



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

NEWSLETTER | 22 JULY 2015

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FCCC ACTIVITIES

10th EU-China Business & Technology Cooperation Fair – 4-6 November 2015 – Qingdao and 9-11 November 2015 – Chengdu

The 10th EU-China Business & Technology Cooperation Fair will be held from 4-6 November 2015 in **Qingdao**.

Qingdao, the most important transport hub and trading port in the North coastal region of China, is located at the intersection of land and maritime Silk Roads. With its well-established industries and rich resources, Qingdao is playing a leading role in developing the blue economy. As one of the first Chinese cities to open to the world, Qingdao is willing to work with other ocean-driven EU countries to forge partnerships in developing ocean economies, exploiting the resources, and promoting maritime research and innovation. Topics at the Fair will be:

- Maritime machinery and equipment
- Maritime bio-pharmacy & bio-technology
- Ocean aviation
- Renewable energy, new materials, clean-tech
- Environmental protection
- ICT

A cooperation forum will be held, as well as seminars on:

- Maritime research and industry cooperation
- High-end machinery industry cooperation
- New energy and environmental protection

B2B and cluster-to-cluster matchmaking session will also be organized.

More information is available at www.eu-china.org.cn The website for Qingdao's matchmaking is: <https://www.b2match.eu/tenth-eu-china-cooperation-fair-qingdao>

The **Chengdu** event of the of 10th EU-China Business & Technology Cooperation Fair will be held from 9-11 November 2015 in Chengdu.

The Chengdu Event will focus on:

- Frontier technological achievements and trends
- Short, sharp 30-minute meetings to foster effective networking
- Share information with Event experts, scholars and business players
- Get your problems solved – Matching enterprises offering or seeking solutions
- See an exhibition of successful examples of B2B match-making meetings

More information on the Chengdu Event is available at: <https://www.b2match.eu/tenth-eu-china-cooperation-fair-chengdu>

The Fair is organized with the support of the EU-China Business Association (EUCBA) and the Flanders-China Chamber of Commerce (FCCC).

ACTIVITIES SUPPORTED BY FCCC

Business trip to China by Unizo and Howest – October 2015

Unizo and Howest are organizing a business trip to China in October 2015. More information is available on the website <http://groups.alkreizen.be/cnunizowvl>.

PAST EVENTS

10th EU-China Business Summit – 29 June 2015 – Brussels

The EU-China Business Association invited 500 business leaders and officials to join the 10th EU-China Business Summit on 29 June 2015 at Palais d'Egmont in Brussels. The EU-China Business Summit is a joint initiative by BusinessEurope, the China Council of the Promotion of International Trade (CCPIT), in cooperation with the European Union Chamber of Commerce in China (EUCCC) and the EU-China Business Association (EUCBA). The business summit is recognised as the highest-level platform for exchanges between EU and Chinese business and political leaders and brought together a number of high-level business leaders from large Chinese and European companies, including several CEOs. President Jean-Claude Juncker and Premier Li Keqiang made keynote addresses during the opening session.

Under the overall theme of “Building a Stronger Partnership” interesting discussions were held on topical issues like investment cooperation, the digital economy and green and sustainable growth. Commission Vice President Jyrki Katainen introduced the panel on investment cooperation.

The thematic session 1: “New opportunities for EU-China investment cooperation” was moderated by Mr Stephen Phillips, Chairman of the EU-China Business Association (EUCBA). The second thematic session focused on “Green economy and sustainable growth” and the third one on “Industrial transformation in a digital world”.

FCCC Chairman Bert De Graeve, Chairman of Bekaert, participated in the CEO dialogue with European and Chinese CEO's and Mrs Malmstrom, European Commissioner for Trade. The EU-China Business Association is the EU-wide federation of business organisations in the EU promoting business relations with China. The Flanders-China Chamber of Commerce holds the secretariat-general of the association.

For more information on the 10th EU-China Business Summit you are invited to explore the dedicated website: www.eu-china-business-summit.eu

The EU-China Business Summit was organized with the support of the Flanders-China Chamber of Commerce (FCCC).

FCCC and BNP Paribas Fortis: Breakfast debate at Westin Beijing – 24 June 2015

The Flanders-China Chamber of Commerce (FCCC) and BNP Paribas Fortis organized a breakfast debate on June 24, 2015 in the Westin Beijing Hotel during the Royal State Visit. The theme of the breakfast debate was “How strong is China's economic and financial engine? Business environment outlook for foreign strategic investors”. Minister-President Geert Bourgeois of the Government of Flanders attended the debate and delivered the conclusions.

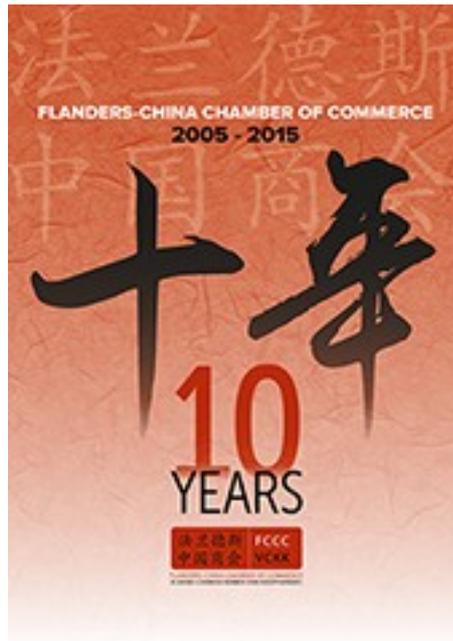
Following a word of welcome by Mr Max Jadot, CEO of BNP Paribas Fortis, Mr Eric Raynaud, CEO of BNP Paribas Asia Pacific, introduced BNP Paribas in China. Next, Ms Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce (FCCC) introduced the Chamber. Mr Jurgen F. Conrad, Chief Economist ADB China talked about “Growth and structural reforms in the PRC”. “Renminbi internationalisation: the next step” was introduced by Mr Chi Lo, Senior Economist of BNP Paribas Investment Partners Greater China.

A Q&A session preceded the conclusions of the breakfast debate presented by Mr Geert Bourgeois, Minister-President of the Government of Flanders, and Minister for Foreign Policy and Immovable Heritage.

More than 100 participants attended the breakfast debate.

PUBLICATIONS

FCCC publishes “10 Years: Flanders-China Chamber of Commerce 2005 – 2015”



On the occasion of its 10th anniversary, the Flanders-China Chamber of Commerce has issued the publication “10 Years: Flanders-China Chamber of Commerce 2005 – 2015”. The publication bundles interviews with H.E. Qu Xing, Ambassador of the People's Republic of China to Belgium; H.E. Michel Malherbe, Ambassador of Belgium to the People's Republic of China; Mrs. Claire Tillekaerts, CEO of Flanders Investment & Trade; Mr. Stefaan Vanhooren, President Agfa Graphics; Mr. Matthew Taylor, CEO, Bekaert; Mr. Stephan Csoma, Executive Vice President and two other Executives, Umicore; Christian Dumoulin, CEO, Vitalo; Filip Goris, General Manager Asia, Recticel; Mr. Hudson Liu, CEO, Huawei; Mr. Li Shufu, Chairman, Zhejiang Geely Group; Mrs. Chai Hui, General Manager Brussels Branch, ICBC; Mr. Robert Zhao, Chief Representative of the Weihai EU Office in Ghent; Mr. David Liu, Deputy Managing Director, APM Terminals; and Mr. Ma Jian, Chairman, Tianjin Liho Group.

Mr. Geert Bourgeois, Minister-President of the Government of Flanders, wrote the foreword to the publication. Chairman of the FCCC, Mr. Bert De Graeve, provided the introduction and Mrs. Gwenn Sonck, Executive Director of the FCCC, provided some more details about the FCCC.

The publication is available to Members of the FCCC free of charge.

[Here is the link to the brochure online.](#)

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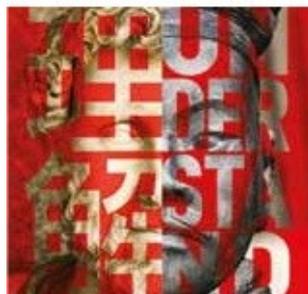
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AUTOMOTIVE

U.S. to impose duties on some tires imported from China

The United States will impose punitive duties on certain passenger vehicle and light truck tires imported from China. The U.S. Commerce Department determined that these Chinese tires had been sold in the U.S. at dumping margins ranging from 14.35% to 87.99%. The Department also said producers and exporters of these Chinese products received countervailable subsidies ranging from 20.73% to 100.77%. In 2014, imports of passenger vehicle and light truck tires from China were worth about USD2.3 billion. The Commerce Department launched the anti-dumping and anti-subsidy investigation into Chinese tires in July last year, at the request of United Steelworkers, a U.S. labor union. "None of the tire firms have joined the petition seeking trade relief; the sole petitioner is the United Steelworkers union," Tyler Moran and Gary Clyde Hufbauer, trade experts at the Peterson Institute for International Economics, wrote in a recent article. The U.S. invoked a China-specific safeguard to impose punitive duties on imports of Chinese passenger vehicle and light truck tires from 2009 to 2012, with the total cost to U.S. consumers estimated at USD1.1 billion, the Shanghai Daily reports.

- Shanghai traffic authorities are considering introducing a lucky draw for car plates every month and do away with the current auction system. The authorities would set a fixed price for the car plates and the winners will be picked in a draw. Similar lottery schemes are already used in Beijing and Tianjin.
- Volkswagen sales in China fell 3.9% to 1.74 million units in the first half, lagging the Chinese market's 1% growth in general. Sourcing about 30% of its sales from China, Volkswagen has a bigger risk exposure from the economic slowdown than its biggest rival Toyota, which gets only 10% of its sales in China.

FINANCE

Bank lending, broad money supply up in June

Bank lending and the broad money supply accelerated in June, as the monetary easing measures announced by the government started to yield results, the People's Bank of China (PBOC) said. The central bank will retain the "prudent monetary policy" but make it more flexible to ensure a "reasonable" credit expansion with a proper market interest rate, said Sheng Songcheng, Director of the PBOC's Statistics Department. The year-on-year growth of the broad money supply (M2) speeded up to 11.8% in June from 10.8% in May, compared with 10.1% in April, after the PBOC lowered the amount of cash that lenders must keep as reserves. The liquidity injection at the end of June to arrest the stock market slump also boosted the growth in M2, economists said. From a credit perspective, banks' yuan-denominated new loans came in at CNY1.27 trillion in June, higher than the market expectation, up from CNY900 billion in May, the PBOC said. During the first six months, new loans amounted to CNY6.56 trillion, up from CNY5.7 trillion during the same period last year, the China Daily reports. Lending to the real estate sector grew sharply, with outstanding loans rising to CNY19.3 trillion in June, up 19.4% year-on-year, suggesting a rebound in property investment and house sales.

Venture capital declined in first half

The number of new Chinese venture capital funds and their funding size have dropped sharply in the first half of this year, according to a report by investment database pedata.cn, which is run by Zero2IPO Research in Beijing. A total of 105 new funds were set up in China's venture capital market in the first six months of this year, down 16% from the same period in 2014. Among these funds, 82 publicly disclosed the amount of fresh capital geared for the domestic market. That total sum reached USD6.31 billion, down 41% from the amount made available last year. The report partly attributed that decline to the many so-called high-net worth domestic investors who increased their investments in the stock market during the short-sighted bull run in the first half of this year. Individual investors account for more than 80% of the trading turnover in China's A-share market, which comprises about 2,800 listed companies. Zhu Bo, Founder of angel investor Guangzhou Innovalley Incubation, said there was no official statistics to show how fierce the competition for funds had become for Chinese technology start-ups, but he estimated that only about 1% of the hundreds of technology start-ups in mainland China can successfully raise seed funding from angel investors at any given time, and only 5% of those start-ups would go on to generate their first round of financing from established investors. About half of these firms would be able to reach their third round of financing. "This year will mark the winter of China's venture capital industry. There is more money leaving the pool of funds than going in", Zhu said. He added that his company still managed to make investments of about CNY3 million each in about 30 Chinese technology companies in the first half of this year, the South China Morning Post reports.

- China's Ministry of Finance has exempted Hong Kong accountants from a controversial rule that bans overseas auditors from working on the books of mainland companies. Raphael Ding, Chief Executive of the Hong Kong Institute of Certified Public Accountants, said the city's auditors would still be banned from taking work documents out of the mainland. The companies they audit must be listed in Hong Kong, with at least half their shares owned by Hong Kong investors. For other companies, Hong Kong auditors will still need to team up with one of more than 500 mainland accountancy firms with more than 25 certified accountants.
- Bank of Communications (BoCom), China's fifth-largest lender by assets, announced

it got regulatory approval to raise CNY15 billion via offshore preference shares to be listed in Hong Kong. The China Securities Regulatory Commission (CSRC) also approved the mandatory conversion into ordinary shares upon the occurrence of any trigger events.

- Bank of China (Hong Kong) plans to sell its 100% subsidiary Nanyang Commercial Bank (NCB). Its asking price is HKD68 billion. BOC Hong Kong will accept bids on the bank until August 25. It could be the largest bank deal in Hong Kong ever. About half of Nanyang's loans last year were booked on the mainland, raising questions over its asset quality. At the end of June last year, NCB had a non-performing loan ratio of 0.73%. Potential shortlisted buyers included New China Life Insurance, Yue Xiu Group and China Taiping Insurance.
- China's outstanding foreign debt rose to CNY10.28 trillion by the end of March this year, with yuan-denominated debt accounting for 48.1% of the total. Debt in other foreign currencies fell by 3% from USD895.5 billion, the State Administration of Foreign Exchange (SAFE) said. Short-term debt, which edged up to USD1.18 trillion by the end of March, accounted for 70.5% of the total foreign debt. The nation's short-term debt equaled about 31.98% of the foreign exchange reserves till March. Total foreign exchange reserves fell by USD40 billion in the second quarter to USD3.69 trillion.
- In a new trial, China may grant commercial banks stock broker licenses to allow them to conduct mixed business. The current Law on Commercial Banks prohibits lenders from undertaking trust and broker businesses. The potential income from brokerage increasingly appeals to banks, which are under pressure as interest rate cuts and reforms squeezed their profit. Of the 16 commercial banks listed on China's yuan-denominated A-share market, six have already bought stakes in or established separate subsidiaries with broker licenses.
- Credit card overdrawing has seen a sharp rise in Shanghai in recent years. Of the 1,754 financial crime cases processed by the city's courts last year, 91% involved unpaid credit cards, a year-on-year rise of nearly 28%, according to the Shanghai High People's Court.

FOREIGN INVESTMENT

China's ODI set to break last year's record

The growth of outbound direct (ODI) investment from China is on track to exceed last year's record figure. Investment in the non-financial sector rose to USD56 billion in the first half, an increase of 29.2% compared with the same period last year, thanks in part to the development of new trade routes and free trade zones. The country became a net capital exporter last year as the ODI figure of USD116 billion exceeded capital inflows for the first time. China's ODI growth is expected to reach 10% this year. ODI from China's manufacturing sector jumped by 63.1% to USD5.09 billion between January and June. China's outbound direct investment soared 29.2% to USD56 billion in the first half from a year earlier.

Non-financial FDI on track to rise by 4% to USD125 billion

Foreign direct investment (FDI) into China's non-financial sector is expected to increase by 4% year-on-year to USD125 billion this year. Non-financial FDI into China rose by 8% year-on-year to CNY420.52 billion in the first half. "The service industry has become the country's main engine to attract FDI, as companies from the United States, Europe and Singapore, eager to diversify their investments, have looked to the sector, especially service outsourcing businesses," Vice Minister of Commerce Wang Shouwen said. FDI into China's service industry increased by 23.6% year-on-year in the first half, accounting for 63.5% of total FDI during the period. In the high-end industries, FDI growth in the telecommunications sector climbed by 231.6%, while growth in the chemicals sector increased by 71.9% and the electronic device sector by 23.6%. "Many global investors shifted their investment focus from building factories in China to acquiring local companies between January and June," Wang said. In the past six months, 641 foreign companies carried out merger and acquisition activities in China worth a total of USD13.19 billion, up 336% compared with the same period last year. The number of foreign companies involved represents a 21.2% increase year-on-year, the China Daily reports.

- China could invest up to €10 billion in Europe's new €315 billion infrastructure fund – the European Fund for Strategic Investments (EFSI) – but Premier Li Keqiang created some confusion by also talking about an additional China-EU co-investment fund. The goal is to agree on the scheme at a meeting in Beijing in late September between European Commission Vice President Jyrki Katainen and Chinese Vice Premier Ma Kai.

FOREIGN TRADE

China's foreign trade still facing challenges

China's exports grew stronger than expected by 2.1% on a year-on-year basis to CNY1.17 trillion in June, after a 6.4% decline in April, according to the General Administration of Customs. However, imports fell by 6.7% to CNY890.67 billion in June, leading to an accelerated growth in the monthly trade surplus. During the first six months, the total value of foreign trade stood at CNY11.53 trillion, down 6.9% from a year earlier. Exports increased by 0.9% to CNY6.57 trillion while imports decreased by 15.5% to CNY4.96 trillion. The China Customs expected the foreign trade volume to show relatively steady growth in the second half of the year. Gu Xuebin, Vice President of the Chinese Academy of International Trade and Economic Cooperation, a Ministry of Commerce (MOFCOM) think tank, said though the double-digit growth era was over, exports still remain critical to the Chinese economy. "While China has lost its global advantage in low- or even medium-end products, it continues to have a comparative advantage in economies of scale in production and in the huge domestic market," said Gu. Although labor costs have risen substantially and are higher than those in some Southeast Asian nations and other emerging markets, they still remain much cheaper than in most developed economies. Meanwhile, China has moved up the value chain. Trade with the European Union declined by 6.8% during the January-to-June period to CNY1.67 trillion, while trade with Japan fell by 10.6% to CNY832.02 billion. But China's exports to countries along the Belt and Road such as Bangladesh, Pakistan, Israel, Saudi Arabia and Egypt increased by double-digit percentages. The United States remained China's second-largest trading partner after the European Union during the first half of 2015. Bilateral trade totaled CNY1.64 trillion, up 4% year-on-year, accounting for 14.2% of China's total foreign trade.

- About 45 million Chinese SMEs contribute 55.6% of the country's GDP, and over 65% of all new jobs are created by SMEs each year, but less than 10% of foreign trade came from SMEs, indicating that there is room for growth. But Chinese SMEs still have a long way to go before they can make inroads in U.S. markets.
- China plans to give more of its importers subsidized loans as part of efforts to expand foreign trade, which has failed to reach the 6% growth target for this year. Imports and exports slumped almost 7% in the first six months. Measures will also be taken to ensure that goods are cleared more quickly through customs.

HEALTH

Crackdown on illegal trade in frozen meat intensified

A crackdown on the illegal trade in smuggled frozen meat is being intensified after reports of expired and rotten supplies being brought into the country and served in restaurants. The China Food and Drug Administration (FDA), the Ministry of Public Security and the General Administration of Customs said they were stepping up their efforts to combat the smuggling of "zombie meat". More than 100,000 metric tons of such meat were seized.

MACRO-ECONOMY

Second quarter growth stays at 7%

China's gross domestic product (GDP) grew by 7% in the second quarter, and experts predicted an improvement in the economy over the coming months. "Downside risks are getting smaller," said Ding Shuang, Chief China Economist at Standard Chartered in Hong Kong. "A modest recovery is expected in the second half." The National Bureau of Statistics

(NBS) said the year-on-year growth remained unchanged from the first quarter figure, beating previous market estimates of 6.8%. Economists attributed the new growth to the economy's resilience and the pro-growth policies the government adopted in the early months of the year, and expected that the policy orientation will remain on course in the third and fourth quarters. The country's GDP totaled CNY29.68 trillion between January and June. Industrial output rose by 6.8% in June, while fixed-asset investment (FAI) increased by 11.4% in the first half. The service sector contributed 49.5% of total GDP – 2.1 percentage points more than in the same period last year. Inflation was 1.3% in the first half of the year, markedly lower than the government's targeted annual ceiling of 3%. The country's foreign exchange reserves fell by USD40 billion in the second quarter to USD3.69 trillion, less than the USD113 billion drop in the first quarter. However, it was the fourth straight quarter of decline, according to the People's Bank of China (PBOC). Domestic consumption accounted for 60% of first-half growth, compared with 51.1% at the same time last year.

- The Chinese economy is regaining its strength and demonstrating great resilience, potential and flexibility, Premier Li Keqiang said. He made the remarks at a seminar on the economic situation attended by experts and entrepreneurs. “The fundamentals of the economy are on course to improve.”
- Employers in China are adopting a cautious outlook toward hiring in the second half of the year, with only 43% keen on increasing headcount, down 16.4 percentage points from the first quarter and below the 50% threshold, according to a report by recruitment specialist firm Hudson Global. Information technology and telecommunications are expected to see the highest hiring demand in the second half.
- The Chinese government pledged to keep the yuan exchange rate “basically stable” after some economists said the country's recent stock market rout might lead to the currency's devaluation. The government also decided to expand the import of popular consumer goods, advanced technologies and key equipment parts; the introduction of pilot streamlined customs procedures nationwide; and the reduction of trade companies' fees.
- The top five entrepreneurs who are most admired by China's general public, based on the sales of books written about them, media coverage and insights from managers entrepreneurial clubs and associations, are Jack Ma of Alibaba Group; Liu Chuanzhi of Lenovo group; Wang Jianlin of Dalian Wanda; Wang Shi of Vanke; and Ma Huateng of Tencent.
- The Asian Development Bank (ADB) cut its annual growth forecast for China to 7% from 7.2%, blaming weak external demand, a declining working-age population and rising wages. Wei Shangjin, ADB Chief Economist, said slower growth in China is likely to have a noticeable effect on the rest of Asia given its size and close links with other countries in the region.
- Shanghai's gross domestic product (GDP) growth accelerated slightly to 7% in the first half of this year from 6.6% in the first quarter. The pace also caught up with the national level for the first time in seven years. The city produced an economic output of CNY1.18 trillion in the first six months, with the service sector surging 10.2% and producing 67.1% of total output.
- China is set to have more than 1.12 million individuals with investable assets worth over CNY10 million by the end of this year, up 210,000 from the end of last year, according to a joint report by Forbes and life insurer AIA. Technology, media and telecommunications are creating “new wealth” at an unprecedented speed, it said. The financial assets of the wealthy individuals, excluding cash and deposits, jumped 32% in 2014 from a year ago. The total assets of the group are set to reach CNY114.5 trillion by the end of this year, up CNY8 trillion from the end of 2014.
- Bringing coal use to a peak by 2020 could save China billions of dollars in environmental costs, slash water consumption by nearly 30% and prevent tens of thousands of deaths from coal-related illnesses, a study by the Natural Resources Defense Council (NRDC), a U.S. environmental think tank said. China's coal demand fell for the first time in over a decade in 2014, and production also dipped 5.8% in the first half of this year.
- China is still the mainstay of global growth and its economy is more than capable of achieving the annual growth target of around 7% despite the recent market swings,

World Bank Group President Jim Yong Kim said.

- China's gold reserves rose to 53.31 million fine troy ounces by the end of June, an increase from 33.89 million fine troy ounces or 57% since 2009, when the State Administration of Foreign Exchange (SAFE) last updated the figures.
- A total of 91,000 high net worth Chinese mainlanders have settled overseas between 2000 and 2014, according to a report by New World Wealth, a South Africa-based company providing information on the global wealth sector, and LIO Global, a residence planning consultancy. The high net worth individuals are categorized as those with net assets of USD1 million or more, excluding their primary residences. Most of them moved to the U.S., Hong Kong, Singapore and the UK.
- During an inspection tour of Jilin province, President Xi Jinping urged for renewed efforts to revitalize the northeastern region through innovation and business startups. He also urged continued efforts to ensure that state-owned enterprises (SOEs) become stronger and more competitive.
- The Chinese Communist Party plans to hold the 5th plenum of its Central Committee in October to set the course for the economy for the next five years. It will discuss the 13th Five Year Plan (2016-2020) of national development.

MERGERS & ACQUISITIONS

Tsinghua Unigroup aims to take over Micron Technology

A bid by China's largest computer chip design company, Tsinghua Unigroup, to take over major American semiconductor firm Micron Technology will come under close scrutiny by the United States government. Micron is the world's fourth-largest semiconductor company by revenue and is valued at USD23 billion. Experts said the proposed deal will need approval from the Committee of Foreign Investments in the United States (CFIUS), as the take-over could have implications for national security. Every transaction covered by CFIUS is subject to a 30-day review. If there are security concerns after that period, a case moves to a 45-day probe. If necessary, the CFIUS can ask the U.S. President to make a determination after 15 days. Bernstein Research Senior Analyst Mark Newman said Tsinghua Unigroup's proposed takeover bid "would have a high risk of not going through due to the national security concerns of selling advanced semiconductor manufacturing technology to China". Micron is the world's second-largest maker of dynamic random-access memory (DRAM) chips, behind South Korea's SK Hynix. It is also the third-biggest producer of NAND flash memory chips, behind the Toshiba-SanDisk alliance and Samsung Electronics. NAND flash memory is the fastest-growing storage technology used in the lightest laptop computers, enterprise storage systems in data centers, and the most advanced smartphones and media tablets, the South China Morning Post reports.

China is becoming a center for M&A business

China is the No 1 destination for mergers and acquisitions (M&As) in the Asia Pacific region this year, according to the Bank of America Merrill Lynch's latest annual CFO Outlook Asia survey. Around 36% of CFOs across the Asia Pacific ranked China as their No 1 focus market for M&A, ahead of Japan's 35% and Australia's 26%. Half of the China-based CFOs surveyed by the bank said they planned to use surplus cash for acquisitions this year – the third-highest in the region. Foreign companies that have been in China for years see tremendous growth opportunities through mergers and partnerships, Steven Victorin, Director of Asia Pacific corporate banking at Bank of America Merrill Lynch said. "Before, China's domestic M&A market was mainly driven by SOEs, but that is now changing. An increasing number of M&A deals are involving private companies," he added.

REAL ESTATE

Rents rising too quickly in Shenzhen

The state of Shenzhen's residential property market is causing concern. In May, the average rental price in Shenzhen hit CNY66.6 per square meter, a jump of 16.35% compared to the same period last year, according to the city's Centaline Property Research Center. Futian

district was the most expensive area of Shenzhen at an average of CNY73.6 per sq m. "It is very common for property owners to raise rents frequently," Ling Chao, a real estate agent in Futian, said, adding that monthly rental prices had increased by CNY300 on average since April. As rents rise, some residents are being priced out of the market. In June, house prices in Shenzhen went up by 13.67% compared to the same period last year, the biggest increase among 100 major cities in China, partly due to the huge numbers of migrants in the city. According to the National Bureau of Statistics (NBS), disposable income per capita in Shenzhen was CNY40,948 last year, which was 6.9% higher than in 2013, or CNY3,412 per month. For an average employee on CNY3,648 a month, that means 40% will go on renting a 20 sq m room in Futian district. Frustrated by spiraling prices, many young residents are planning to leave the city.

Property sales up 10% in first half

China's property sales revenues rose 10% year-on-year in the first half. The residential sector outperformed with an increase of 12.9%, while office and retail sales were still down 1.8% and 1.2% respectively in the first six months from a year earlier. Property investment, which directly accounts for 15% of the gross domestic product (GDP) and affects more than 40 other sectors, grew 4.6% year-on-year in the first half to CNY4.4 trillion, slowing steadily since early 2014. The National Bureau of Statistics (NBS) also announced that developers bought 98 million square meters of land in the first six months, down 33.8% from a year earlier. "Developers in tier-3 and tier-4 cities are still in pain," said Liu Jing, Professor at the Beijing-headquartered Cheung Kong Graduate School of Business. "The divergence (between tier-1 cities and the rest) will persist in the second half." The Chinese government rolled out stimulus measures to spur a recovery in the property sector, including four interest rate cuts since November. Newly-started property construction fell 15.8% year-on-year in the first half to 675 million sq m.

- Evergrande Real Estate Group, China's second-largest developer, acquired three projects in Chengdu for HKD6.5 billion from Hong Kong developer Chinese Estates Holdings. The deal will be financed with internal funds. The Guangdong-based developer has just completed the issuance of CNY20 billion in onshore corporate bonds through two tranches. Evergrande's contracted sales hit CNY87.11 billion in the first half, finishing 58.1% of its annual target.
- China's real estate market continued to recover as sales of the country's main developers improved in the first half of this year. China Vanke, the country's biggest property developer by sales, reported a 9% year-on-year sales rise in the first half, while sales for Guangzhou-based Evergrande Real Estate Group surged 25.7%. Developers have also been investing in new projects. In June, China Vanke bought eight pieces of land for property development.
- The foundations of what was planned to be the world's tallest building are being used as a fish farm, two years after the project stalled. Construction of the 838-meter tall "Sky City" in Changsha started in July 2013 by billionaire Zhang Yue's Broad Group. Zhang had expected the CNY9-billion project to be completed in nine months, using prefabricated building modules. But work stalled after concerns from regulators over the safety of the skyscraper and its environmental impact and funding.
- Residential property sales revenues jumped 12.9% to CNY3.43 trillion during the first half of the year. A combined 502.64 million square meters of residential space was sold, 3.9% more year-on-year, boosted especially by transactions in the second quarter, particularly June, which saw record sales levels. There were 657 million sq m of commercial space available in the market at the end of June, a 20.8% year-on-year increase.
- In Shanghai, new homes were sold for an average CNY30,926 per square meter in the first quarter, an increase of 17.5% from the same period a year earlier.
- On a monthly basis, new home prices fell in 34 of the 70 cities monitored by the government in June, down from 43 in May. New home prices climbed in 27 cities, up from 20 in May, including Shanghai, Beijing, Tianjin, Guangzhou and Shenzhen. Nine cities registered flat new home prices, mostly second-tier cities such as Changsha, Wuxi and Kunming. For existing homes, 20 cities saw price declines on a monthly

basis, while 42 cities posted gains.

- A many as 1,500 luxury villas and apartments in Portugal are about to come under the virtual hammer on Paimai, the auction site owned by Alibaba Group Holding. The villas and apartments, with a combined market value of CNY1.6 billion, are located in the Algarve. The properties are valued between €900,000 and €1.5 million, each with sizes ranging from 231 square meters to 363 sq m.
- More mortgages were extended in Shanghai in June. Banks in Shanghai extended CNY11.34 billion new yuan mortgages in June, nearly double from last year. The new lending last month was a quarter of the total in the first half of this year. Home sales from January to May rose 3% from a year ago, reversing a decline of 8% recorded for the first four months of this year.

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RETAIL

Yum Brands reports falling sales

Yum Brands, the owner of Pizza Hut and KFC, reported its fourth straight quarter of falling sales, indicating the company is still struggling to regain lost ground in China after reports last year that one of its suppliers was using meat that was past its expiration date. Yum's same-store sales in China plunged 10% in the second quarter, much steeper than the 8.40% fall analysts had expected.

- Retail sales accelerated 10.4% in the first six months to CNY14.15 trillion, slowing from 10.2% in the first quarter. Growth in June alone, however, accelerated to 10.6%. Online sales surged more than 39% to CNY1.64 trillion.

SCIENCE & TECHNOLOGY

China to launch expedition to the Mariana Trench

Chinese scientists will soon send a probe to explore the world's deepest sea floor for the first time, with devices to capture rare creatures and collect mineral samples. The deep-sea probe will leave for the Mariana Trench in the western Pacific Ocean in October with its destination

the Challenger Deep, the deepest point in the world's oceans. Only four descents to the Deep have ever been achieved. The latest visit was by Canadian film director James Cameron in 2012 with the submersible vessel Deepsea Challenger. The Chinese probe was developed by researchers at the Chinese Academy of Sciences' Shenyang Institute of Automation in Liaoning and the Sanya Institute of Deep-sea Science and Engineering in Hainan. It is less sophisticated than the Deepsea Challenger, being smaller and unable to move around after landing on the sea floor. The probe also has no room for passengers. Even so, there is hope that it can make exciting discoveries, the South China Morning Post reports.

- China will build a hybrid reactor to achieve nuclear fusion and fission in one place by 2030. The report said the project was being developed at a military research facility after the conceptual design was recently completed at the Chinese Academy of Engineering Physics in Sichuan. The proposed hybrid reactor could generate three times the power of a current fission reactor, while being safer.
- Ji Baocheng, a former President of Renmin University of China, has been suspended from the Communist Party for two years. He was disciplined for violating Party rules, a phrase that generally refers to corruption, and his retirement benefits were reduced.

STOCK MARKETS

Regulatory flaws expose weakness in stock market

HOMS system, a little-known securities trading software until recently, has been allegedly viewed as the prime culprit for the dramatic stock market slide in the past few weeks, raising questions of whether the country's financial regulation is adequate. Leveraged funds worth trillions of yuan had flown into the equities market through the HOMS system, which fueled a frenetic bull run, and triggering a 30% plunge due to massive deleveraging and liquidation of margin accounts. The stock market regulator is now cleaning up gray-market margin lending through non-brokerage channels that allow investors to borrow up to 10 times their initial capital to trade stocks through the HOMS system. The China Securities Regulatory Commission (CSRC) told Hundsun Technologies, the company that developed the HOMS system, to strictly follow the rules. The company, backed by Alibaba Group Holding, defended its role, saying that it is unfair and irrational to blame its system for the market decline. Only CNY30.1 billion was forcefully liquidated through the HOMS platform from June 15 to July 10, accounting for 0.1% of the total transaction volume during the period, the China Daily reports.

Hundsun Technologies said it will stop opening new accounts on its HOMS system following an official probe into its role in the recent stock market rout. Hundsun will also not allow clients to put more money into existing accounts and will close any accounts with zero balances. Unregulated margin financing is blamed for fueling a highly leveraged bull run in China's stock markets and then causing a 30% slump in three weeks.

- European investors say they are still keen to invest in China's financial markets through the official quota system. The two major quotas are the Qualified Foreign Institutional Investor (QFII) and Renminbi Qualified Foreign Institutional Investor (RQFII) programs. The QFII program, started in 2003, was raised to USD150 billion in 2013 and the RQFII program, started in 2011, has been expanded to more than 10 international markets since its inception, with each market given an individual quota.
- GF Securities, which raised USD3.6 billion in its Hong Kong initial public offering (IPO) in April, issued preliminary interim earnings which showed a 402% year-on-year jump in first half net profit to CNY8.4 billion.
- Surging stock transaction volumes pushed up stamp duty revenue on stock trading in the first half of the year to an estimated record CNY138 billion, the highest six-month figure on record and a rise of 545% year-on-year, according to Shanghai Wind Information Co. Stock trading stamp duty is 0.1% of the transaction value, and is only imposed on sellers.
- Beijing's decision to suspend new listings amid the worst stock market crisis for years is not a good long term solution, Levin Zhu, son of ex-Premier Zhu Rongji and former Chairman of China International Capital Corp (CICC) said. According to Zhu, the

government must think of a more systemic approach to dealing with the challenges it is facing in the capital market.

TRAVEL

Juneyao Airlines announces private placement

Chinese private carrier Juneyao Airlines announced a private share placement plan to raise CNY3.6 billion to repay bank loans and fund expansion, less than two months after its CNY760 million initial public offering (IPO) in Shanghai. It will use the funds to partly pay for four Airbus A320 narrow-body planes, three auxiliary engines, two flight simulators and a tourism platform. The company has been flying since 2006 and has a fleet of 42 A320 planes, 13 of which are self-owned.

- The Civil Aviation Administration China (CAAC) announced it will use the homegrown Beidou satellite navigation system to track civilian aircraft to avoid disasters like the missing Malaysian Airlines flight MH 370 last year.
- Chinese car and taxi-hailing app Didi Kuaidi offered free rides in 338 Chinese cities following a record-breaking USD2 billion fund raising. On July 13 and 20, customers could enjoy a free ride of up to 10 kilometers, a value of CNY13 to CNY17. Didi Kuaidi, which was formed in February by a partnership between previously competing apps Didi Dache and Kuaidi Dache, controls more than 90% of China's taxi-hailing market.
- A 1,000 km suburban railway network will be built around Beijing to link the capital with neighboring Tianjin and Hebei province. The plan is part of an infrastructure overhaul to encourage the integration of the three regions and help to relieve the overpopulated and congested capital of non-core functions. Beijing's population had reached 21.5 million at the end of last year, including 8.18 million migrants.
- Trials have begun on China's northernmost high-speed rail line linking Harbin, capital of Heilongjiang province, to Daqing and Qiqihar. CRH5A high-speed trains to be used on the line are designed to withstand temperatures as low as -40 degrees C, strong winds, heavy rain, snow and fog. The new line, designed for trains running at up to 250 km/h, will go into service in August if it passes a one-month test. It will cut travel time between Harbin and Qiqihar to about 1 hour 20 minutes from three hours.
- China's largest taxi- and car-hailing app Didi Kuaidi announced it will launch direct shuttle services in Beijing and a city in Guangdong province, with immediate effect. The project, Didi Bus, will start with 33 routes in the Chinese capital and 10 routes in Shenzhen, before widening its scope to include several hundred routes by the end of this month.
- China started the assembly of its first domestically-developed seaplane. The AG-600 is expected to do well in the international market. Countries with many islands, such as Malaysia and New Zealand, have expressed interest in the plane. So far 17 orders from domestic companies have been received. Powered by four turboprop engines, it will be the world's largest amphibious aircraft, surpassing Japan's ShinMaywa US-2 and Russia's Beriev Be-200.

ONE-LINE NEWS

- Xi Xiaoming, 61, Vice President of the Supreme People's Court (SPC), the most senior judiciary official to be investigated for corruption since the start of the anti-graft campaign, has close ties with coal mine owner Zhang Xinming in Shanxi province, for whom he interfered in court proceedings.
- Nearly 75% of China's big cities failed to meet air quality standards last month, an improvement over the same month last year. Nineteen cities met air quality standards every day, the Ministry of Environmental Protection said, compared to five at the same time last year. Air quality in Beijing was subpar on almost 60% of the days in June and saw levels of PM2.5 rise 11% compared to the same period last year.
- Unsustainable farming practices, such as the overuse of fertilizers, are drying out

farmland in the north, posing a threat to future food and water resources, according to a study by the Pacific Northwest National Laboratory in the U.S. China's excessive use of fertilizer dated back to about 1980 and was now more than twice the global average. The traditional thinking is that using more fertilizer leads to higher yields.

- Ling Jihua, who has been Secretary to former President Hu Jintao and a Vice Chairman of the Chinese People's Political Consultative Conference (CPPCC), has been expelled from the Communist Party, removed from all government positions, and will be prosecuted on corruption charges. In 2012, Ling's son died when he crashed a Ferrari in Beijing.
- Chinese Vice Premier Zhang Gaoli visited Hanoi and met Vietnamese Deputy Prime Minister Nguyen Xuan Phuc as well as other top Vietnamese officials in a move that would further improve political trust between the two countries.
- Chinese Premier Li Keqiang met Shotaro Yachi, a key adviser to Japanese Prime Minister Shinzo Abe in Beijing. Li said the relationship between China and Japan was still "sensitive and complex". Japan should stick to a peaceful development strategy and work for regional stability, Li added.
- Wan Li, a former Chairman of the National People's Congress (NPC) from 1988 to 1993, a champion of China's agricultural reforms and the driving force behind improvements to the legal system, has died at age 99.

ANNOUNCEMENTS

8th China (Weihai) Fishing Gear Manufacturing Center Expo (CGC EXPO Weihai 2015) – October 16-18, 2015 – Weihai, China

The 8th China (Weihai) Fishing Gear Manufacturing Center Expo (CGC EXPO Weihai 2015), will be held on October 16-18 in Weihai, China.

CGC 2015 Preview:

- 1047 companies applied for the booths, already beyond the venue holding capacity
- Free admission exclusively for pre-registered buyers
- Much cheaper hotel (5-star hotel, USD70/80 per night), taxi, and seafood within the city

Review of CGC 2014:

- 77,769 visitors, including international, domestic and public visitors
- 535 international buyers from 49 different countries and regions
- 703 exhibitors, including 11 international exhibitors

For more information:

E-mail: lijiang@chinafish.cn Web: www.cgsexpo.com www.chinafishshow.org

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- Large enterprises: €485

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