this year and incur a total capital expenditure of up to CNY120 billion to support growth in production and reserves, CNOOC said. The company's shares fell the most in more than two years after the lower-than-expected projections for its output were released.

- Addax Petroleum Corp, the biggest overseas subsidiary of Sinopec Group, has won a 10-year contract to extract oil at three fields in Gabon. At peak production, the company will account for about 20,000 barrels a day, or nearly one-eighth of Gabon's oil output. The production-sharing agreement was reached on January 14 after a year of negotiations, covering three oil fields: Tsiengui, Obangue and Autour. Geneva-based Addax Petroleum was acquired by Sinopec five years ago. Its strategic focus is on Africa, the Middle East and the North Sea. In Africa, its major operations are in Nigeria, Cameroon and Gabon, though it is also seeking to expand in other countries.

## REAL ESTATE

### Home sales grew strongly last year

The value and volume of new home sales in China last year grew by double digits from 2012. The value jumped 26.6% to CNY6.77 trillion, the National Bureau of Statistics (NBS) said. The volume of new home purchases totaled 1.16 billion square meters nationwide, a year-on-year rise of 17.5%. The prices of new homes continued to rise in 65 of the 70 cities tracked in December from a month earlier. Year-on-year, the prices in 69 cities rose. The prices in Shanghai, Beijing, Guangzhou and Shenzhen gained 21.9%, 20.6%, 20.4% and 20.3%, respectively. The price momentum will likely extend for another year.

- Chinese outbound investment in commercial real estate more than doubled in 2013 from a year earlier to USD7.6 billion, with the U.S. and the UK receiving most of the funds, according to a report by international property services provider Jones Lang LaSalle. The investors pumped USD2.9 billion in New York last year, a sharp rise from the USD200 million in 2012. London, a favorite city for overseas investors, attracted USD2.1 billion from Chinese in 2013.
- U.S. developer Silverstein Properties and Chinese partner Qianhai International Energy Financial Center have bid a record CNY13.4 billion to acquire a plot of land in the Qianhai pilot economic zone in Shenzhen. It is the most costly plot of land ever sold in booming Shenzhen, beating the previous CNY7.18 billion land sale record for another Qianhai plot in July by Chinese developer Excellence Real Estate Group.
- Sales of pre-owned homes rose to an eight-year high in Shanghai in 2013, with robust sentiment in the luxury sector. The purchases totaled 293,000 units last year, up 58.8% from 2012, Shanghai Deovolente Realty Co said in its latest report. The number of homes costing over CNY8 million rose to 2,119 units from 920 units sold in 2012. Luxury homes in Huangpu district were sold at the highest average price of CNY77,007 per square meter last year.

## RETAIL

### Remy Cointreau suffers from weak Chinese demand

The head of Remy Cointreau's cognac division, Patrick Piana, has stepped down two days after the French spirits group reported a 32% slump in third-quarter cognac sales because of slowing demand in China. Piana's departure, which followed the resignation of Group Chief Executive Frederic Pflanz three weeks ago, adds further uncertainty to a company trying to figure out how best to respond to weak Chinese demand. Cognac is responsible for 80% of the company's operating profit, and China accounts for about half of that total.

- Last year, a total of 68 new malls opened in 11 first- and second-tier Chinese cities, compared to 52 new malls in 2012. Mega-malls remain a strong feature of the retail landscape, particularly in smaller cities, according to research by Knight Frank. The average vacancy rate of prime shopping centers in second-tier cities grew to 10.9%, but in first-tier cities, such as Beijing, the vacancy rate fell by 1.5 percentage points quarter-on-quarter to 4% in the fourth quarter of 2013.

## SCIENCE & TECHNOLOGY

### U.S. remains Chinese students' top destination

The United States remains Chinese students' top destination for studying abroad despite a slight drop in popularity. Of those who plan to study abroad, 26.8% prefer the U.S. as the destination country, down about 1.3% from last year's survey, according to the annual report of the EIC Group. The group surveyed more than 21,000 people aged 15 to 36. "The main reason behind the small decrease may be that the destinations for studying abroad are getting more diverse," said Jin Ran, Chief Marketing Officer of EIC Groups. Certain majors in countries outside the U.S. are "more competitive, such as luxury management in France, hotel management in Switzerland, logistics in Singapore and mechanical engineering in Germany," Jin said. The report shows increases in the number of students choosing Germany (up 3.6%) and Canada (up 3.1%) as their study destinations in 2014, and minor increases in those favoring Singapore (up 0.6%) and France (up 0.3%). In the report, 64.1% of interviewees listed "education quality" as the main factor behind their choice of destination country, about 20% more than those who based their choice on cost, the second biggest factor. About half a million Chinese students will study abroad in 2014, according to the EIC Group's estimate, the China Daily reports.

### Chinese moon rover may be damaged beyond repair

China's Jade Rabbit moon rover has experienced mechanical problems halfway through its three-month mission to the moon due to "the complicated lunar surface environment," the State Administration of Science, Technology and Industry for National Defense (SASTIND) said. The malfunction occurred when it was entering the moon's night, which lasts for about 14 Earth-days, during which the temperature falls below minus 180 degrees Celsius and there is no sunlight to power Yutu's solar panel. Scientists may not be able to repair Jade Rabbit, according to a report from Xinhua. The rover has travelled over 100 meters and had completed most of its tasks. A planetary rover specialist at a German aerospace company, Lutz Richter, speculated that the electric motors withdrawing solar panels on the rover might have failed, damaging sensitive equipment in the intense cold. The rover was about to shut down its systems to get through the lunar night when it broke down.

- Li Ming, former Director of the Shenzhen Public Security Bureau, was appointed Party Secretary of the South University of Science and Technology of China (SUSTC) to replace the school's founding President, Zhu Qingshi. The university is to become China's first ultra-modern education institution free from bureaucracy.
- A team of 31 international scientists, including 13 Chinese, will join the IODP Expedition 349 which will drill three holes in the seabed of the South China Sea, Chief Chinese Scientist Li Chunfeng said in Shanghai. The drilling will penetrate nearly 2,000 meters into the basement at about 4,000 meters water depth to collect rock samples of different ages within different magnetic zones.

## STOCK MARKETS

### JP Morgan quits as Tianhe IPO sponsor as Chairman's daughter joins UBS

JP Morgan Chase was working on Tianhe Chemicals' Hong Kong IPO when its Chairman's daughter Joyce Wei was an employee at the company, but when she quit and joined UBS, the Swiss bank took over JP Morgan Chase's work on the IPO, raising questions of business ethics. Chairman Wei Qi is very well connected in Liaoning province, where his company is seen as a leading business. Tianhe's partners include major state-owned oil firms such as Sinopec and PetroChina. JP Morgan has been caught up in regulatory probes in the U.S. into its business dealings, including its hiring practices in China.

- Chinese banks' A shares have dipped below net book value or are about to breach that level, prompting some to ask whether it is a good time to buy the seemingly undervalued stocks. Many analysts say the worst is yet to come. They are concerned about banks' continued accumulation of bad loans, which will reduce their capital strength at a time when they face lower profits because of fierce competition sparked

by the impending interest rate liberalization.

- Seven of the eight companies that made their debuts in Shenzhen on January 21 were suspended from trading after their shares surged 45% from the IPO prices, exceeding the exchange's limit for first-day trading. Truiking Technology, a Hunan-based company focused on the pharmaceutical and food packaging machinery industry, closed 45.2% higher.

## TRAVEL

### Boeing delivers record number of planes to China

Boeing hit a new record by delivering 143 airplanes to China in 2013, a 60% year-on-year increase. China is the only country outside the U.S. currently operating more than 1,000 Boeing aircraft, Marc Allen, President of Boeing China said. Boeing's main rival also benefited. Airbus delivered 133 airplanes to China in 2013, accounting for more than 20% of its global deliveries. It is also the fourth year in a row for Airbus' deliveries to China to exceed 100. The European aircraft manufacturer plans to maintain this rate in 2014, said Robin Tao, Airbus China Spokesman. Over the past year, the two major airplane builders both received more than 200 orders in China. Boeing received more than 230 orders from the China market, with 130 of them from leasing companies, Marc Allen said. China's leasing market will be a main segment for aircraft manufacturers in the future. There are five leasing companies with more than CNY5 billion registered capital in China at present. Domestic leasing companies run more than 300 aircraft currently. China's aviation authority also started accepting applications for new airlines in early 2013 after a six-year suspension. The first new carrier in China since 2007 started flights in December.

- Shanghai's traffic authorities said they intend to improve the taxi dispatching system and won't ban third-party booking apps in order to meet the huge demand. Smartphone apps are posing a challenge to the traditional taxi booking service. The city has 49,000 taxis, which falls short especially during rush hours.
- More than 50 star-rated hotels in China have pledged to "downgrade" to attract lower-paying customers while some new hotels have delayed filing applications for a star rating amid a decline in business following the Communist Party's campaign against extravagance. The more than 4,000 star-rated hotels in China, of which 680 are 5-star properties, may have suffered a 25% annual drop in operation revenue last year from 2012, said Chen Miaolin, Chairman of the New Century Tourism Group and Vice President of the China Tourism Association (CTA). About 56 5-star hotels pledged to downgrade to 4-star properties last year, Chen said.
- Fosun International plans to build the first seven star Atlantis luxury hotel in Shanghai near the under construction Disneyland. In October Fosun said it would build a USD1.6 billion resort on Hainan island, co-developed with South Africa's Sun City casino tycoon Sol Kerzner. The Hainan resort will be the first Atlantis brand hotel in China and the world's third after those in Dubai and the Bahamas.
- The Qingdao North Railway Station officially started operations on January 10. Located at the old site of Cangkou Train Station, only 16 kilometers from the city's airport, it connects railway lines with three subway lines, creating a hub connecting Qingdao to major metropolitan areas in the Yangtze River and Pearl River deltas. It will also connect another four high-speed railways in the pipeline that link Qingdao to Weihai and Jinan in Shandong province and Dalian in Liaoning province.
- Spain has retaken the number three spot in world tourism in 2013, overtaking China by receiving a record 60.6 million international visitors. Spain now stood behind only France with 83 million international tourist arrivals and the United States with 67 million.

## VIP VISITS

### President Xi to attend Winter Olympics opening ceremony

Chinese President Xi Jinping will attend the opening ceremony of the Winter Olympics in the Russian city of Sochi and stay in Russia for three days from February 6. "By supporting Russia, China is showing that its ties with Moscow are developing," said Tian Chunsheng,

Russian Affairs Expert at the Chinese Academy of Social Sciences (CASS). Japanese Prime Minister Shinzo Abe is also planning to attend the opening ceremony but is not expected to meet with Xi.

## ONE-LINE NEWS

- Chinese buyers drove up Christie's sales by 14% to USD7.13 billion last year, a record high not just for the British auction house but for any company ever in the art market. In 2013, Chinese buyers accounted for 22% of the total sales of Christie's, which saw a 63% increase in the money spent by Chinese buyers. Christie's plans to open a gallery in Beijing this year to host exclusive exhibitions only for its top-end clients in China.
- President Xi Jinping will head China's new national security commission, while Premier Li Keqiang and NPC Chairman Zhang Dejiang were appointed Vice Chairmen. The Commission will report to the Communist Party's Political Bureau and its Standing Committee.

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