



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

# NEWSLETTER | 21 DECEMBER 2015

**The Chairman and the Board of Directors of the Flanders-China Chamber of Commerce wish the members a Merry Christmas and a Happy New Year. The next weekly newsletter will be published on January 4, 2016.**

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## **FCCC ACTIVITIES**

### **Meeting and Reception with the Ambassador and Consuls General of Belgium in China – Wednesday 27 January 2016 – 18h00 – Brussels**

The Flanders-China Chamber of Commerce (FCCC) is organizing a meeting with the Ambassador and Consuls General of Belgium in China. This event will take place on Wednesday 27 January 2016 at 18h00 at BNP Paribas Fortis, Koningsstraat 20 in Brussels.

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

#### Programme:

6.00 pm	Registration
6.30 pm	Speeches by Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce Mr Michel Malherbe, Ambassador of Belgium in China Mrs Cathy Buggenhout, Consul General of Belgium in Shanghai Mr Christian de Lannoy, Consul General of Belgium in Guangzhou Mrs Michèle Deneffe, Consul General of Belgium in Hong Kong and Macao
7.00 pm	Exchange of views and networking with the Ambassador and Consuls General
8.00 pm	End of Programme

If you are interested in attending this event, please [register online](#) before 21 January 2016. The participation fee for members is 45 € (excl.VAT). The fee for non-members is €75 (excl.VAT).

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

The Chairman and the Board of Directors  
of the Flanders-China Chamber of Commerce  
are delighted to invite you to its

**CHINESE NEW YEAR  
RECEPTION**

With speeches by

**MR BERT DE GRAEVE**  
Chairman Flanders-China Chamber of Commerce

**HIS EXCELLENCY MR QU XING**  
Ambassador of the People's Republic of China in Belgium

**MR GEERT BOURGEOIS**  
Minister-President of the Government of Flanders,  
Flemish Minister for Foreign Policy and Immovable Heritage

**3 FEBRUARY 2016 AT 18:00**

**KBC Bank**  
Havenlaan 2, 1080 Brussels

We look forward to seeing you  
at our Chinese New Year Reception.

**GWENN SONCK**                      **BERT DE GRAEVE**  
Executive Director                      Chairman

法兰德斯-中国商会  
主席和董事会诚邀您参加

春节庆典

我们的演讲者有:

狄铺夫先生  
法兰德斯-中国商会主席

曲星阁下  
中华人民共和国驻比利时王国大使

GEERT BOURGEOIS 先生  
法兰德斯政府首席大臣  
法兰德斯大区对外政策及固定文化遗产部长

2月3日 2016年 18时 -  
KBC 银行  
Havenlaan 2, 1080 布鲁塞尔

我们期待与您共度商会的春节庆典

宋惠安                      狄铺夫  
执行总裁                      法兰德斯-中国商会主席

With special thanks to / 特别鸣谢

KBC Bank  
and The Founding Members and Members of the Board  
of Directors of the Flanders-China Chamber of Commerce  
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**BARCO**  
Carl Peeters, C.F.O.

**BEKAERT**  
Bert De Graeve, Chairman

**DEME**  
Philip Hermans, Director General

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Johan Verstraete, Vice President Marketing,  
Sales & Services Weaving Solutions

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Philippe Van Der Donckt,  
Business Development Director



[Register here.](#)

## ADVERTISEMENT AND SPONSORSHIP

### Interested in sponsoring the FCCC Chinese New Year Reception or Advertisement in the FCCC Weekly/Website?

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](mailto: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.

We would like to give your company more exposure to Belgian companies active in China and Chinese companies active in Belgium.

The programme of the FCCC Chinese New Year Reception is as follows :

3 February 18h00 - Brussels - 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
- 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 (FCCC).

#### **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 news bulletin. Website: [www.eucba.org](http://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](mailto:gwenn.sonck@flanders-china.be)

## 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 Thon Hotel EU, Rue de la Loi 75, 1040 Brussels.

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.

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.

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

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

If you are interested to participate, please register before 20 January 2016 via this link : [eucba.org/eu-business-in-china](http://eucba.org/eu-business-in-china). The registration fee is: 95 € per person.

## PAST EVENTS

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

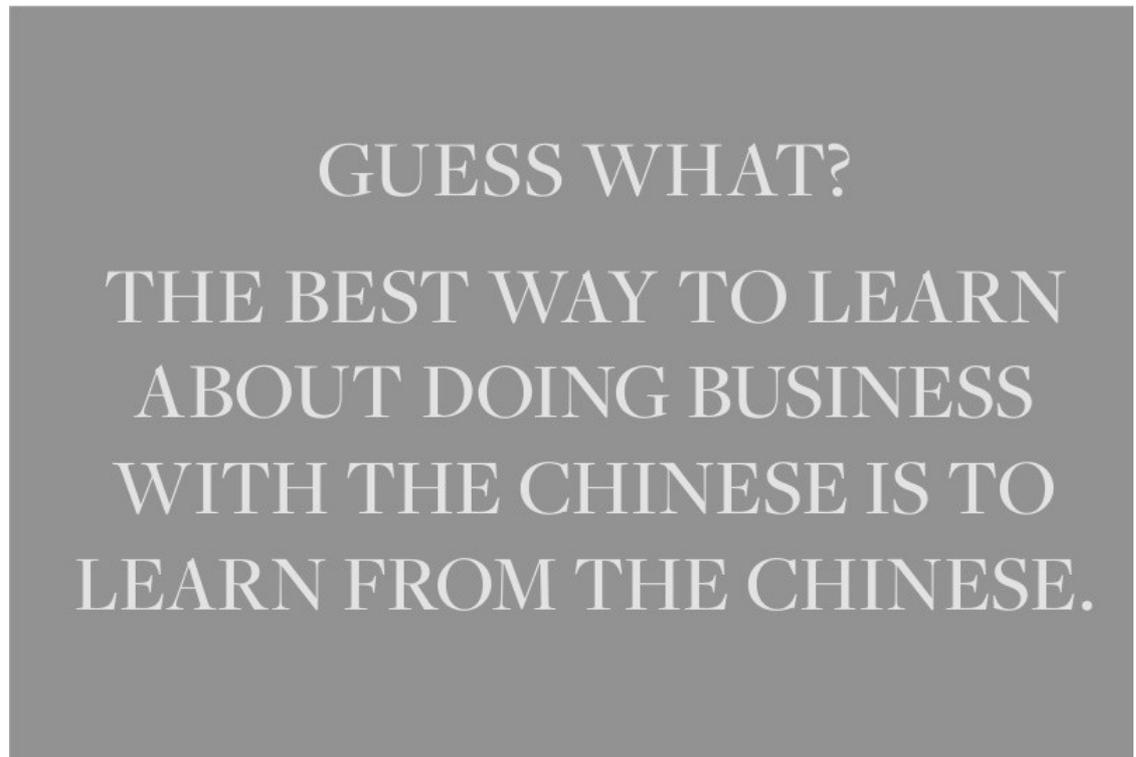
The Province of West Flanders and the Flanders-China Chamber of Commerce (FCCC) in cooperation with POM West Flanders, Flanders Investment & Trade, the Howest Confucius Institute and the Zhejiang Federation of Industry and Commerce, organized a banquet and seminar on 'Business opportunities between China 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.

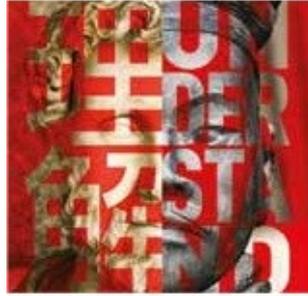
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The Executive MBA by IMD & CKGSB is designed in two stages – the foundation stage and the mastery stage. The program will allow you to master Eastern and Western business concepts and practices whilst gaining all-important international connections. The program will also strengthen leadership, strategy and general management skills.

Made up of equal numbers of participants from both Eastern and Western businesses, the program will include 11 weeks of face-to-face learning. The program is scheduled to take place from February 2015 until September 2016 with a unique split of 50/50 program delivery across Eastern and Western locations. Delivered by two world-class business schools, the IMD-CKGSB Executive MBA is the ideal answer for fast-rising executives who want to create value for their organizations by spanning both East and West. You'll go beyond the basics to a true understanding of the forces that will be shaping the world of business in the future.

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## AUTOMOTIVE

### Chinese NGO sues Volkswagen

The China Biodiversity Conservation and Green Development Foundation, an NGO based in Beijing, has filed a lawsuit against Volkswagen over the company's cheating on emissions readings. It is the first public-interest lawsuit in China related to pollution from automobile exhaust. The group said it hopes to attract attention to the need to supervise motor vehicle exhaust.

- Search engine firm Baidu has set up its automobile business unit and plans to manufacture self-driving cars in the next three years. Baidu's rival Alibaba Group and Leshi Internet Information and Technology Co are also moving into car-related businesses by teaming up with automobile makers.
- Continental Tires (China) Co has expanded the capacity of its factory in Hefei, Anhui province, to around 14 million tires, according to Ralf Cramer, Continental's President and CEO in China. China's total tire output in the first half of the year was 455 million tires, down 3.9% from the same period a year ago.
- China's vehicle leasing company Panda New Energy has placed an order for electric cars worth USD12 billion from Chinese-owned carmaker National Electric Vehicle Sweden (NEVS), formerly Saab. The company, whose core strategy is to produce 100% electric vehicles for the Chinese market, has only produced cars from late 2013 to May 2014. NEVS will provide Panda with 150,000 sedan electric vehicles by the end of 2020, based on Saab's 9-3 platform.

## FINANCE

### PBOC launches trade weighted index (TWI) for the yuan

China aims to maintain a stable yuan by measuring the currency against a basket of foreign currencies to create a flexible exchange rate system. The People's Bank of China (PBOC) has recently released a trade-weighted index (TWI) for the yuan that measures the yuan's valuation against a basket of the 13 currencies of China's major trading partners. The TWI will be adjusted regularly. The U.S. dollar, euro and the yen are the three largest components in the basket, accounting for 26.4%, 21.4% and 14.7% respectively. The yuan has appreciated about 1.45% against the basket of currencies since the end of 2014 and weakened 5% against the U.S. dollar under the official reference rate. Yuan stability will now be measured in TWI terms.

### China becomes a member of the EDRB

The European Bank for Reconstruction and Development (EBRD) has approved China as a new bank shareholder. China's membership will help to connect its Belt and Road Initiative with the Investment Plan for Europe and open up new investment opportunities for regions where the EBRD is active. The EBRD will not do business in China, but Chinese enterprises and financing institutions can start projects and build financial cooperation among its 36 members that can borrow money from the bank. Besides China, the existing shareholders include 64 countries and two international organizations. EBRD President Suma Chakrabarti said the bank plans to work closely with the Asian Infrastructure Investment Bank (AIIB). Experts said future cooperation between the two banks will focus on infrastructure construction, energy and railway projects. Last year, the EBRD issued a total of €8.9 billion in debt, of which €800 million was for countries in Central Asia, a region of importance on the Belt and Road routes. Peter Kung, Vice Chairman of KPMG China, said that the move will accelerate projects under the Belt and Road Initiative, which will provide significant support for China's economic growth in the coming year, the China Daily reports.

- Song Hongbing, the high-profile Chinese author of a controversial financial bestseller, was attacked in Taiyuan, Shanxi province, by angry investors who blame him for losing CNY40 billion. He had promoted financial products managed by the Fanya Metal Exchange, which is at the center of an investment scandal. Shan Jiuliang,

Founder of the Fanya Metals Exchange, a Chinese online investment platform that defaulted on more than CNY36 billion in July, has gone missing. Shan set up Fanya in Yunnan in 2010. The platform allowed people to trade 14 rare metals and borrow money from retail investors online with a 20% downpayment.

- South Korea became the first foreign country to sell a yuan-denominated bond in China's domestic market. The CNY3 billion so-called "panda bond" was sold at a yield of 3%. The South Korean panda bond was assigned the highest AAA rating by Chinese rating agency CCXI.
- China Huarong Asset Management, one of the country's four largest buyers and sellers of non-performing loans (NPLs), last week offered nearly USD8 billion in bad debt to investors, its largest such sale since 2010. The total value of collateral is CNY50 billion, covering 97% of the bad debt. The assets will be available for sale for 90 days on an online Taobao platform.
- Apple and Samsung have signed separate deals with China UnionPay, the biggest bankcard association in China, to introduce their mobile payment services using the near-field communication (NFC) function. The user's device must be linked to a UnionPay bankcard before use. The new payment services are designed to be easier to use than existing apps such as Alipay and WeChat. Transactions completed on mobile payment apps reached CNY2.4 trillion in the third quarter, up 64.3% year-on-year.
- Non-financial companies in the Shanghai's free trade zone (FTZ) are now allowed to convert foreign currencies they borrowed offshore into yuan freely. Previously, firms had to show proof of intent to use the funds before they could convert.
- The yuan weakened for the 10<sup>th</sup> day against the U.S. dollar on December 17 as China's central bank set the official reference rate at the lowest since 2011 following the U.S. interest rate hike. The yuan fell 0.16% to close at 6.4837 against the U.S. dollar in Shanghai. It is the second time since November that the yuan has been weakening for 10 straight days.
- The Industrial and Commercial Bank of China (ICBC) raised USD300 million by launching its first international bond on the London Stock Exchange (LSE). The three-year bond is the first dollar-denominated issue by a Chinese lender on the London Stock Exchange's Main Market, the ICBC said. Nikhil Rathi, CEO of LSE and Director of International Development, said the landmark listing demonstrates the UK's position as the leading gateway for Chinese firms looking to access global capital.
- Chinese police said they had taken "coercive measures" against suspects at Ezubao, the country's largest online peer-to-peer (P2P) platform by lending figures. Ezubao had lent out CNY70 billion and counts Bank of China (BOC), the country's fourth-biggest lender, as its major creditor.
- The U.S. Congress ratified an IMF reform plan, increasing China's quota of special drawing rights (SDRs) from 3.996% to 6.394%, making the country the third-largest shareholder in the IMF – up from sixth – and enabling it to play a bigger role in decision-making.

## FOREIGN INVESTMENT

### Microsoft to adapt Windows 10 for Chinese government

Microsoft is forming a joint-venture in China to tailor a version of its new Windows 10 computer operating system for use by the Chinese government and certain state-owned enterprises (SOEs). The joint venture, tentatively called C&M Information Technologies, is being created in a partnership with state-owned China Electronics Technology Group and will be based in Beijing. Windows 10 is not currently allowed to be installed on Chinese government computers.

- The China National Offshore Oil Corp (CNOOC) has signed an agreement with Royal Dutch Shell to expand the jointly-owned ethylene-cracking facility in Huizhou, Guangdong province, which is expected to double its capacity to 2 million tons a year. Shell will also introduce new technologies for the production of epoxyethane and

ethanediol. The joint venture was set up in 2000 with an investment of USD4.1 billion and began operating in 2006.

- AstraZeneca plans to invest more than USD800 million in China in the next 10 years and strengthen cooperation with local partners. The UK company has an option to acquire Wuxi AppTec's biologics manufacturing capacity in Wuxi with an overall investment valued around USD100 million. The drugmaker will also invest USD50 million to expand its development on top of its existing manufacturing site in Wuxi to support both local and overseas markets.
- Chinese investment in Australia totaled AUD8.35 billion in 2014, and for the first time, private sector investment exceeded that by state-owned enterprises (SOEs) in the number of deals as well as in total value, according to the report "Demystifying Chinese Investment in Australia" by KPMG and the University of Sydney's China Studies Center. The agribusiness and food sector is becoming more important as an investment destination.

## FOREIGN TRADE

### China to account for 13% of world exports

China is expected to account for 13% of the world's total exports this year as the country shipped more high-value products to both developed and emerging markets between January and November, the Ministry of Commerce (MOFCOM) said. China's proportion of exports amounted to 12.4% of the global market last year. The country's exports of rail equipment, as well as power and telecommunications products to developed markets rose 10% year-on-year in the first 11 months. Shen Danyang, Spokesman for the Ministry, said even though China's foreign trade seems weaker than expected due to lower global demand and rising production costs, the country has continued to optimize its range of products and approach to the global market through new trade routes and regional cooperation arrangements. Commerce Minister Gao Hucheng told the WTO Ministerial Conference in Nairobi last week that the biggest challenges which currently confront the multilateral trade system are trade protectionism and a proliferation of regional trade agreements. China's foreign trade dropped 7.8% year-on-year to CNY22.08 trillion from January to November. Of this, CNY12.71 trillion was exports, which were down 2.2%. The nation's trade surplus during the same period surged 63% to CNY3.34 trillion. The country reported CNY3.16 trillion of trade with the European Union, its largest trading partner, in the first 11 months, down 7.7% year-on-year, while the figure was CNY3.15 trillion for the United States, the nation's second-largest trading partner, up 1.9%. "Based on the current trading volume, China will remain the world's largest trader this year," said Gu Xuebin, Vice President of the Chinese Academy of International Trade and Economic Cooperation in Beijing, the China Daily reports.

- China plans to conclude more free trade agreements (FTAs) with most of its neighbors, to further open up its own markets and achieve closer integration with its "One Belt, One Road" strategy. It will thereby also counter the U.S.-led Trans-Pacific Partnership (TPP), which challenges its trade and investment in the region. Free trade pacts between China and South Korea, and China and Australia, took effect on December 20.
- Chinese and international animal welfare groups have urged the government to ban the import of commercial seal products so as to end the "cruel slaughter" of the animals. Canada signed a trade agreement with Beijing in 2011 to sell seal meat to China, but the deal was called off after the Chinese government called for a review of the case.
- Moscow and Beijing have signed agreements on the control of grain quality, which technically open the Chinese market to Russian grain. Russian food safety watchdog Rosselkhoz nadzor and the Chinese government body in charge of quality control signed two food safety documents on Russian wheat, maize, rapeseed, soybean and rice at a ceremony in Beijing. China agreed to allow supplies only from several Siberian regions.

## MACRO-ECONOMY

### Economic growth to be kept stable next year

A meeting of the Chinese Communist Party's Politburo pledged to keep the country's economic growth rate within a "reasonable range" next year. This will be accomplished by stepping up supply-side reforms and pushing forward urbanization. China is aiming for an annual average growth of no less than 6.5% in the next five years. The government will promote mergers and acquisitions next year, as well as allowing strong companies to survive and weak ones to close under the principle of "survival of the fittest". Premier Li Keqiang pledged recently to step up supply-side reforms to generate new growth engines in the economy while tackling factory overcapacity and so-called zombie companies. Huang Yiping, Economics Professor at Peking University, said zombie enterprises, which are unable to pay off their debts and cannot survive without outside support, are too big a drain on financial and labor resources and constrain economic growth. According to Wang Hui, Professor of Urban Economy and Public Administration at the Capital University of Economics and Business in Beijing, settling migrant workers and their families in cities would top the agenda at the Central Economic Work Conference, which was held from December 18 till 20.

### Economic meetings convene in Beijing

Top Communist Party cadres have gathered in Beijing for two meetings: the annual Central Economic Work Conference to review economic performance and chart out next year's policies, and a special urban works convention seeking a better approach to develop cities. Proper management of China's urbanization process is vital to sustaining economic growth and winning the support of the country's 270 million migrant workers. "The urban work conference could be very interesting, while the economic work conference is unlikely to offer big surprises," said Shen Jianguang, Chief Economist for Mizuho Securities Asia. "The economic work conference addresses concerns mainly for 2016, but decisions made at the urban work conference may affect China's growth not only next year but also in the next decade." The Communist Party's Politburo called for the process of giving migrant workers full urban residency status to be sped up. The two meetings in Beijing are being held at a time of slowing economic growth. They also come on the heels of the United States Federal Reserve's first interest rate increase in a decade. "China's new urbanization strategy is very important because you can't build up a comprehensive well-off society by 2020 with millions of people remaining half-urbanized," said Ye Weichun, Researcher affiliated with the National Development and Reform Commission (NDRC), the South China Morning Post reports.

### Robot manufacturers miss sales targets

Many manufacturers of industrial robots in China missed their sales targets this year but they are still raising their targets for 2016 despite expectations of another challenging year ahead. GSK CNC Equipment, one of the top players in this sector based in the Guangdong capital of Guangzhou, sold 550 industrial robots in 2014 priced from CNY100,000 to CNY1 million. It targeted sales of 1,100 units this year and 2,000 in 2016, but only sold around 800 units this year. Guangdong Jaten Robot & Automation predicted earlier that its annual output would reach CNY160 million in 2015, marking a dramatic jump from CNY70 million in 2014, but now CNY90 million sounds more realistic. One potential client after another postponed their investment plans. The government is aggressively promoting increased automation to offset rapidly rising wages and labor shortages. In March, the provincial government of Guangdong announced that it would invest CNY943 billion to replace manual workers with robots within three years. Some Chinese robot manufacturers are able to produce robots at half the price of their Japanese competitors, but still need to import crucial components and the price is often still too high for many prospective customers, the South China Morning Post reports.

- Guo Guangchang, Chairman of conglomerate Fosun International, who went missing, reappeared at a company meeting in Shanghai on December 14. It was reported he had been assisting in a corruption investigation. Fosun International's stock has tumbled to a three-month low after it resumed trading. Rating agency Moody's said it is closely monitoring the developments at Fosun. Meanwhile, Guo also traveled to New York.
- More than 1% of Chinese billionaires identified by the Hurun Report as the country's

richest over the past 17 years have been jailed, charged and a few even executed, mainly for bribery, embezzlement or economy-related crimes. The Hurun Report said 35 of the more than 3,000 billionaires that have featured on its annual Rich List have run into trouble with the law. The biggest number (11) were real estate tycoons, followed by nine finance industry executives.

- China's overall advertising expenditure this year is estimated to grow 9.3% from a year ago to USD50 billion, compared with the 4.7% growth globally, according to a report by media agency ZenithOptimedia. China's ad spending only accounts for around 5% of GDP this year, compared to 10% in the U.S.
- More than 2,000 delegates from over 120 countries and regions attended the second World Internet Conference in Wuzhen, Zhejiang province, covering topics ranging from internet governance and cyber security to e-commerce and cyber culture. Chinese President Xi Jinping delivered the keynote speech, listing "imbalanced development, inadequate rules and inequitable order" as problems and challenges facing the internet. He emphasized the concept of cyber sovereignty, allowing each country to decide on how to regulate its own internet.
- Shanghai eyes between 6% and 7% annual economic growth in the next five years, according to the city's draft 13<sup>th</sup> Five Year (2016-2020) Plan. Issues including care for the elderly, job creation, energy consumption and the rise of people's income will be high on the agenda of the government in the next five years.
- China's power use increased 0.6% in November from a year earlier as the economy showed signs of stabilization. Electricity consumption totaled 465.8 billion kilowatt-hours last month, the National Energy Administration said. In the first 11 months, power use rose 0.7% year-on-year to 5.05 trillion kWh.
- China's economy is likely to grow between 6.6% and 6.8% next year, the Chinese Academy of Social Sciences (CASS) said. China's fixed-asset investment growth may slow to a single-digit rate next year while exports will continue to shrink in 2016. A research team at the People's Bank of China forecast 6.8% growth for 2016, helped by rising exports and a more stable environment for property investment. The International Monetary Fund is predicting a 6.3% growth for 2016; JPMorgan, 6.6%; and Goldman Sachs, 6.4%.
- A quarterly survey of over 2,100 businesses by China Beige Book International showed sales revenue, volumes, output, prices, profits, hiring, borrowing and capital expenditure of Chinese companies were all weaker on-quarter, creating more uncertainties for the economy. "While it is only one quarter, the profit numbers are particularly disturbing, with the share of firms reporting profit gains slipping to the lowest level we've ever recorded due to the sharpest on-quarter drop since mid-2012," the report said.
- Lower investment growth of 9% and decreasing consumer confidence will further dent China's economic growth next year, according to the National Development and Reform Commission's Economic Research Institute. Growth in household spending would also slow to single digits.

## MERGERS & ACQUISITIONS

### Sinopec to acquire 20% stake in Russia's Sibur

China Petrochemical Corp (Sinopec) has got the green light from the Russian government to buy a 20% stake in Russian petrochemical and gas company Sibur. The take-over involves two stages: Sinopec will acquire 10% of Sibur for about USD1.34 billion, then buy the other 10% within the next three years. "It could be a good investment if you look at it in the long term," said Wang Qiang, Senior Analyst at China Galaxy Securities Co. Sibur covers a wide business scope in both the upstream and downstream sectors, making Sinopec a strategic investor. Wang Yupu, Chairman of Sinopec, said earlier that the vertically integrated upstream and petrochemicals business model of Sibur is highly complementary with Sinopec's businesses.

## REAL ESTATE

### Home prices rising faster again

New home prices in China rose faster in November, after slowing for four consecutive months since July. Prices climbed in 33 cities last month, six more than in October, the National Bureau of Statistics (NBS), which tracks housing prices in 70 cities around the country, said. Prices in 10 cities were flat while they fell in the remaining 27. Shenzhen led the gainers in November with a month-on-month rise of 2.9%, accelerating from a 1.2% gain in October. Next was Shanghai with a 1.9% monthly rise, and Nanjing in Jiangsu province with a 1.4% growth. They ranked first and second in October, respectively. New and existing home markets in first and second-tier cities all registered faster price growth, while in tertiary cities new home prices stopped declining while prices of pre-owned houses remained flat, the NBS said. Year-on-year, prices of new and pre-owned homes kept rising more quickly last month – up 1.5 percentage points and 1.2 percentage points, respectively, from October's increases.

- The downward trend in Hong Kong's housing sector will last for two to three years, with the market pressured by rising mortgage costs and an increasing supply of new homes. "In the short term, home prices will drop within 5% in the first half of 2016. Some owners of small flats who are not financially strong will cut prices to offload assets amid the unfavorable environment," Thomas Lam, head of valuation and consultancy at Knight Frank, said.
- China's richest man, property tycoon Wang Jianlin, has bought an GBP80 million luxury mansion in London at 15A Kensington Palace Gardens. The 20,000 sq ft home has 10 bedrooms and was previously occupied by Ukraine-born businessman Leonid Blavatnik.

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## RETAIL

### Marks & Spencer opens flagship store in Beijing

Marks & Spencer (M&S), the British clothing and food retailer, opened its first flagship store in Beijing as part of its strategy to increase its presence in large cities in China. The 131-year-old high street retailer has 10 outlets in China. The new 1,500 square meter store located at The Place has features of a premium boutique shopping environment, including womenswear, menswear, lingerie and kidswear and a food hall. The food hall stocks more than 1,200 types of imported food and wines. The store also has an in-store bakery and a coffee station. The boutique store concept was first introduced in Brussels in May this year, Costas Antimissaris,

Marks & Spencer's International Director said, adding that the store in Beijing is the first to adopt the concept on the Chinese mainland. M&S's target customers are middle and upper middle class Chinese families, said Antimissaris. The retailer also has an online presence on Tmall.com and JD.com.

## SCIENCE & TECHNOLOGY

### Physics World awards Chinese scientists

Physics World magazine's "2015 Breakthrough of the Year" award went to Professor Pan Jianwei and Lu Chaoyang's team at the University of Science and Technology of China in Hefei. Their team was recognized for the "fundamental importance" of their research into quantum physics. Never in the history of China has a government taken so much interest and invested so many resources in scientific research and technological development as the current one, said historian Chen Pu, who is also Assistant Professor at the Chinese Academy of Sciences' Institute for the History of Natural Science in Beijing. The work by another team from the Chinese Academy of Sciences (CAS) ranked third in the magazine's list of the top 10 breakthroughs of the year. They were among the first scientists to discover Weyl fermions, a so-called "ghost particle" that scientists believe could replace electrons as carriers of information in computers of the future. In China, government expenditure on research and development (R&D) has been increasing at the rate of over 20% a year for more than a decade. In the United States, budget cuts have resulted in an annual decline of up to 9% in scientific funding since 2009, the South China Morning Post reports.

- A Long March 2-D rocket carrying China's first Dark Matter Particle Explorer satellite was launched from the Jiuquan Satellite Launch Center in Gansu province on December 17. The satellite was placed into a sun-synchronous orbit 500 kilometers above earth. Dark matter is a hypothetical substance that cannot be seen with telescopes but accounts for most of the matter in the universe. The existence of dark matter is inferred from its gravitational effects on visible matter.
- A gene-editing technique known as CRISPR that was used by Chinese scientists to modify human DNA has been named by the influential U.S. journal Science as 2015's breakthrough of the year, due to its potential to revolutionize health and medicine.
- China is on track to launch the world's biggest spook-proof quantum communications system in the next six months, as it will send the world's first quantum communications satellite into space in June. Quantum technology is considered to be unbreakable and impossible to hack. It encrypts messages with a key of quantum particles and detects third-party attempts to intercept the particles.

## STOCK MARKETS

### Less Chinese companies listing abroad

The number and value of initial public offerings (IPOs) by Chinese companies in overseas markets have plummeted this year, while the number of firms seeking a domestic listing have soared. Data from Bloomberg showed that Chinese companies announced just 14 overseas listings worth a combined USD666 million, a 98% fall from USD29 billion in 2014 – both the lowest total number and lowest value in four years. There were also a record number of 38 Chinese firms delisting in the United States and seeking to relist at home, of which five have already completed the procedure. The switch from an approval to a registration procedure for IPOs on the domestic stock market will lower the listing threshold, simplify the process and emphasize financial disclosure. Official figures showed USD17 billion worth of funds was raised from IPOs at the Shanghai and Shenzhen bourses this year, a 33% year-on-year increase, even with a four-month suspension in listings, which ended in November. Separate data from PricewaterhouseCoopers (PwC) showed that in the first half of the year, Chinese bourses registered 187 IPOs, worth CNY146.1 billion, a 260% year-on-year growth in deal numbers and a 314% year-on-year increase in value. KPMG forecast that the Shanghai Stock Exchange alone will have seen 89 IPOs by the end of 2015, triple the number of last year, and worth CNY108 billion, to become the world's fourth-largest IPO market, the China Daily reports.

## Future Land first developer to switch from B to A shares

Future Land, which recently became the first Chinese developer to successfully complete a shift listing from the B-share market to the A share market, said the process was “full of challenges”. Future Land’s A shares were listed on the Shanghai Stock Exchange on December 4. “We encountered the stock crash and IPO suspension when pushing forward our restructuring,” Future Land’s Executive Director Kenny Chan said. “Some of our investors worried if we could pass the process, but we just kept our pace and obtained all the approvals through the worst environment.” Future Land originally owned a subsidiary (Jiangsu Future Land) listed in China’s B-share market. Future Land’s parent Future Land Development is listed in Hong Kong. China’s B-share market has long been considered as marginalized and illiquid. It is denominated in foreign currency and used to be open only to foreign investors. To switch to A shares, Future Land proposed to issue A shares to all shareholders of the B-share listed subsidiary along with absorbing and merging with the latter by way of a share swap. Chan said it was very challenging and time consuming to get approvals from all the parties, such as the Shanghai Stock Exchange, the China Securities Regulatory Commission (CSRC) and shareholders.

- Standard & Poor’s Ratings Services downgraded CITIC Securities and its subsidiary CITIC Securities International because a police investigation of senior executives and a regulatory probe into the firm’s compliance practices “has significantly undermined” the business of both firms.
- The Hong Kong Stock Exchange (HKSE) recorded an increase in the number of suspensions at 522 in the first half of 2015 compared to 309 in the same period last year. The number of trading halts between July and November this year went down to 305, the same level as 2014.
- Equity funds operated by foreign institutions underperformed against domestic mutual funds last month as China’s stock market continued a moderate rebound. Funds managed under the Qualified Foreign Institutional Investor (QFII) program logged an average return of 1.46% in November, research firm Lipper & Co said in its report, behind an average return of 3.62% posted by domestic funds investing in China’s yuan-denominated stock market.
- China General Nuclear Power Co (CGN) has listed its non-nuclear power assets on the A-share market by acquiring a controlling stake in a listed company. Shares of the listed-company, China Dalian International Economic & Technical Cooperation Group Co, climbed by the 10% daily limit to CNY15.9. CGN will also raise CNY2.8 billion through a private placement after the resumption of trading. It is not only the first Chinese nuclear company to go public, but also the first listed pure nuclear power asset in the world.
- Securities regulators in the Chinese mainland and Hong Kong approved the first batch of cross-border mutual funds. Four mainland and three Hong Kong funds gained the regulatory green light to sell their investment products to investors in each other’s markets, according to the China Securities Regulatory Commission (CSRC). The mutual recognition will allow foreign investors to gain greater access to the Chinese stock and bond markets. The CSRC will cap the sales value of Hong Kong mutual funds in the mainland market at no more than 50% of the funds’ total asset value.
- Yirendai opened flat in its trading debut at the New York Stock Exchange (NYSE) as the first Chinese peer-to-peer lending platform to go public in the United States. Yirendai’s initial public offering (IPO), the last one of the year on U.S. exchanges, raised USD75 million. Yirendai has ambitions to set up a benchmark for the industry via its IPO.
- China Vanke Co unexpectedly suspended trading, saying in a statement to the Shenzhen Stock Exchange that it is planning to issue new shares for capital restructuring and assets acquisition. The statement came after Vanke’s Chairman Wang Shi openly opposed the Baoneng Group’s acquisition of shares that would make it the company’s biggest shareholder. Experts have speculated that the suspension may be Vanke’s strategy to deter the investor. Vane’s Chairman is concerned that the developer’s credit score will be lowered by Baoneng Group, thus adding to the property developer’s borrowing cost.

- Chinese stocks soared to three-week highs following the U.S. Federal Reserve's decision to raise interest rates. The sharp rise was mainly due to financial and industrial stocks.

## TRAVEL

### Construction of railway in Thailand launched

China and Thailand have launched construction of a high-speed railway at Chiang Rak Noi station in Thailand's central Ayutthaya province, where the project's operations center will be located. The 845-kilometer line, which is divided into four sections, will pass through 10 Thai provinces. It will use the 1.435-meter standard gauge with trains operating at top speeds of 180 kph. China's State Councilor Wang Yong attended the launch ceremony alongside Thailand's Deputy Prime Minister Prajin Jantong. The railway will improve connectivity between Thailand and other Association of Southeast Asian Nations (ASEAN) member states. It will be part of the Kunming-Singapore Railway. The project will use China's technology, standards and equipment, with Thailand responsible for civil works, power supply engineering, and some of the construction materials.

- Yangtze River Airlines, the Shanghai-based freight subsidiary of HNA Group, inaugurated its first passenger service from Shanghai to Sanya, Hainan province, and it will also open another two routes from Shanghai to Zhuhai, Guangdong province, and Guiyang in Guizhou province. The carrier got its second Boeing 737-800 aircraft for passenger traffic on December 13 and more Boeing 737 aircraft will be delivered next year. It currently runs 26 cargo planes on more than 40 domestic and international routes.
- New extensions to Metro Lines 11, 12 and 13 in Shanghai went into operation. The three extensions have 27 stations, taking the total in the city to 366. The length of the city's subway network is 617 kilometers. Another four Metro lines are slated for construction by the end of 2020.
- China Southern Airlines is buying 30 Boeing 737 Next Generation and 50 737 Max aircraft, while its Xiamen Airlines unit is buying 30 737 Max jets. The combined deals are worth about USD10 billion before discounts. The order comes nearly three months after Boeing signed a deal with state-owned Commercial Aircraft Corp of China (COMAC) to build its first final assembly plant in China for 737 aircraft.

## VIP VISITS

### China and Russia sign 30 agreements

China and Russia have signed more than 30 deals, with Premier Li Keqiang saying that production capacity and equipment manufacturing are two highlights of future cooperation between the two countries. The deals were signed after the 20<sup>th</sup> China-Russia Prime Ministers' Regular Meeting in Beijing. The talks were co-chaired by Li and Russian Prime Minister Dmitry Medvedev. The total value of the deals was not disclosed. The two leaders said in a joint statement that reinforcing the relationship "will be a diplomatic priority for both sides". The documents signed cover fields such as energy, investment, finance, high-technology, customs, education and tourism. The deals included one between China's Silk Road Fund and Russian natural gas firm Novatek, seeking share transfers, and with the fund offering a 15-year loan of €730 million. Sinopec and Rosneft signed an memorandum of understanding (MOU) on oil and gas projects in eastern Siberia while CNPC and Gazprom inked a deal on the design and building of the cross-border section of the China-Russia east-route natural gas pipeline. At a joint news conference following the meeting, Li said the two countries face the task of adjusting their economic structures, and there is "enormous potential for cooperation". Li and Medvedev also attended the closing ceremony of the China-Russia Year of Youth Exchanges and the opening ceremony of the China-Russia Year of Media Exchanges.

- China and the United Arab Emirates agreed to set up an investment cooperation fund worth USD10 billion. After a meeting in Beijing, President Xi Jinping and the Crown Prince of Abu Dhabi Sheikh Mohammed bin Zayed Al Nahyan witnessed the signing

of a memorandum of understanding (MOU) on establishing the fund. The People's Bank of China (PBOC) also extended a currency swap agreement with the UAE's central bank, worth CNY35 billion valid for three years.

- Closer trade ties were at the top of China's agenda at a two-day meeting of the Shanghai Cooperation Organization (SCO) in Zhengzhou, Henan province. China's Silk Road Fund signed an agreement with Kazakhstan's export and investment agency, under which the fund will set aside USD2 billion for industrial capacity cooperation projects between the two countries. The SCO Council of Heads of Government meeting was hosted by Premier Li Keqiang.

## ONE-LINE NEWS

- Shenzhen-based Longhaitong has used loopholes in gold trading to help it and other companies evade up to CNY6 billion in taxes. The company used 143 invoices to buy CNY868.8 million in spot gold through members of the Shanghai Gold Exchange, who are not required to pay a 17% value-added tax (VAT). At a 6% fee, it sold invoices to other companies allowing them to trade in gold tax-free.
- China's three biggest internet conglomerates formed an "Internet-Plus alliance" at the World Internet Conference. Jack Ma, founder of Alibaba, will chair the alliance, which includes Baidu, Alibaba and Tencent, collectively known as BAT.
- Beijing issued its second "red alert" for smog, closing schools and ordering half of all private cars off the road from December 19 till 22. It will be Beijing's third period of prolonged heavy pollution in less than a month.
- Police in China have detained 10 company officials for fabricating pollution data as the government steps up inspections of businesses. Some of the companies involved could face criminal lawsuits. Chinese law prescribes jail terms of up to seven years for pollution offenders.
- China's carbon emissions could peak by 2025, five years earlier than the 2030 government target, according to Liu Zhenya, Chairman of the State Grid Corp. of China. At its peak, the country's carbon emissions would total 10.5 billion tons. The London School of Economics (LSE) has also published a research study that said China's greenhouse gas emissions were likely to peak around 2025.
- The H1N1 flu virus has become the major influenza strain in Shanghai this winter and there has been a rise in the number of cases. It is the first time the virus has been the most prevalent strain since the World Health Organization (WHO) declared an end to an H1N1 epidemic in August 2010. Local experts said that there is no evidence of an epidemic this time.

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