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

NEWSLETTER | 23 JUNE 2014

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FCCC ACTIVITIES

Shanghai Investment Promotion Conference – 24 June 2014 – Kortrijk

A conference on investment opportunities in Shanghai, Shanghai Fengxian European SME Industry Park and Shanghai Jinshan Zhujing Industry Park, is organized by the Flanders-China Chamber of Commerce (FCCC), VOKA West-Flanders, the Shanghai Foreign Investment Development Board, Shanghai Fengxian European SME Industry Park and the Shanghai Jinshan Zhujing Industry Park.

In this conference you will learn about the current investment environment in Shanghai and preferential policies available for SMEs. You will also get a chance to meet with senior level delegates that can give you practical advice on how to do business in China.

The conference will take place on Tuesday 24 June 2014 at 17h30 at Sandton Hotel Broel, Broelkaai 8, Kortrijk.

The programme:

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| 17h00 | Registration |
| 17h30 | Welcome: Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce and by Mr Hans Maertens, Managing Director, VOKA – Chamber of Commerce West-Flanders |
| 17h45 | <ul style="list-style-type: none">• Presentation on the investment environment and policy in Shanghai by Mr Tao Dong, Vice President, Shanghai Foreign Investment Development Board• Presentation on the Shanghai Fengxian European SME Industry Park by Representative Fengxian• Presentation on the Shanghai Jinshan Zhujing Industry Park by Representative Jinshan, Zhujing |
| 19h00 | Exchange of views and walking dinner |

The meeting is organized with the support of Flanders Investment and Trade.

If you are interested in attending this event, please register online before 17 June 2014. Registration is free of charge.

Presentation: Key Findings of Business Climate Survey in China and Update on EU-China Trade & Investment Relations – 25 June 2014 at 10h00 – Brussels

The EU-China Business Association, BUSINESSEUROPE and the European Union Chamber of Commerce in China, are organizing a presentation on the business climate in China and the EU-China trade and investment relations. This meeting will take place on Wednesday 25 June at 10h at BUSINESSEUROPE, Avenue de Cortenbergh, 168 in Brussels.

During this conference the latest findings from the China Business Confidence Survey 2014 will be presented. This survey was realized by the European Union Chamber of Commerce in China and gathers together the views of over 550 European businesses in China. At this meeting, the European Commission will also provide an update on the recent negotiations of the EU-China Investment Agreement.

The EU-China Business Association is the EU-wide federation of business organizations in the EU promoting business relations with China. The Flanders-China Chamber of Commerce holds the secretariate-general of the association.

The programme is as follows:

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| 10h00 | Registration |
| 10h30 | Welcome by the EU-China Business Association / BUSINESSEUROPE |
| 10h40 | Presentation of the China Business Confidence Survey 2014 by Mr Adam Dunnett, Secretary General, European Union Chamber of Commerce in China |
| 11h10 | Update on the negotiations of an EU-China Investment Agreement by a Representative of the European Commission |
| 11h30-12h00 | Question and answer session |

To attend, please register before 20 June via www.flanders-china.be. This event is free of charge for FCCC members.

Weihai-Ghent: Economic Cooperation Seminar – 9 July 2014 – Weihai

The cities of Weihai and Ghent, the Flanders-China Chamber of Commerce (FCCC), Ghent University and Flanders Investment & Trade (FIT) are organizing an economic cooperation seminar in Weihai, Shandong province on 9 July 2014 at 10h. Venue to be announced later.

Programme

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| 9h30 | Registration |
| 10h00 | Welcome by Mrs. ZHANG Hui, Mayor of Weihai |
| 10h10 | Welcome by Mr. TERMONT Daniël, Mayor of Ghent, "Movie: Ghent puts knowledge to work" |
| 10h20 | Ghent: research and investment opportunities by Mrs. Els Pandelaere, Investment Promotion Manager, Ghent by Mr. Domien Proost, Representative China Platform: Ghent University and Province of East Flanders |
| 10h50 | Weihai: introduction to the investment environment and overview of the main sectors by TBA |
| 11h20 | Role of the Flanders-China Chamber of Commerce and opportunities for cooperation by Mrs. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce & Secretary General, EU-China Business Association |
| 11h30 | Flanders-Gateway to Europe by Isabelle Wang, Investment Deputy, Flanders Investment & Trade |
| 11h45 | Question and answer session and networking lunch |

Registration via the FCCC website: www.flanders-china.be

ACTIVITIES

3rd Sino-European Environmental Law Conference – 27-28 June 2014 – Ghent

The Center of Environmental Law and Energy Law of Ghent University (Belgium) and the Research Institute of Environmental Law of Wuhan University (China) will jointly organize the 3rd Sino-European Conference on Environmental Law on the topic of "Environmental Justice". The Conference will take place in Ghent, Faculty of Law, on 27 and 28 June 2014.

Following link provides information for persons who might be interested in attending this conference: <http://www.ugent.be/re/publiekrecht/nl/>

Meeting with Chinese delegation: environment and energy – 30 June 2014 – Antwerp

On Monday, June 30, 2014, the Flanders Cleantech Association is receiving a delegation of its Chinese partner CAEPI, together with a delegation of about 10 Chinese environmental and energy companies looking for partners in Flanders.

CAEPI is the Chinese Association of the Environmental Protection Industry, which is guided by the Ministry of Environmental Protection (MEP). During the visit the Flanders-China Chamber of Commerce (FCCC) will introduce the cleantech mission to China in October which the FCCC is organizing together with the Flanders Cleantech Association, Flanders Investment & Trade (FIT) and the Province of East Flanders. More information about the Chinese delegation and the introduction of the projects "CAEPI Delegation" can be requested by sending an e-mail to info@fca.be.

The meeting will take place in the strategically located Portview at the Noorderlaan in Antwerp.

If you wish to participate, please download the registration form at www.flanders-china.be and return it before June 20. Participation is free of charge for FCCC members and limited to companies in the cleantech sector.

In addition to information about the delegation on June 30, you can also request a list of opportunities in the Tianjin region (the prosperous industrialized port region on the coast close to Beijing) via info@fca.be.

The meeting with CAEPI on June 30 and listing of your areas of interest in the registration form are part of the preparations for the cleantech mission to China in October. You will receive more information on June 30, which will also be available on our website www.flanders-china.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>

EUCBA European Business Delegation “Yangtze River Delta” – 20-27 September 2014

The Yangtze River Delta is regarded as China's economic powerhouse with Shanghai being China's financial and logistics center, and the provinces Zhejiang and Jiangsu important manufacturing bases.

As EUCBA member of Germany, DCW is organizing an EUCBA European Business Delegation to China: “Exploring the Yangtze River Delta”, 20-27 September 2014 to Shanghai, Taicang, Kunshan, Changzhou, Jiaxing and Suzhou.

During the week-long meetings will be organized with high-ranking local government representatives, who will give an introduction to the investment environment of their cities and to their special services for foreign investors.

There will also be opportunities to visit economic development zones and industrial parks, meet European investors in the region and learn from their experiences in China. Furthermore, visits will be organized to international organizations and associations, where you will receive advice for your China plans.

The tour will be complemented by a sightseeing program, which will provide a better cultural understanding of the traditional and modern China. The delegation will be accompanied by Mr. Rainer Gehnen, Vice General Secretary of EUCBA.

You may [download](#) the flyer or visit www.eucba.org/visits2china for more information.

Contact: Mrs. Chen Xie-Thalmann | chen.xie-thalmann@dcw-gmbh.de | [+49 221 1397701](tel:+492211397701).

PAST EVENTS

Meeting and reception with the Flemish Trade Commissioners in China – 16 June 2014 – Gent

The Flanders-China Chamber of Commerce (FCCC), Voka Chamber of Commerce East Flanders and the Province of East Flanders organized a meeting with the Flemish Trade Commissioners in China. This event took place on 16 June in Gent. This event provided an excellent opportunity to discuss companies' activities in China with the Flemish Trade Commissioners.

Following a word of welcome by Mr Hedwig De Pauw, Director Economic Affairs and International Relations, Province of East-Flanders and an introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce and by Stefan Derluyn, Director Region Ghent and Port, Manager Innovation & Internationalization, Mr Peter Christiaen, Flemish Trade Commissioner in Beijing; Mrs Sara Deckmyn, Flemish Trade Commissioner in Shanghai and Mr Dirk Schamphelaere, Flemish Trade Commissioner in Guangzhou, talked about challenges and opportunities for Flemish companies in China"

The event was concluded by an exchange of views and a networking cocktail.

NOTICE

Sponsorship opportunities

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

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

PUBLICATIONS

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

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

EXPAT CORNER

Relaxation of migration policy urged

China has become a magnet for foreign talent, but a Chinese green card – the document that authorizes long-term residency – is considered one of the most difficult to obtain in the world, said Wang Huiyao, Director of the Center for China and Globalization. The country has issued only about 5,000 of the residency permits to foreign applicants since its permanent residency policy was put in place in 2003, Wang said. By contrast, the United States issues about 1 million green cards annually, he said. Only about 849,000 foreigners reside permanently in China. Meanwhile, China is suffering from a brain drain as 9.34 million Chinese have moved overseas. The country needs a more open policy to bring in talent, regardless of place of origin, President Xi Jinping said when he met with 50 foreign experts from 22 countries to discuss China's development and talent policies on May 22, the China Daily reports.

FINANCE

PBOC extends reserve requirement ratio cut

China's central bank has extended a reserve requirement ratio (RRR) cut to larger commercial lenders as part of the government's efforts to support small businesses. The People's Bank of China (PBOC) approved a half-percentage-point cut for the Bank of Ningbo, the Industrial Bank, China Minsheng Banking Corp and China Merchants Bank. China Merchants Bank is the country's sixth-largest bank, and China Minsheng is the country's largest privately-run bank. The 0.5-percentage-point RRR cut covers about two-thirds of city commercial banks, 80% of non-county level rural commercial banks and 90% of non-county level rural cooperative banks. On June 9, the central bank unveiled a plan to cut reserve requirements, or money lenders put aside for risk management purposes, for banks when their lending or growth in loans to small and micro businesses and for agriculture exceeded a certain level. China International Capital Corp said the cut released more funds to the market than expected. Analysts expected CNY100 billion could be injected into the market by the reserve requirement cut, CNY20 billion more than previously expected.

Chinese corporate bond market now the world's biggest

The Chinese corporate bond market has overtaken the United States as the world's biggest and is set to soak up a third of global company debt needs over the next five years, according to rating agency Standard & Poor's. Chinese corporate borrowers owed USD14.2 trillion at the end of 2013 versus USD13.1 trillion owed by U.S. corporations, with the switch in ranking taking place a year earlier than it had expected, S&P said. The Asia-Pacific region, led by China, is accounting for half of global corporate debt financing needs of USD60 trillion over the five-year period to 2018 when the region will take up over half the projected total debt outstanding of USD72 trillion. China is currently financing a quarter to a third of its corporate debt through its shadow banking sector. "This means that as much as 10% of global corporate debt is exposed to the risk of a contraction in China's informal banking sector," the agency said, which is estimated at USD4 trillion to USD5 trillion. "China's property and steel sectors remain of particular concern," it said, adding that a higher land bank and property inventory had led to the sluggish trend in property prices contributing to the decline in steel demand. S&P sees more defaults in the steel sector as iron ore prices fall this year.

- Restoration work has been completed on the former Russo-Chinese Bank, the earliest surviving Western classical building on Shanghai's Bund. Dating back almost 110 years, the building has been restored to its original look using authentic materials. Most recently, it was home to the China Foreign Exchange Trading Center. The four-story building, covering 5,018 square meters, was built for the Russo-Chinese Bank – the only joint-venture bank between the Qing Dynasty's (1644-1911) government and foreign capital. It will now be used for business exhibitions and conferences.
- About CNY6.7 billion of funds were mismanaged in China's cross-country electricity transmission program that started construction 20 years ago, the National Audit Office (NAO) said. Some projects were assigned without bidding. Six grid companies involved in the transmission program have embezzled a combined CNY1.38 billion from construction funds. The companies swindled the funds mainly through creating fraudulent contracts or receipts.
- The Hong Kong Monetary Authority (HKMA) is investigating several financial institutions, including at least one bank, for possible criminal breaches of the city's anti-money-laundering laws. The investigations are the first to be made since the strict Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, better known as AMLO, was enacted more than two years ago. The HKMA declined to give any details on the sums involved, the names of the institutions or the alleged breaches of the law.
- Net foreign currency purchases by Chinese lenders hit a nine-month low in May at USD38.7 billion, down 67% from the USD116.9 billion in April and 83% from the USD198.3 billion in March. The yuan has also been more volatile this year, especially after the central bank doubled the yuan's daily trading band against the dollar to 2% in March.
- China Forestry, a timber producer backed by private equity firm Carlyle, faced a payment deadline on its U.S. dollar bonds as it seeks more time to audit its books and complete a debt buyback. The firm had to pay the overdue half-yearly 10.25% coupon on USD180 million of November 2015 securities to avoid a default. A one-month grace period has expired. China Forestry paid the previous coupon in November after a similar delay. The company has sought to delay issuing its full-year accounts three times this year.
- Chinese commodities trader Citic Resources said that more than 100,000 tons of alumina stored at Qingdao port was missing, deepening fears that firms exposed to a metals financing scam could face big losses. Qingdao Port has been at the center of an investigation looking at whether a private metals trading firm issued multiple warehouse receipts so that the same metal cargo could be used multiple times to obtain financing. The alumina Citic Resources had been unable to secure has a value of about USD43 million at market prices.
- Yang Kun, 48, former Vice President of the Agricultural Bank of China (ABC), stood trial in Nanjing on charges of taking bribes worth more than CNY30.79 million. The Nanjing court said it would announce its verdict in what it described as a "very complicated" case at a later date.
- Five banks in Shanghai have begun offering free trade accounts for companies in the city's pilot free trade zone (FTZ). The accounts will make the process of cross-border money transfers much easier for both domestic and foreign firms. Holders will in theory be allowed to move local and foreign exchange funds into and out of China without being subject to the strict capital controls that apply outside the FTZ. Individuals working in the FTZ will also be allowed to open free trade accounts to handle cross-border investments, though this is pending the creation of an identification system, bank officials said.
- Investment losses incurred over a five-year period by China Investment Corp (CIC), the nation's sovereign wealth fund, were due to mismanagement, the National Audit Office (NAO) said. CIC was accused of neglect of duty, and inadequate due diligence and post-investment management in relation to 12 overseas investments from 2008 to 2013. Six of the deals were unprofitable, four had unrealized losses, and two risked losing money. Overseas investments made by CIC returned 8% last year.
- The British pound became the seventh currency to be allowed to trade directly against the yuan after the Australian, New Zealand and U.S. dollars; the Japanese yen; the Russian rouble and the Malaysian ringgit.
- The first-ever yuan-denominated green bond was issued by the International Finance Corp (IFC) in London, marking a further step forward in the internationalization of China's currency. The three-year bond raised CNY500 million and was priced at a yield of 2%. HSBC acted as sole lead manager on the deal. The bond is listed on the London Stock Exchange.

- The Ministry of Finance announced that the value-added tax rate will be a flat 3% for many small businesses, effective July 1. The 4% and 6% rates were eliminated to make the system fairer, the Ministry said. The move is expected to reduce companies' tax burden by about CNY24 billion a year. At present, VAT rates range from 2% to 17%.
- China's overall debt stood at CNY142 trillion, or 245% of GDP, as of March 31, Standard Chartered estimated, up from CNY133 trillion, or 233% of GDP, at the end of 2013. Debt expansion slowed to 18% year-on-year during the first quarter, compared with 24% in the first three months of 2013. The bank estimated that interest payments were equivalent to 13% of GDP in March, up from an average of 7% to 8% in recent years.
- The People's Bank of China (PBOC) has appointed the Bank of China's Frankfurt branch as the first yuan clearing bank in the eurozone. BOC is also the clearing bank for the yuan in Hong Kong, Macao and Taipei, while the Industrial and Commercial Bank of China (ICBC) acts in that role in Singapore and China Construction Bank (CCB) in London. Since March, three issuers have sold yuan-denominated debt in Frankfurt. Canadian Finance Minister Joe Oliver said talks had opened between Ottawa and Beijing to establish a North American trading hub for the yuan in Toronto.
- Qingdao recently rolled out an ambitious strategy to develop its financial sector. "Qingdao aims to become Asia's wealth management center by 2030 and become a globally-renowned wealth management center by 2050," said Zhang Xinqi, Mayor of Qingdao. He said the city would focus on increasing the number of financial institutions and improving the level of services and support facilities. A total of 194 financial institutions operate in the city.

FOREIGN INVESTMENT

FDI in May lowest in 16 years

The Ministry of Commerce (MOFCOM) said that China attracted USD8.6 billion in foreign direct investment (FDI) in May, down 6.7% year-on-year, and the lowest in 16 years. In the first five months of the year, the country attracted USD49 billion in FDI, up 2.8% from a year earlier. Investors from South Korea and the United Kingdom were the driving force of investment growth, with their capital input surging 87.9% and 62.2% respectively in the January-May period. Funds from Japan decreased 42.2% during the period and investment from the European Union was down 22.1%. Countries of the Association of Southeast Asian Nations (ASEAN) cut their direct investment in China by 22.3% and funds from the United States also dropped 9.3%. The drop of investment from economies such as the EU, the U.S. and some ASEAN members was a result of base effects last year. Foreign investment flowing into the service sector gained 19.5% to USD27.5 billion in the first five months, making up 56.2% of the overall basket. In comparison, the manufacturing sector drew USD17.4 billion, down 16.5% on an annual basis to account for 35.6% of the basket. China's outbound direct investment (ODI) fell 10.2% to USD30.8 billion in the first five months. The decrease was also due to the high comparative base last year, MOFCOM said, with China completing several major projects. Outbound investment to the U.S. rose 144% to USD2.03 billion in the first five months, and that toward Russia and Japan also more than doubled. But funds flowing into Hong Kong, the EU and Australia contracted 32.6%, 9.2% and 3.2% respectively, dragging down the overall growth rate. By the end of May, China's ODI totaled USD556.5 billion.

- German investors are expected to consolidate investments at existing operations in China this year, a survey by the German Chamber of Commerce in China showed. Investments of 47.1% of respondents will be unchanged while 45.3% plans to invest more and 7.6% will cut investments in China. 30.4% of companies are set to invest in new locations, down 17.1 percentage points from 2013. The drop reflected the more cautious stance toward rapid expansion and hinted that investments at existing operation sites would be consolidated.

HEALTH

New medical center launched in Beijing suburb

The Beijing International Medical Center, located in Beijing's Tongzhou district outside the Sixth Ring Road, is planned to cover 15 square kilometers and host non-government-funded medical institutes, especially from the private sector. World-leading medical and nursing services will be available as well as research and teaching facilities, said Han Xiaofang, Member of the Beijing Municipal Commission of Development and Reform. Government-funded hospitals in Beijing, especially top-tier ones, are facing growing demand as people from all over the country and even from outside China travel to Beijing for quality medical

services, according to Han. "In principle, the city government will not allow any new hospital to open in the downtown area, as massive quality medical resources are already concentrated here," Han said. "So we are channeling quality medical services to new towns and areas with weaker medical resources such as Tongzhou. This will not only help relieve the pressure on the downtown area, but also allow quality medical services to be more accessible to residents there. We welcome investors, including foreign ones, to join us," she added. Approval is pending to allow hospitals that are totally owned by foreign investors to be set up in the center.

- Beijingers could live on average 58.17 years in full health, about 10 years less than the average in most industrialized countries, according to Deng Ying, Director of the Beijing Center for Disease Prevention and Control. In the survey, 6,040 permanent residents between 18 and 80 years old were polled in face-to-face interviews. They were questioned about eight health-related aspects, including exercise habits, pain, sleep, energy, eyesight and interpersonal relations. In 2013, the average life expectancy reached 81.51 years among Beijing permanent residents.

IPR PROTECTION

Companies in Zhongguancun file more patent applications

Administrators of Beijing's innovation hub Zhongguancun said local companies filed 30,000 patent applications last year, an increase of nearly 40% over 2012, while 20,990 patents were granted. The Administration said the area now has a well-established IP service chain that includes evaluation, management, protection and commercialization. There are currently about 17,000 IP service providers working in Zhongguancun.

- The Shenzhen Market Supervision Administration has held a closed-door hearing to consider fining Shenzhen QVOD Technology Co CNY260 million for an alleged copyright violation. An investigation found that the company earned CNY86.7 million from illegally providing TV plays and video programs online without authorization from the copyright owners. The company can lodge an administrative review within 60 days of receiving a penalty notice, or appeal to the court within three months.
- The IP authority in the Guangxi autonomous region recently announced that it received 6,165 patent applications in the first four months of this year, an increase of 46.9% year-on-year, the highest growth rate in China. The applications included 3,552 invention patents, up 72.1%. At the same time, 2,651 patents were granted in the region, including 547 invention patents.

MACRO-ECONOMY

China 4th in ranking of U.S. dollar millionaires

The number of high-net-worth individuals (HNWIs) – people with at least USD1 million of investable wealth – in China rose by 17.8% last year, according to a study by consultancy Capgemini and RBC Wealth Management, a unit of Royal Bank of Canada. China is fourth in the global ranking of U.S. dollar millionaires following the United States, Japan and Germany, which together account for 60% of the global number of millionaires. The number of people with at least USD1 million in liquid assets in China reached about 750,000, compared to 4 million in the U.S., Japan's 2.3 million and Germany's 1.1 million. The report said that the Asia-Pacific region will replace North America to become the world's largest wealth management market thanks to the booming housing market in Asia, Japan's stock market, and rapid growth in China.

- China is confident it will hit its growth target of 7.5% this year, Chinese Premier Li Keqiang said, adding the government was ready to adjust policy to meet the target. Writing in Britain's *The Times* newspaper on the eve of his visit to London, Li said slowing growth was normal and not a problem.
- China bought one-fifth of the world's industrial robot output in 2013, overtaking Japan as the biggest robot buyer. Some 36,860 industrial robots were sold in the Chinese market last year, up 36% annually, according to data released by the China Robot Industry Alliance (CRIA). Around 73% was manufactured by foreign robot makers. Song Xiaogang, CRIA President, said using industrial robots will offset rising labor costs and lack of skilled workers, one of the major problems plaguing China.
- China should be ready to accept growth as low as 6.5% this year and the next to facilitate structural reforms needed to rebalance the economy, says Moody's Investors Service. The ratings agency predicts China's real, or inflation-adjusted, gross domestic product (GDP) growth will edge down into the 6.5% to 7.5% range this year and next, compared with the double-digit rates of the past decade.

- Higher output of winter wheat and early-season rice will bolster China's grain output self-sufficiency and allay worries over food security this year, the Ministry of Agriculture said. China harvested more than 20 million hectares of winter wheat crop last week, accounting for about 90% of the total winter wheat crop. Farm mechanization rates improved with 19,900 combine harvesters being used to harvest the wheat spread over an area of 18.87 million hectares. All the 11 major grain-growing provinces in China have all reported higher yields this month.
- China's state-owned enterprises (SOEs) posted an annual 6.9% rise in profits totaling CNY942.59 billion in the first five months of this year. The 100-plus central government-administered SOEs posted accumulated profits of CNY716.17 billion in the period, with 32 reporting profit declines. SOEs controlled by local governments saw profits rise 4.4% to CNY226.42 billion.

PETROCHEMICALS

China to deploy three more oil rigs in South China Sea

China plans to deploy three more oil rigs in the South China Sea, a move analysts say demonstrates its determination to explore energy resources despite tensions with Vietnam and the Philippines. Two rigs, Nanhai 2 and Nanhai 5, will be deployed in waters east of Guangdong province by August 12, while Nanhai 4 will be towed to the Beibu Gulf close to the west coast of the Leizhou Peninsula in the southern-most part of Guangdong by July 15. The announcement came a day after talks between State Councilor Yang Jiechi and Vietnamese Foreign Minister Pham Binh Minh and Prime Minister Nguyen Tan Dung over escalating tensions in the South China Sea ended in deadlock. Foreign Ministry Spokeswoman Hua Chunying said the rigs will all be within the recognized coastal waters of Guangdong and Hainan provinces. Lu Jianren, Researcher of the China-ASEAN Research Institute at Guangxi University in Nanning, said China has been working in waters of its coast and near the Xisha Islands for years without controversy.

- Chinese oil workers in Iraq are set to be relocated in response to growing violence in the country, the Foreign Ministry said. China has more than 10,000 workers in Iraq, though most are in the south, far from the current fighting. Major Chinese oil firms have prepared evacuation plans. "If insurgents begin to attack Baghdad, we will pull out of the country immediately," a worker at the China National Offshore Oil Corp (CNOOC) told the Global Times newspaper. Iraq is China's fifth-largest source of crude oil imports, while China is the largest foreign investor in Iraq's oil sector.
- Oil and gas producer China National Petroleum Corp (CNPC) understated its profit for 2012 after 10 company units miscalculated natural gas sales income, the National Audit Office (NAO) said. Accounting errors were discovered in contracts with a total value of CNY26 billion. The revenue miscalculation led to the group under-reporting some CNY603 million in profit. The CNPC said it has corrected the accounting errors.

REAL ESTATE

Home prices declined in 35 cities in May

New home prices in 35 Chinese cities fell in May from the previous month as the country's property market continued to cool, according to a report issued by the National Bureau of Statistics (NBS). In April, prices declined in just eight of the 70 cities monitored by the Bureau. Prices were flat in 15 cities last month and rose in 20. The latest data show that the average price of a new home in the 70 cities fell 0.2% in May, the first month-on-month decrease since June 2012. On a year-on-year basis in May, home prices rose in 69 of 70 the cities. It was the 13th straight month in which all but one of the cities saw an increase. Wenzhou in Zhejiang province remained the only city to register a decline, with prices down 4.8% year-on-year. Tier-1 cities continued to lead the price rises, though at a slower rate. Across the country, prices rose 5.6% year-on-year in May, down from 6.8% in April. Shanghai saw the biggest gains in the month, with an 11.3% rise from a year earlier. It was the seventh straight month the city led the nation. Among the four tier-one cities, only Beijing recorded a month-on-month rise of 0.2%, while Shanghai posted a 0.3% decline, Shenzhen a 0.2% fall and Guangzhou barely changed, according to the NBS. E-Home said prices of newly-sold homes in the four major cities rose 3.7% month-on-month in May to CNY23,072 per square meter. Prices in Shanghai climbed 6.6%, while in Guangzhou they rose by 14.4%. The stark contrast with the NBS data is because E-house tracks newly-sold homes while the NBS tracks fixed residential projects regardless of whether they have been sold or not, E-house said. In the existing home market, the survey said prices in May fell in 35 of the 70 cities from April, and rose in 19. On an annual basis, gains were seen in 64 cities, and declines were registered in five.

- Dwindling revenue from land sales and slower fiscal revenue growth may hurt local governments' ability to repay outstanding debt, the China Chengxin International Credit Rating Co said. The weakening property market poses the biggest threat for debt repayment, as land sales and property-related taxes account for 52% of the local governments' revenue, after excluding the central government's transfer payments. In May, land sale revenues in 300 cities monitored by the China Index Academy dropped 38% from a year ago.
- New World China Land's shareholders vetoed the privatization offer proposed by its parent firm, New World Development, leading to a 16% drop in its share price. New World Development owns 69.1% of New World China Land. Since the company is domiciled in the Cayman Islands, each shareholder had an equal vote, irrespective of the size of their shareholding.
- Cash-strapped property developers grappling with a deepening slump in China's housing market are delaying payment of huge amounts of fees due to real estate brokers. Li Yaozhi, General Manager for South China with Centaline Property Agency, one of the biggest brokerages in China, told reporters last week in Shenzhen that developers owe Centaline more than HKD3 billion in commissions.
- The world's first kilometer-high double-tower building that could enter the record books as the tallest development in the world will be built in Wuhan, capital of Hubei province, over the next few years, its British designer has said. The "Phoenix Towers" will be constructed on a small island in the middle of a lake, British design studio Chetwoods said. The architects have included several environmental features that will combat the city's air and water pollution. The building will also generate its own electricity. A report from think-tank motiancity.com estimated that 87% of the world's skyscrapers are under construction in China. By 2022, China will have 1,318 skyscrapers – two and half times more than the U.S.

RETAIL

Smaller cities to spearhead next phase of retail development

Smaller cities will spearhead the next phase of retail development in China and the sector will continue to provide huge growth opportunities for companies, global management consulting firm A. T. Kearney said in its Global Retail Development Index. China ranks second in the world, after Chile, in terms of retail market potential. China ranked No 1 in 2010. Retail sales increased 13% in 2013 to USD2.6 trillion with online sales a major retail driver. That represents a 42% year-on-year growth and accounts for 8% of total retail sales in China.

- Walmart will increase its food safety budget in China three-fold to CNY300 million. It covers the period 2013-2015, to which it had previously allocated CNY100 million. The company said it would also increase DNA testing on meat products and supplier inspections and test more of its stores with its two mobile safety labs. China's food and grocery market, set to top USD1.5 trillion by 2016, is crucial for retailers like Walmart and food safety is chief among consumer concerns.

SCIENCE & TECHNOLOGY

Some Shanghai high schools to adopt international curriculum

Shanghai plans to adopt a trial international curriculum at some high schools. Twenty-one high schools – 11 public and 10 private – will participate in the program, according to the Shanghai Municipal Education Commission. The schools will offer 18 levels of international courses, such as A-level (general certificate of advanced education), AP (advanced placement) and IBDP (international baccalaureate diploma program). Among the schools, Shanghai Qibao Dwight High School, the country's first Sino-U.S. high school, co-established by Shanghai Qibao High School and the Dwight School from the United States earlier this year, will feature IBDP courses. Some courses will be taught bi-lingually and pay more attention to developing students' critical thinking and research abilities. Shanghai YK Pao School announced that it will open its senior secondary division in September.

- Fudan and Shanghai Jiao Tong universities have agreed to provide content to UK-based massive open online course (MOOC) platform FutureLearn.com. Fudan University will upload its courses on traditional Chinese culture. In return, the Chinese university will incorporate some of the English-language courses available on the UK website into its own curriculum. Jiao Tong University will negotiate with FutureLearn on the exchange of courses between the UK site and its own online platform cnmooc.org.

- Tsinghua University has started putting thesis defenses online in a project with edX, a popular Massive Open Online Course (MOOC) platform jointly established by Harvard University and the Massachusetts Institute of Technology (MIT) in 2012. "We gradually realized that graduate students' defenses are becoming a controversial topic, and we want the world to see how university students in China do research for their degree studies," said Cui Kai, Deputy Director of Tsinghua University's degree office. Defenses in Chinese were put on XuetaoX an online education center under Tsinghua University.

STOCK MARKETS

France second EU country to gain RQFII quota

China has officially granted an CNY80 billion quota of investment to France under the Renminbi Qualified Foreign Institutional Investor (RQFII) program, a Spokesman for the China Securities Regulatory Commission said. The expansion is based upon a joint declaration between China and France signed in March. France is the second European country to gain an RQFII quota after the United Kingdom. RQFII, launched in 2011, allows foreign investors to invest offshore yuan in Chinese stocks, bonds and money-market products. Currently investors in Hong Kong, London, Singapore and France can apply for the program. Hong Kong holds the largest RQFII quota of CNY270 billion, while London and Singapore have quotas of CNY80 billion and CNY50 billion respectively, for a total of CNY480 billion. As of the end of May, 78 overseas financial institutes had obtained the approval of RQFII quota amounting to CNY240 billion. "The RQFII quota assigned to France will be conducive to the internationalization of renminbi and the expansion of the investment channels of yuan funds raised in France," said Guo Tianyong, Professor of Finance at the Central University of Finance and Economics.

TRAVEL

Chinese firms plan more overseas luxury hotel deals

Stable investment returns and increasing Chinese outbound tourism have prompted Chinese companies to purchase more overseas luxury properties in recent years. Kai Yuan Holdings, a Hong Kong-listed investment holding company focusing on industrial investments, announced that it would spend €344.512 million on the property and operation of Paris Marriott Hotel Champs-Elysées, the only five-star hotel located on the Champs-Elysées. In mid-2013, Fosun International also made a joint proposal with Ardian, a private equity firm, to purchase 80% of the shares of Club Méditerranée. The number of person-trips by Chinese residents traveling overseas in 2013 reached 98.19 million, with an 18% year-on-year growth, and consumption increased by 26.8% compared with 2012 to USD128.7 billion in 2013, the China Tourism Academy said. Some smaller privately-owned companies also invested in overseas hotel properties. Jiangsu GPRO Group Co based in Jiangsu province made the largest investment by a Chinese company in Spain this March by purchasing a five-star hotel for €50 million. Sichuan Xinglida Group Industry Co spent USD47 million on a Marriott hotel in Los Angeles in late 2013. The gateway cities, such as Paris, London, New York and Los Angeles, are still the first options for Chinese investors, the China Daily reports.

- Hainan province's west ring railway will be put in service by the end of next year and will complete the island's high-speed railway circle. The CNY27.1 billion west ring railway project started in September 2013. The 345-km line has 17 stations. At speeds of 200 km per hour, it will take less than two hours to get from the provincial capital Haikou in the north of the island to Sanya in the south. The east ring railway was completed in 2010.
- China's Grand Canal and the ancient Silk Road were added to UNESCO'S World Heritage list, taking the number of China's sites to 47.

VIP VISITS

26 agreements signed during Premier Li's visit to Britain

Premier Li Keqiang promoted China's high-speed rail and nuclear power technologies during his visit to Britain. Twenty-six agreements worth USD25 billion were signed on the second day of Li's three-day visit. The Premier met Queen Elizabeth II in the morning before being hosted by British Prime Minister David Cameron at 10 Downing Street. Li and Cameron oversaw the signing of deals ranging from energy, finance and infrastructure to climate change. Under a framework agreement, Britain welcomes Chinese firms taking part in its planned high-speed HS2 rail network, with the first 192-km stage linking London and Birmingham. The two sides will attempt to reach consensus on high-speed rail standards, key technologies and

equipment. It will be a milestone for Chinese high-speed rail companies to export technology to Britain, which built the world's first railway in 1825. China has the world's longest high-speed rail network of more than 11,208 km. Britain also welcomes Chinese investment in the Hinkley Point project, the UK's first nuclear power station for two decades. About 200 Chinese business leaders accompanied Li on his visit to the UK. Li called on the two nations to realize a USD100 billion annual trade target by the end of 2015, up from USD70 billion achieved in 2013. Britain is China's second-largest trading partner in the European Union and its second-largest source of foreign investment. BP signed an agreement worth USD18 billion to provide China National Offshore Oil Corp (CNOOC) with liquefied natural gas for 20 years, starting in 2018. Royal Dutch Shell announced a global alliance with CNOOC to bolster an already strong relationship. It includes three production-sharing contracts in the Yinggehai Basin in the South China Sea. China Construction Bank (CCB) was appointed London's official yuan clearing bank and the two countries have also agreed to set up direct pound-yuan trading, making the British pound one of the few currencies in the world to have direct trading with the yuan. Trade finance transactions using the Chinese currency totaled CNY27.94 billion in the first half of last year, up from CNY13.8 billion a year earlier, the city of London said. China's State Nuclear Power Technology Corp signed an agreement with Rolls-Royce to work closely in the field of civil nuclear power in the UK and other overseas markets. The British government welcomes China's investment and participation in the Hinkley Point C project in southwest England. Two Chinese nuclear companies, China General Nuclear Power Group and China National Nuclear Corp, reached an agreement last year with French utility company EDF to invest in the project.

Premier Li Keqiang also visited Greece. He said Chinese enterprises would play an active part in Greece's accelerating privatization and infrastructure construction, including airports, railways and roads. COSCO has been shortlisted with four other bidders to obtain a major stake in the port of Piraeus. Li also said tourism will become an important growth area for bilateral cooperation. The two countries signed more than 20 government and commercial agreements worth USD7 billion covering sectors including logistics, energy, shipping and property. The deals also included trade in wine and olive oil. A memorandum of understanding on maritime issues was signed to promote cooperation on ecological protection, resource exploitation and marine surveys. China's biggest private conglomerate Fosun Group signed an agreement with Latsis Group to invest USD200 million to develop an old airport at Hellenikon in Athens. The entire Hellenikon project, with a lease of 99 years, covers an area of 6.2 square kilometers.

- On a visit to Zambia, Chinese Vice President Li Yuanchao oversaw the signing of a development loan and grant agreements worth USD64 million. Zambia will use the funds to improve its water network system in rural areas, upgrade the country's only international airport in Lusaka and improve education facilities, among other projects. China is Zambia's top foreign investor, but relations have occasionally been tense because of China's influence in the copper and coal industry.

ONE-LINE NEWS

- An undercover investigation has found that many companies bribe officials to obtain quality-control certification, Xinhua reported, comparing the bogus ISO9000 certificates to "beauty marks". ISO certification could be acquired "as long as you give money", an agent from a consultancy was quoted as saying.
- Xinhua said investigations into the China Three Gorges Corporation, and the nation's two largest electricity grid operators – the State Grid Corporation of China and the China Southern Power Grid Company – had uncovered numerous irregularities and possible corruption. A graft inquiry into Three Gorges was announced in February and its Chairman and General Manager were replaced.
- Britain will further simplify visa applications for Chinese tourists and businesspeople, the UK government said. From the autumn, Chinese visitors will be able to use Irish visitor visas to travel to Britain, without the need for a separate UK visa and vice versa. In addition, a pilot program introduced last year that allows selected travel agents to use a single application form when processing UK and Schengen visa applications, will be extended to all Chinese visitors applying to travel to the UK.
- Lin Fenqiang, former Director of Inner Mongolia's Hohhot Railway Bureau, has been given a suspended death sentence with a two-year reprieve for taking bribes worth more than CNY70 million. He had arranged for cargo trains to carry goods for Shanxi businesswoman Ding Shumiao since 2007, pocketing millions of yuan. Lin also accepted bribes from a long list of coal power plants and enterprises.
- Ling Zhengce, Vice Chairman of Shanxi's CPPCC and Vice Governor Du Shanxue are under investigation for corruption. Ling Zhengce is the elder brother of Ling Jihua, who is Vice Chairman of the Chinese People's Political Consultative Conference (CPPCC).

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