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

NEWSLETTER | 15 DECEMBER 2015

ADVERTISEMENT AND SPONSORSHIP OPPORTUNITIES 2016

New!: Interested to promote your services/products to potential Chinese or Belgian clients?

The Flanders-China Chamber of Commerce offers several advertising and sponsorship opportunities in order to give your activities more exposure to potential new clients and collaboration.

We would like to offer our members the opportunity to promote your services/ products to potential Chinese and/or Belgian clients. We can promote these in many different ways via advertisement on our website, newsletters and events.

Below you can find the different possibilities:

- FCCC Weekly: This newsletter is published in English and contains economic & trade information on China, a calendar with China-events and career opportunities. It is sent every Monday to 2.700 Belgian business leaders doing business with China and to relevant institutions, embassies, federal and regional authorities as well as the Belgian and Chinese press. It is also sent to Chinese officials and companies based in Belgium.
- News from Flanders: Europe's Smart Hub: This is a quarterly newsletter published in Chinese and English. It contains articles on Flanders' business news, education and tourism. It is sent to over 2.000 Chinese and Belgian companies, Chinese national and local authorities, Chinese companies based in Belgium, Chinese press in Belgium. It is also sent to all FCCC member companies and Belgian and regional institutions.
- FCCC website contains publications, newsletters, activities, and a broad range of interviews with Chinese and Flemish companies sharing their experiences.
- FCCC Events. The FCCC regularly organizes seminars and other high level events. If you are interested, please send an email to info@flanders-china.be.

If you'd like to advertise on our website, newsletters and events, please check out our Advertisement and Sponsorship Opportunities for 2016.

Also note the sponsorship opportunity for the **FCCC Chinese New Year Reception** on February 3, 2016. More details are available by following the link above.

Sponsorship EU-China activities:

The EU-China Business Association (EUCBA) is an association of Associations in the European Union countries promoting business relations between European enterprises, institutions and their Chinese counterparts. It is an International non-profit organization registered in Belgium. The FCCC holds the secretariat-general of the EUCBA.

The EUCBA organizes high-level EU-China events and also publishes a Quarterly newsbulletin. Website: www.eucba.org

If you are interested in advertising or sponsoring or need more information, please send an e-mail to: gwenn.sonck@flanders-china.be

FCCC ACTIVITIES

FCCC Chinese New Year Reception – 3 February 2016 – Brussels

FCCC Chinese New Year Reception - KBC Bank, Havenlaan 2, 1080 Brussels

Speakers :

- Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce
- His Excellency Mr Qu Xing, Ambassador of the PRC in Belgium (to be confirmed)
- Mr Geert Bourgeois, Minister-President of the Government of Flanders, Flemish Minister for Foreign Policy and Immovable Heritage

Organized by the Flanders-China Chamber of Commerce.

Invitation will follow soon.

EUCBA ACTIVITIES

EU-China Conference: China's New Normal: What's In It For Businesses? – Thursday, 28 January 2016 – 12:00-14:35 – Brussels

BUSINESSEUROPE, the EU-China Business Association and the European Union Chamber of Commerce in China are organizing an exclusive dialogue with the European Commissioner for Trade Cecilia Malmström, the European Parliament's Chair for Relations with China Jo Leinen, and the European Chamber China President Jörg Wuttke. This will take place on Thursday, 28 January, 2016 from 12:00- 14:35 at in Brussels. (place to be determined)

The purpose of this event is to take stock of the most important developments in the EU-China relations and how this affects EU businesses.

Speakers:

- Ms. Cecilia Malmström, Commissioner for Trade, European Commission
- Mr. Jo Leinen, Member of the European Parliament and Chair of the Delegation for Relations with the People's Republic of China
- Mr. Jörg Wuttke, President, European Union Chamber of Commerce in China

Moderator:

- Mr. Christian Oliver, EU Correspondent, Financial Times

In the past year, there have been a number of significant developments in China. First of all, the economic slowdown in China is a fact. European companies are adapting to this "new normal" of lower, but possibly more qualitative economic growth.

Another important development is the negotiations on the EU-China Investment Agreement, which started in early 2014. European businesses in China are hopeful that China will use these agreements to promote greater international competition and cooperation in its marketplace through meaningful liberalisation. The direction that these developments will take will be critical for Europe's mission for growth and the future success of European industry in both Europe and China.

Moreover, the Chinese government will soon release a roadmap, including two so-called negative lists to indicate where investments of domestic enterprises and foreign invested enterprises are allowed and not allowed.

During the event, representatives from the European Chamber's working groups will also provide on-site answers to specific questions related to their industry sectors.

Last but not least, EU Trade Commissioner Cecilia Malmström will deliver a keynote speech on the current state of the EU-China business relations.

Tentative Agenda

12h00 - 13h00	Registration and sandwich lunch
13h00 - 13h10	Introduction by Mr Markus Beyrer, Director-General, BUSINESSEUROPE
13h10 - 13h20	Speech on EU-China business relations by Ms Cecilia Malmström, European Commissioner for Trade
13h20 - 13h30	Speech by Mr Jörg Wuttke, President, European Union Chamber of Commerce in China
13h30 – 13h40	Speech by Mr. Jo Leinen, Member of the European Parliament and Chair of the Delegation for relations with the People's Republic of China
13h40 - 14h25	Moderated panel Discussion and Q&A
14h25 - 14h35	Closing remarks by Mr. Bert De Graeve, Acting Chairman, EU-China Business Association

Mark the date, registration for this event will open soon.

EUCBA BULLETIN

First issue: interviews with Ambassadors Hans-Dietmar Schweisgut and Yang Yanyi

The first issue of the EUCBA Quarterly newsletter has been published, including interviews with the Ambassador of the European Union to China, H.E. Hans-Dietmar Schweisgut and the Ambassador of the People's Republic of China to the European Union and Head of the Chinese Mission to the EU, H.E. Mrs. Yang Yanyi.

In this first issue there is also an interview with Lord Sassoon, Chairman of the EUCBA, an introduction to the Position Paper 2015/2016 of the European Union Chamber of Commerce in China, and Europe-China and EUCBA News sections.

First issue of the EUCBA Bulletin quarterly newsletter in PDF format.

PAST EVENTS

Banquet & Seminar 'Business opportunities between China and Province of West Flanders' – November 23, 2015 – Bruges

The Province of West Flanders and the Flanders-China Chamber of Commerce (FCCC) in cooperation with POM West Flanders, Flanders Investment & Trade, the Howest Confucius Institute and the Zhejiang Federation of Industry and Commerce, organized a banquet and seminar on 'Business opportunities between China and West Flanders'. This event took place on 23 November 2015 in Bruges. Following a word of welcome by Mr Carl Decaluwé, Governor of the Province of West Flanders, Mr Zhang Lijun, Representative of the Embassy of China in Belgium, made a presentation about the importance of bilateral cooperation between West Flanders and Zhejiang, after which lunch was served.

In the afternoon a seminar was held on the topic 'Business opportunities between China and West Flanders' moderated by Mr Stefan Blommaert, VRT. Opportunities for doing business with China were introduced by Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce. Two parallel workshops were held, and six businesspersons presented testimonials. The conclusion of the event was presented by Mr Jean de Bethune, Vice Governor of the Province of West Flanders.

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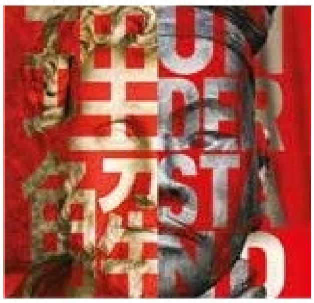

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AUTOMOTIVE

Tax cut leads to higher vehicle sales

China's passenger car sales last month showed the strongest growth this year, helped by tax cuts and extreme weather conditions, the China Passenger Car Association (CPCA) said. Deliveries of sedans, sport-utility vehicles (SUVs), multi-purpose vehicles (MPVs) and minivans jumped 17.6% in November from a year earlier to 2.02 million units. The combined passenger car sales reached 18.2 million units as of November, up 7.5% from a year earlier. Since October, China has cut vehicle purchase taxes for passenger cars with engines below 1.6 liters by half in a bid to power the auto market to recovery. Deducting 5% off each eligible car's retail price excluding value-added taxes, the tax cuts are expected to spur hundreds of billion of yuan in sales, according to Cui Dongshu, Secretary General of the Association. Another factor powering the auto sales in November was the cold weather and the smog which caused people to buy cars. The Chinese government is walking a tight rope of stabilizing the auto industry and controlling vehicle exhaust which is the main source of air pollutants. Sales by domestic Chinese auto brands outpaced the market, rising 26.9%. Their market share grew by 1.1 percentage points to 41.9%. As sales of SUVs surged 72% in

November, those of Chinese brands soared 88.1% to 395,000 vehicles. Their share of the SUV market expanded by 4.7 percentage points to 55.2%.

- Car-hailing app Didi Kuaidi is planning to sell cars through its platform as it is seeking to diversity its business scope. The sales target consumers in six cities: Beijing, Shanghai, Hangzhou, Guangzhou, Shenzhen and Chengdu, all cities where Didi Kuaidi is offering test-drive services since October. The company plans to expand the service to more than 30 cities within a year. Currently, Didi Kuaidi has 250 million registered users, with services available in 259 Chinese cities.
- Due to heavy smog shrouding Beijing last week, inquiries to buy electric cars increased by almost 10%, as petrol-powered cars were only allowed to drive on alternate days, while there was no such restriction for electric cars. Pure-electric car sales soared nearly five-fold to 113,810 nationwide in the first 10 months of the year, putting China on track to overtake the United States as the largest market for electric cars this year.

FINANCE

Postal Savings Bank to diversify shareholding

Postal Savings Bank of China Corp (PSBC), the sixth-largest commercial lender in China by assets, said that the China Banking Regulatory Commission (CBRC) has approved the bank's plan to raise as much as CNY45.1 billion from 10 strategic foreign and domestic investors ahead of a possible initial public offering (IPO). The lender said it will sell a 16.92% stake to a group of investors. PSBC has also changed its corporate governance structure by switching from a single shareholder to multiple shareholders. To date, China Post Group, the country's official postal service, is the sole investor in the lender. Among the new strategic investors are: Swiss financial services company UBS, United States investment bank JPMorgan Chase & Co, Singapore's sovereign wealth fund Temasek Holdings, Chinese telecom firm China Telecom Corp, internet firm Tencent Holdings and Ant Financial Services Group, the internet finance affiliate of Alibaba Group Holding. PSBC said it would use the money from the stake sale to augment its capital base. Some of the investments will be made in U.S. dollars, thus helping the bank to develop its international business and support its global expansion. The overall stake of the new investors will be limited.

China approves limited yuan convertibly under the capital account

China has approved limited yuan convertibility under the capital account for free trade zones (FTZs) in Fujian, Guangdong and Tianjin, a step closer to freeing up cross-border capital flows. Each domestic institution registered in the FTZs and operating in areas not on the negative list is allowed to convert up to USD10 million in yuan for both cross-border revenue and expenditure annually, the People's Bank of China (PBOC) said. Qualified institutions will be able to conduct cross-border financing and investments freely within the quota. China liberalized its trade accounts nearly 20 years ago, but transactions under the capital account are still subject to regulatory restrictions. The latest move marks a significant development in China's bid to ease its tight grip on the capital account and to promote the use of yuan globally. It follows International Monetary Fund (IMF) approval on November 30 for the yuan to join the dollar, euro, pound and yen in the basket of currencies that make up its Special Drawing Rights (SDRs). The bank expected growth of yuan investment settlement flows to grow by 10% year-on-year to CNY9.4 trillion next year. The central bank attached two key qualifications for the opening: corporations should not be engaged in certain sensitive industries on a government "negative list", and the convertibility will be subject to an annual limit of USD10 million.

- Banks from China may see zero or negligible profit growth next year, with some likely to incur marginal losses. The non-performing loans (NPLs) ratio will rise to around 2% for listed banks, compared with around 1.59% now, according to a report by the Institute of International Finance (IIF) at the Bank of China (BOC). At the end of June, the outstanding NPLs of the Chinese banking sector reached CNY1.09 trillion.
- South Korea received a CNY3 billion quota to issue yuan-denominated bonds on

China’s interbank bond market, which accounts for 70% of China’s total bond transactions.

- The amount of new loans in China accelerated less than expected in November, the People's Bank of China (PBOC) reported. New loans grew by CNY708 billion in November, compared to a CNY513 billion increase in October. By the end of November, outstanding yuan loans reached CNY93.36 trillion, a 14.9% increase year-on-year. Market expectations were for new loan growth of CNY735 billion.
- The People’s Bank of China (PBOC) cut the yuan’s value against the U.S. dollar to its lowest in more than four years. The daily reference dropped to CNY6.4358 to USD1, the lowest since August 5, 2011.
- China will post record capital outflows in 2015 of more than USD500 billion, according to the Institute of International Finance (IIF). China is likely to see USD150 billion in capital outflows in the fourth quarter of the year, following the third quarter’s record USD225 billion.

FOREIGN INVESTMENT

Negotiations for EU-China investment treaty accelerated

China’s government has accelerated negotiations over an investment agreement with the European Union to counter the influence of U.S.-led trade and investment treaties, observers said, adding that it was ready to make compromises in the hope of reaching an agreement next year. China and the EU began talks on the agreement in January last year. Joerg Wuttke, President of the EU Chamber of Commerce in China, said: “The investment treaty is like a WTO for us, a rare opportunity for EU companies to negotiate for more market access in times where Chinese companies seek a strong investment agreement in the EU. EU business strongly believes that a conclusion in late 2016 is possible and necessary. Both regions need a boost of good news in economics in 2016, and the investment agreement could provide that in symbol and substance.” China has already signed investment treaties separately with most EU members, but a comprehensive China-EU investment pact would pave the way for a feasibility study for a free trade agreement (FTA) between the two sides. “As Chancellor Merkel made clear during her visit to China, the EU will stick to its decision not to start free trade agreement negotiations in parallel to the ongoing investment talks,” said German Ambassador to China Michael Clauss. China thinks it will be automatically granted the status of a market economy in December next year under the WTO agreement, but EU member states are deeply split on whether to grant China market economy status, with France and Italy the biggest opponents. They fear it will make it harder for them to impose higher anti-dumping duties on China’s imports to the EU, the South China Morning Post reports.

- A book detailing the investments of about 100 Chinese companies in more than 20 African countries was officially launched in Johannesburg during the South Africa-China Business Forum. “Chinese Enterprises in Africa 2015”, written in English and Chinese, was compiled by China Daily after conducting extensive interviews. About 4,000 Chinese companies have invested more than USD30 billion in Africa, according to the China-Africa Business Council.
- Australian mining tycoon Clive Palmer’s bid for a “highly unusual” advance on a multi-million dollar royalties claim has been rejected by a court in a long-running legal battle with Chinese conglomerate CITIC. Palmer’s mining firm Mineralogy demanded CITIC pay an AUD48 million advance on a royalties payment relating to a mining project. Hong Kong-based CITIC is mining for magnetite iron ore on Palmer’s sprawling tenements in resource-rich Pilbara, Western Australia, under a 25-year lease.
- China attracted CNY704.33 billion in foreign direct investment (FDI) in the first 11 months of this year, up 7.9% from the same period a year earlier, the Ministry of Commerce (MOFCOM) said. FDI inflows in November rose 1.9% from a year earlier to CNY64.9 billion.

FOREIGN TRADE

November's foreign trade better than expected

China's foreign trade fared better than expected in November with imports declining much less though exports continued to fall. Exports last month fell 3.7% year-on-year to CNY1.25 trillion, compared to October's drop of 3.6%. Imports, meanwhile, contracted 5.6% to CNY910 billion, compared to the previous month's 16% slump. As a result, November's trade surplus was CNY343.1 billion, up 2% year-on-year but less than October's CNY393.3 billion surplus. In the first 11 months of the year, China's trade fell 7.8% to CNY22.08 trillion, with exports down 2.2% to CNY12.71 trillion and imports down 14.4% to CNY9.37 trillion. The trade surplus for the January-November period surged 63% from a year earlier to CNY3.34 trillion. The European Union remained China's largest trading partner in the first 11 months, though the total trade fell 7.7% year-on-year to CNY3.16 trillion. China's trade with the United States rose 1.9% to CNY3.15 trillion, while trade with ASEAN countries fell 2.1% to CNY2.6 trillion. Trade with Japan dropped 10.4% to CNY1.57 trillion. Foreign trade by China's private firms fell 1.8% to CNY8.11 trillion, or 36.7% of the total. State-owned enterprises (SOEs) saw their foreign trade fall 12.9% year-on-year to CNY3.65 trillion, or 16.5% of the total, the Shanghai Daily reports.

- China will cut import tariffs on nearly 800 items from January 1 next year, the Ministry of Finance said. The range of goods for which tariffs will be cut include fresh food, nuts, industrial materials, equipment, and consumer goods such as suitcases, clothing, scarves, blankets, and sunglasses. Import tariffs for skin care products will be cut from 6.5% to 2%, plastic and fabric suitcases from 20% to 10%, leather coats from 23% to 10%, air purifiers from 15% to 5%, and sun glasses from 20% to 6%.

HEALTH

China's Tu Youyou receives Nobel Prize for medicine

The Chinese scientist Tu Youyou, 84, has received the Nobel Prize for medicine from Sweden's King Carl Gustaf XVI at a ceremony in Stockholm. Tu, William Campbell from the United States and Satoshi Omura from Japan received the medicine prize for unlocking revolutionary treatments for malaria and roundworm, helping to roll back the two parasitic diseases. "The discovery of artemisinin has led to development of a new drug that has saved the lives of millions of people, halving the mortality rate of malaria during the past 15 years," said Professor Hans Forssberg, Member of the Nobel Committee for Physiology or Medicine. Tu received half of this year's medicine prize of about USD47.5 million. The other half was equally shared by Campbell and Omura.

- China's health care sector is dominated by public health institutions. Although half of the roughly 26,500 hospitals across the country are privately owned, they only dealt with 103 million patients in the first five months of the year, a far cry from the 1.08 billion handled by their public counterparts, according the National Health and Family Planning Commission.

IPR PROTECTION

NCA and WIPO sign cooperation agreement

The National Copyright Administration (NCA) and the World Intellectual Property Organization (WIPO) signed an agreement on December 1 in Shanghai to strengthen bilateral cooperation in intellectual property rights. The NCA and WIPO will carry out all-around cooperation and make greater efforts in copyright promotion, personnel training, high-level exchanges and communications. WIPO Director General Francis Gurry said at the signing ceremony that China, with the help of the NCA, has made clear progress in recent years in copyright legislation and enforcement, international communication and cooperation. With the rise of the internet, creative industries have undergone sweeping changes worldwide. Multilateral cooperation therefore is important, Gurry said. China joined WIPO in 1980. "We have been relatively successful" in international cooperation, with two multilateral copyright treaties concluded in recent years, including the Beijing Treaty on Audiovisual Performances, Gurry said. The Beijing treaty was signed by 72 members of WIPO during the Diplomatic Conference on the Protection of Audiovisual Performances in Beijing in 2012. The international treaty was the first of its kind to be finalized in China and to be named for a city in the country.

- The fifth Business of Intellectual Property Asia Forum was held in Hong Kong earlier this month. Hong Kong Chief Executive Leung Chun-ying said at the forum that Hong Kong's outstanding business environment, robust IP protection system and its role as China's “super-connector” will help promote the city as a regional IP trading hub.
- The 2015 China Trademark Awards were granted to 20 organizations and individuals earlier this month. Organized by the State Administration for Industry and Commerce (SAIC) and the World Intellectual Property Organization (WIPO) since last year, the awards are given to those who have made great achievements in trademark innovation and protection, and in the use of the Madrid international trademark system.

MACRO-ECONOMY

Loss-making SOEs could be shut down after three years

China has set a two-year deadline for loss-making state-owned enterprises (SOEs) to improve their performance, with firms that suffer losses for three straight years liable to be shut down. “By the end of 2017, a significant drop in losses is to be expected for enterprises whose losses are incurred from operations,” the State-owned Assets Supervision and Administration Commission (SASAC) said. Enterprises should leave the market through asset reorganization, transfer of property rights, closure or bankruptcy if they suffer three consecutive years of losses “and their business is not in line with the direction of structural adjustment”, a SASAC statement said. China is overhauling inefficient state-run companies to bolster economic growth. The plan aims to cut out sectors plagued by overcapacity while creating globally-competitive firms in high-value sectors such as aerospace and advanced rail technology. SASAC is still studying the issue of “zombie companies”, those that are surviving but not profitable, including how to help them and related industries overcome their difficulties.

Economic indices for November released

The National Bureau of Statistics (NBS) has released November's major economic indices. Industrial output growth strengthened to 6.2% year-on-year and hit its highest level since June, up from 5.6% in October, supported by the fast growth of automobile output. Car production rose 13% in November, a sharp acceleration from the 7.3% growth recorded in October. Fixed-asset investment (FAI) accelerated to a year-on-year growth rate of 10.2% in November, compared with 9.5% in October, driven by the stable expansion of infrastructure construction and manufacturing investment, although real estate construction is continuing to suffer a downturn. Retail sales growth, meanwhile, edged up to 11.2% from 11% in October and remains the strongest driving force of overall economic growth. In the first 11 months of the year, online sales rose 34.5% year-on-year to CNY3.45 trillion, accounting for 12.6% of all retail sales for the period. Economists predicted that GDP growth in the last quarter may reach 6.9%, unchanged from the third quarter. In the first half, the growth rate averaged 7%. Louis Kuijs, Economist at Oxford Economics, said that the macro policy-easing measures taken earlier this year have had a favorable impact on growth in the fourth quarter. The policies include five cuts in the benchmark interest rate, four cuts to the reserve requirement ratio for financial institutions, the acceleration of approvals for infrastructure construction projects and an increase in the quota for local government debt swaps. Kuijs, believes that the risk of a hard landing remains low, but a further weakening of housing sales momentum could lead to a more pronounced slowdown, the China Daily reports.

- Improving the domestic supply of goods to bolster growth is expected to be a key theme for the annual Economic Work Conference of the Chinese Communist Party this month. Supply-side reform was highlighted by President Xi Jinping to the central leading group on economic affairs last month and is likely to be included into the policy framework for next year. Chinese consumers were estimated to have spent at least CNY1 trillion last year overseas. Officials want to encourage them to spend more of that domestically.

- Advice on China's new Five Year Plan (2016-20) is being sought by the Chinese government for the first time from top international economists along with their Chinese counterparts. Nobel Prize economics laureate Joseph Stiglitz said at a seminar that China can continue to increase growth with the right policies, but more important is whether living standards will rise along with growth. Jonathan Woetzel, Shanghai Office Director for McKinsey and Co, said he believed there is an opportunity to increase productivity, and the 13th Five Year Plan should place new emphasis on quality over quantity of growth.
- China increased its gold holdings for the fifth consecutive month in November, the fastest growth rate since June. Gold reserves rose by 670,000 fine troy ounces, or 20.84 metric tons, to 56.05 million ounces, or 1,743.35 tons at the end of November. The country's total foreign exchange reserves, however, shrank by USD87 billion last month, the biggest fall since August's record-high monthly drop of USD93.9 billion.
- Hong Kong's employment outlook in the first quarter of next year is expected to remain stable despite economic uncertainty. ManpowerGroup, a human resources firm, polled 760 employers in October and found that 18% are planning to increase staff levels while 3% are planning to cut staff numbers. This would result in a net employment outlook of 15% – the percentage of companies planning to increase staff levels minus those planning to let go of staff. The mining and construction sector is expected to see the most robust hiring.
- China's long-awaited nationwide carbon market will cover as many as 10,000 firms and regulate nearly half of the country's total emissions once launched in 2017, Jiang Zhaoli, Vice Director of the Climate Office of the the National Development and Reform Commission (NDRC), said in Paris. The market would cover 31 provinces, six industrial sectors and 15 sub-industries, and would involve 4 billion tons of annual carbon emissions at its launch, amounting to almost half of the country's total.
- In the first 11 months of the year, the Consumer Price Index averaged 1.4%, much lower than the government's ceiling of 3%, while deflation in the manufacturing sector reached 5.1%. In November, the CPI climbed to 1.5% year-on-year, up from 1.3% in October, driven mainly by food prices, especially pork and vegetable prices. Meanwhile, the Producer Price Index (PPI) declined at an annualized 5.9% in November, the same rate as in October. The CPI in 2016 is likely to fall to around 1%.
- Provincial government officials in the northeast of China have admitted seriously falsifying economic data for years, leading to distorted policy decisions and fomenting corruption in the region, according to news agency Xinhua. Heihe, a city in Heilongjiang, overstated investment by CNY1.9 billion in 2013, while a county in Liaoning province reported its fiscal revenue at CNY847 million, more than double the actual amount.
- China needs to build 10 new megacities in the next five years to ease the strain on Beijing, Yang Weimin, Vice Chairman of the Central Leading Group on Finance and Economic Affairs told a forum in Chongqing. The new mega cities would shift the focus away from urban centers that hit saturation point, such as Beijing, Tianjin and Hebei province – known as the "Jingjinji" area, which is already merging into one urban conglomeration. China has six megacities – Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin and Chongqing – all with a population of 10 million or more.

MERGERS & ACQUISITIONS

Luye Medical Group acquires Healthe Care Australia

Luye Medical Group Co, a privately-owned Chinese heathcare firm, has agreed to buy Healthe Care Australia, one of that country's largest private hospital operators, marking the Chinese firm's first foray into the overseas hospital sector. Healthe Care is being bought from private-equity owner Archer Capital for AUD938 million. Archer had bought Healthcare from CHAMP Private Equity in 2011 for AUD230 million. The Chinese company outbid other buyers including Baring Private Equity Asia and Bain Capital. The take-over will be completed by the first quarter of 2016. "The acquisition will help Luye bring in advanced medical technologies, operational models and management systems from abroad," said Luye Chairman Liu Dianbo. He added that the agreement also positions Luye to benefit from a range of opportunities resulting from the recently signed free trade agreement (FTA) between Australia and China. The Sydney-based Healthe Care Australia operates 17 hospitals with nearly 2,000 beds in major Australian cities. It has more than 50 operation rooms, 4,500 staff members, and is considered a specialist in orthopedics, cardiovascular treatment, tumor rehabilitation, and maternity services. Healthe Care Australia CEO Steve Atkins said the agreement will help it to build more hospitals in Australia and China, the China Daily reports.

China Ocean Shipping and China Shipping Group merge

The Chinese government has approved the merger of China Ocean Shipping (Group) (COSCO) and China Shipping Group. The merged entity, China Cosco Shipping Group, will be headquartered in Shanghai. Once completed, it would create the world's fourth-largest container operator, after Denmark's AP Moller Maersk Group, Switzerland's Mediterranean Shipping Co and France's CMA CGM. The deal is part of the ongoing government efforts to consolidate the operations of major state-owned enterprises (SOEs). Xu Zunwu will become COSCO President. The two shipping giants are looking to merge their tanker, dry bulk and port operations, and the merger could be worth upward of USD20 billion. Experts expect the merged firm to create ripples in the global maritime industry, which is facing stiff competition. COSCO and China Shipping have a container ship fleet of 175 and 156, respectively, making them the world's sixth- and seventh-largest container shipping companies, according to Alphaliner, a global maritime research firm, the China Daily reports.

- Alibaba Group is considering to buy a stake in Viacom’s Paramount Pictures as part of plans to create an extensive online-to-offline entertainment empire. The initial high-profile investment of Alibaba Pictures, the Hong Kong-listed entertainment business of Alibaba, was in action film Mission Impossible – Rogue Nation.“Integrating e-commerce and media consumption data will help Alibaba to understand the user better, enabling it to provide a more targeted marketing service,” Alicia Yap, the head of China internet research at Barclays, said.
- American International Group (AIG) is selling a stake in PICC Property and Casualty Co worth up to USD1 billion to institutional investors through a block deal, cutting its shareholding in the Chinese state-owned insurer for the second time this year.
- China Minmetals Corp (CMC), China’s biggest steel trading company, plans to merge with China Metallurgical Group Corp. CMC has 600 million tons of iron ore and 250 million tons of coking coal in its reserves. The merger will prevent both companies from unnecessary competition and excess investment in the domestic market. It will also improve the efficiency of capital operations. Minmetals ranked 198th in Fortune magazine's 2015 Global 500, with USD52.3 billion in revenue, while MCC was in 326th place, with USD35.8 billion.
- Alibaba Group Holding announced is was to acquire Hong Kong’s South China Morning Post newspaper and related media assets. The decade-old paywall on the newspaper’s website will be scrapped. Alibaba Group vowed to uphold the newspaper’s editorial independence.

REAL ESTATE

Insurers buy into property developers

Anbang Insurance is buying into property developer Sino Ocean Land, according to a stock exchange filing. Anbang is buying a combined 20.5% stake worth HKD7.8 billion in Sino Ocean from two subsidiary companies of Nan Fung Group, according to a Sino Ocean filing to the Hong Kong stock exchange. The Sino Ocean deal comes after a stock exchange filing by Vanke said Shenzhen Jushenghua and sister company Foresea Life Insurance had increased their stake in the developer to 20%, displacing China Resources as the largest stakeholder. Jushenghua, an investment firm, is the largest stakeholder in Foresea. Jushenghua has bought shares amounting to 4.969% of Vanke on the Shenzhen stock exchange from November 27 to December 4, Vanke said in a Hong Kong stock exchange filing. Calculating the average price of the last six trading days until December 4, Jushenghua is estimated to have spent about CNY9.4 billion. The two companies together already held 15% of Vanke. Before the deal, Vanke’s largest stakeholder was state-backed China Resources, which has also increased its stake recently to 15.29%. The existing Board of Directors will remain until elections in 2017. Vanke's CNY215 billion sales ranked second in China last year, after state-owned Greenland Group. The company has a market value of HKD239 billion. Ping An Insurance became the second-largest shareholder of Country Garden this year while Funde Sino Life Insurance became Kaisa's second-largest shareholder last year, the South China Morning Post reports.

- The Chinese government is considering merging two categories of property-related taxes. Taxes on holders of real estate and on users of urban land would be replaced by a property tax to be collected by local governments. No details were given about when the new tax would be established. The proposed merger of the two taxes would cover only a small portion of the total total real estate market but may point to the future evolution of China's property tax system. The two taxes, according to the Ministry of Finance, totaled CNY384.4 billion in 2014, accounting for 6.5% of local governments' tax revenue.
- An auction for a plot of residential land in Shanghai's southern Minhang district beat market expectations after a developer agreed to pay a price above that for homes in the same neighborhood. Radiance Property Holdings beat around 20 rivals to acquire the parcel near Xinzhuang Metro Station for CNY2.815 billion, or CNY43,790 per square meter on average. The price paid was a premium of 143% over its starting price. The real cost of the land exceeded CNY47,000 per sq m after excluding 7% of its developable area for affordable housing as required by the local land authority.
- China's real estate investment growth slid further to 1.3% in the first 11 months, the lowest in the country's history. "We'll not be surprised if the government adds supportive monetary policies and fine tunes regulatory measures, even a cut in the down-payment ratio," said Franco Leung, Senior Analyst at Moody's Investors Service. "However, we expect 0% to 5% growth in the value of nationwide property sales in 2016, down from 10% plus this year."

RETAIL

66% of Chinese consumers plan to spend more next year

Around 66% of Chinese consumers are optimistic about economic prospects next year, and are willing to spend more, according to a survey by brokerage and investment group CLSA. The survey was conducted among 520 consumers from middle-class families. 94% of respondents were making travel plans for next year. Other desired items were home appliances, cars, children's extracurricular classes and life insurance.

- The newly-opened CTF HOKO mall in Qianhai, Shenzhen, is expected to attract shoppers who would otherwise head over the border to Hong Kong for purchases, although some shoppers said prices were a bit high. Seventeen shops have opened at the three-story mall, which features 7,000 square meters of retail space. CTF HOKO mall is run by Chow Tai Fook Enterprises (CTF), which has invested CNY350 million, and its namesake jewelry business occupies a prominent spot, as do cosmetics retailer Sasa and clothing chain G2000.
- More than 2.5 million people were employed by e-commerce companies by June, with a further 18 million working in e-commerce-related businesses, including logistics and individual shops on C2C platforms, according to estimates by the Hangzhou-based China E-Commerce Research Center. Five years ago, only 1.6 million people were working for e-commerce firms, and 12 million for e-commerce-related firms.

STOCK MARKETS

Six CITIC executives 'missing' amid China's crackdown on financial sector

China's largest brokerage, CITIC Securities, said it could not contact its two top investment bankers Chen Jun and Yan Jianlin. Chen is head of the company's investment banking sector and Yan is head of global investment banking, CITIC said in a statement filed with Hong Kong Exchanges & Clearing. They had been detained and are either under investigation or assisting in an investigation by authorities. So far six of CITIC's eight Executive Committee Members are missing. Four executives were taken away by police earlier this year, including President Chen Boming, who is in charge of the brokerage's daily operations. Several top Chinese brokerages are believed to be the subject of a government probe into insider trading. Guotai Junan International, a Hong Kong subsidiary of Guotai Junan Securities, one of China's largest brokerages, said last month it had been unable to reach its Chairman Yim Fung.

IPO registration-based system to get the green light soon

The China Securities Regulatory Commission (CSRC) is close to pushing ahead the long-awaited registration-based process for initial public offerings (IPOs) early next year. The Shanghai Stock Exchange has already completed the process of hiring experts in IPO reviews and approvals. The shift from an approval-based IPO mechanism to a registration-based one has been considered as one of the most important reforms of the Chinese stock market. Under the current system, new share sales are subject to approval from the CSRC, which controls both the timing and pricing of the IPOs. The new IPO system will emphasize information disclosure rather than corporate profitability and will let the market play a bigger role in determining prices. Most analysts believe that the implementation of a registration-based mechanism would be a gradual process and the regulator will still manage the IPO supply in the initial stages to minimize the negative impact on the market. About 636 companies were seeking regulatory approval for their IPOs as of December 3, according to data from the CSRC. The launch of the new share sale system will also prompt more smaller companies listed on the National Equities Exchange and Quotations (NEEQ), an over-the-counter share transfer system, to seek listing on the main bourses, the China Daily reports. The measure would go into force two years after being approved, as government departments still needed to work out detailed regulations and rules for supervision and implementation.

SAFE loosening restrictions on QFII

The State Administration of Foreign Exchange (SAFE) is loosening restrictions on its Qualified Foreign Institutional Investors (QFII) scheme, making it easier for foreign investors to transfer funds between some investment products. The rule change will allow foreign investors to share their investment quota between different open-end funds. For other types of funds, the use of quotas is still fund-specific, unless additional approval has been granted. As of November, SAFE has approved a total of USD90 billion in the QFII quota scheme that allows overseas investors access to the country's capital markets. Launched in 2002, QFII is the oldest channel available for foreign institutions who wish to invest in Chinese stocks. SAFE has also approved CNY436.5 billion in the Renminbi QFII, or RQFII quota, which allows users to invest with offshore yuan in China’s capital markets.

- Chinese firms may be able to list yuan-denominated shares in Frankfurt next year, allowing them to access European investors. The so-called D shares would list on the China Europe International Exchange (CEINEX), a joint venture between Deutsche Boerse and two Chinese exchanges that went live last month. The platform has traded an average of CNY18.3 million a day since it opened on November 18. For now, CEINEX only hosts exchange-traded funds and bonds. The platform plans to add more products next year, including single stocks such as depository receipts and possibly derivatives.
- Yao Gang, Vice Chairman of the China Securities Regulatory Commission (CSRC), who was first suspected of “severe disciplinary violations” in November, was “dismissed” from his post. Another top CSRC official, Assistant Chairman Zhang Yujun, was removed from his post in late September.
- The First Circuit Court in Shenzhen, Guangdong province, increased the sentence of Ma Le, 33, former Fund Manager at Bosera Funds, to three years in prison, removing the possibility of an alternative five-year probation from the original sentence. In addition, the court increased the initial CNY18.84 million fine levied against him to CNY19.13 million. Ma's illegal profits of more than CNY19 million will be confiscated.
- Chinese police have arrested Xue Rongnian, a renowned investment banker, for insider trading and market manipulation. Xue, former Chief Executive of Ping An Securities, was apprehended by police in Bengbu, Anhui province, on November 20 as he was alleged to have conducted insider trading involving Anhui Chaodong Cement and Anhui Conch Cement.

TRAVEL

Club Med has big plans to expand resorts

Club Med, the French holiday group controlled by Chinese conglomerate Fosun, is poised to expand aggressively in China. With three resorts up and running and three more being built in China, the global leader in all-inclusive holidays aims to open up to five ski resorts in China every year from 2017, according to Gino Andreetta, Chief Executive of Club Med Greater China. The plan is part of Fosun’s push to break into the country’s burgeoning leisure and travel sector. Chinese tourists made more than 3.6 billion trips inside the country and 116 million trips overseas last year. Fosun acquired Club Med earlier this year and has also bought into British travel company Thomas Cook and Canadian entertainment firm Cirque du Soleil. Andreetta said Club Med was the center of Fosun’s new Happy and Lifestyle Department. Club Med has shifted its focus to wealthier sections of emerging economies amid the economic downturn in Europe, and saw great opportunity in China as more people started to look for “something unique”. Hong Kong-listed Fosun has spent almost CNY40 billion buying stakes in about 80 leisure and lifestyle projects, Fosun Vice President Qian Jiannong said in March. Andreetta said the number of visitors at Club Med’s domestic resorts had grown steadily but Chinese tourists were showing more interest in the company’s overseas destinations, the South China Morning Post reports.

China denies COMAC given tax breaks

China’s aircraft maker COMAC has denied it was given tax breaks by the government in breach of World Trade Organization (WTO) rules after the United States initiated a WTO case against China’s aircraft import tax. Washington’s Trade Representative accused Beijing of discriminating against foreign aircraft makers by charging a 17% value-added tax (VAT) on imported airplanes lighter than 25 tons but not applying the same VAT to domestic aircraft. The U.S. requested consultations with China on the issue, the first step of a process that could lead to trade sanctions. Last month COMAC’s C919 jet completed its assembly phase and the smaller ARJ21 regional jet, a sub 25-ton product, entered service. Jeff Cheng, COMAC Spokesman, told the South China Morning Post: “We do not have any comments on the statement, but all of COMAC’s market transactions, including our sales of planes and our import of parts and components from our overseas suppliers are subject to strict regulation and relevant taxes.” Chinese legal and aviation analysts said the U.S. argument had little grounds for support and resembled its past attempt to thwart the rise of Europe's Airbus by initiating trade disputes. "To charge value-added tax on imported goods is not against any WTO rules. All imports into China are subject to the import VAT; that is a domestic tax item, not a tariff," said Yao Weiqun, Associate President at the Shanghai WTO Affairs Consultation Center. "If COMAC pays the same import VAT for parts it gets from its foreign suppliers, then the point of unfair tax breaks also does not stand," the South China Morning Post reports.

- The China Tourism Academy said the number of visits made by overseas tourists in the first 10 months of the year surpassed 100 million, an increase of 4.4% compared with the same period last year. Total revenue from inbound tourism reached USD47.4 billion, an increase of 0.9%. Foreign visitors spent USD28.5 billion. In the past three years, the number of visits by foreign tourists had been declining. Overseas visitors from Hong Kong, Macao and Taiwan accounted for about 80% of the total inbound visits.
- The Chinese government announced the holidays for 2016. The Chinese New Year, and the start of the Year of the Monkey, falls on February 8. The holiday will run from February 7 until February 13, but people will have to work on the previous and following Saturdays. Before that, January 1 to January 3, will be the New Year holiday. Next year's Qingming or Tomb-Sweeping holiday will run from April 2 to April 4. Workers Day will be April 30 to May 2. Duanwu, or the Dragon Boat Festival, will be June 9-11. The Mid-Autumn Festival will be September 15 to September 17, while the National Day holiday will be October 1 to October 7.
- Low-cost airlines account for 7% or around 27.5 million of China's domestic air travel market of 392 million passengers. The number of budget airline fliers is expected to more than double by 2020, according to aviation data and analytics company OAG. China has four budget airlines. Airbus predicts China will leapfrog the United States as the world's largest domestic air traffic market within 10 years.

ONE-LINE NEWS

- The Beijing Municipal Environmental Protection Bureau for the first time issued a red air pollution alert on December 7. Half of the city's cars were prohibited from taking to the roads, schools were closed and some polluting factories stopped production. The alert was lifted on December 10.
- China will overtake the United States to become the world's largest box office by 2018, Imax CEO Richard Gelfond told the China Daily. The country is expected to have the largest number of cinema screens by then. Imax announced that it will work with CJ CGV, a South Korean entertainment company, to open 25 more Imax theaters in China, taking the number of such cinemas to more than 500.
- Guo Youming, former Vice Governor of Hubei province, was jailed for 15 years for accepting nearly CNY23.8 million in bribes.
- Beijing released two draft regulations that use a points system to allow people who have worked and lived in Beijing for years to obtain a permanent residential permit. If the new rules are approved, the scheme will theoretically give everyone who has lived in Beijing long enough an equal chance to get the much desired hukou, or household registration.
- Shanghai billionaire Guo Guangchang, Founder and Chairman of Fosun Group, was said to be missing following rumors he had been caught up in an anti-corruption investigation. He was last seen at an airport in Shanghai being escorted by police. Guo ranks 11th on Forbes' China Rich List this year with USD6.9 billion worth of personal assets. Fosun Group said Guo was assisting the authorities in an investigation and listed companies of the group would resume trading on November 14.
- The Beijing municipal government, the city's Communist Party Committee, and its parliamentary and political advisory bodies, would all be moved 30 km east from the city center to Tongzhou district by 2017, Vice Mayor Li Shixiang said. The relocation is part of a plan to make the Chinese capital less crowded and smoggy.
- An increase in the number of lawsuits lodged by foreigners has prompted the

Supreme People's Court (SPC) to consider how it might provide legal services in English. Such a move would help those filing disputes that typically involve commerce, property and marriage. "It is necessary to establish an English lawsuit service platform nationwide, and we are considering this," Jiang Qibo, Chief Judge at the Case-Filing Tribunal at the SPC said.

- 61 scientists were elected to the Chinese Academy of Sciences (CAS) and 70 to the Chinese Academy of Engineering (CAE). For the first time, experts specializing in emerging industrial technologies such as 3D printing, big data and next-generation internet were among those elected.

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