



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

NEWSLETTER | 4 JANUARY 2016

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<u>Advertisement</u>	<u>HKWJ Tax Law: Your Hong Kong & Mainland China Tax Advisor</u>
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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, Kanselarijstraat 1 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).

猴



**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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Bert De Graeve, Chairman

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Philip Hermans, Director General

KBC BANK
Wim Eraly, Senior General Manager

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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.

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

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

EUCBA ACTIVITIES

EU-China Conference: China's New Normal: What's In It For Businesses? – Thursday, 28 January 2016 – 12:00-15:00 – Brussels

The European Union Chamber of Commerce in China, the EU-China Business Association and BUSINESSEUROPE 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 12:30- 15:00 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 for the 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.

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

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

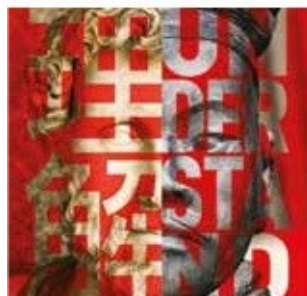
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The Executive MBA by IMD & CKGSB is designed in two stages – the foundation stage and the mastery stage. The program will allow you to master Eastern and Western business concepts and practices whilst gaining all-important international connections.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

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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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EXPAT CORNER

More green cards issued in Shanghai

Under loosened visa policies in effect since July to attract more foreign talent to Shanghai, 12 times more expats have obtained permanent residence cards in the past five months than during the same period last year. Since July 1, the Exit-Entry Administration Bureau of Shanghai's Public Security Bureau has issued 1,708 entry visas and residence permits for qualified expatriates to work and live in Shanghai – 715 of which were permanent residence permits, or “green cards”. Attracting creative talent from abroad to form an innovative, friendly atmosphere in Shanghai has been the main focus since early last year, as the city pursues its goal of becoming a global technological innovation center. A dozen beneficial policies, including providing permanent residence permits for high-level overseas passport holders and giving subsidies to high-tech professionals, were begun in July to open Shanghai's door wider to the world. Furthermore, to create a more convenient living environment for overseas talent to better settle down in the city, the municipal government has begun to issue residence permits for foreign housekeepers hired by high-level expats working and living in Shanghai. A 15-day, visa-free entry policy has also been proposed to allow foreign tourists passing

Shanghai on cruises to visit the city, the China Daily reports. In 2013, 1,886 of the estimated 170,000 foreigners living in Shanghai held green cards.

FINANCE

2016 to be good year for asset management companies - KPMG

KPMG predicts the year 2016 may become the best year for China's distressed bank assets yet, with the number of asset management companies that specialize in digesting banks' bad debt portfolio likely to surge up to 31, up from the present number of 18. The year 2016 will likely represent a peak for China NPLs, said Barclays China Financial Analyst Alex Zhou, with the figure likely to moderate from 2017. In 2015, Chinese banks had the highest level of non-performing loans (NPLs) since the onset of the global financial crisis. At the end of the third quarter, they amounted to CNY1.18 trillion, representing 1.59% of banking assets. Under the category of "special mention loans", the figure has also reached CNY2.81 trillion, about 3.7% of banking assets. Banks have been selling off NPLs to asset management companies for just 30 - 35 fen for every yuan they have loaned out, lower compared to 2014, when they would have got 40 - 50 fen per yuan. On average, Zhou said AMC's have been making a 19% return per year on average, the South China Morning Post reports.

AIIB formally set up, and first loan expected in mid-2016

The Asian Infrastructure Investment Bank (AIIB) will convene this month for the first time since its establishment and will elect its first President and 12 Directors, according to the Ministry of Finance. The bank was formally established on December 25 as 17 countries formally approved its establishment, representing 50.1% of the total subscribed capital. The bank's charter stipulates that the AIIB is legally valid so long as more than 10 countries – with their combined represented capital accounting for no less than half of the total capital – have the charter approved by their legislatures. The bank's Board of Governors and Board of Directors will convene from January 16 to 18 in Beijing, marking the start of the bank's formal operations. After the bank becomes operational, countries can still apply for membership as long as the Board of Governors approves the application. Meanwhile, the Philippines announced it will join the AIIB, contributing USD196 million to bank's capital.

- Local government debt risk is controllable, with the local debt ratio estimated at 86% this year, according to a report by the Budgetary Affairs Commission of the National People's Congress Standing Committee, adding that the reading is below the alert level of 100%. Local government debt is expected to be limited to CNY16 trillion at the end of 2015, CNY15.4 trillion of debt owned by local governments by the end of 2014, and CNY600 billion set as the maximum amount of debt local governments are allowed to run up in 2015.
- The China Banking Regulatory Commission (CBRC) has revoked the private fund-manager licenses of 17 commercial banks, over legal concerns. The Law on Commercial Banks does not allow lenders to operate integrated securities investment operations. Instead, they have to set up subsidiary companies to engage in the business, but only after undergoing close government examination and approval.
- The People's Bank of China (PBOC) has launched a green bond market to support eco-friendly projects. The bonds will have to comply with strict investment plans and information disclosure requirements, but the rates will be lower. The first edition of a catalog listed nearly 40 kinds of projects under five categories including energy-saving, pollution prevention, resources saving and recycle, clean transportation and clean energy.
- The Chinese government is reforming the country's tax-collection system. The national and local tax collection systems will remain separate, but each system's responsibilities will be further clarified and e-platform-based cooperation will be promoted. The plan works on the principle that each tax will be collected by one agency. A goal was set to build a "modern" tax collection system before 2020 so taxpayers' burdens would be alleviated and collection efficiency would be improved.
- Trading hours for the yuan, which previously ended at 4.30 pm Beijing time, will be extended to 11.30 pm from January 4. The opening will remain unchanged at 9:30 am,

and the daily yuan closing price will be fixed at its spot exchange rate against the U.S. dollar, at 4:30 pm.

- At least three of China's large state-owned banks are using lie detectors without the knowledge of their customers, according to official government media. The Bank of China (BOC), Agricultural Bank of China (ABC) and China Construction Bank (CCB) were among a number of financial institutions that have been collaborating with the Chinese Academy of Sciences (CAS) on implementing the latest polygraph technology. The banks used remote sensing technology to obtain and analyze customers' biometric data, such as facial expression, skin color, body temperature, heart readings and voice patterns.
- China received around €401 million in loans in 2015 from the European Investment Bank (EIB), the Ministry of Finance said. The loans were invested in 10 projects, mainly in forest development, energy conservation and environmental protection. China received its first loan from the EIB in 1995 to finance an oil and natural gas exploration project in the East China Sea.
- The online peer-to-peer (P2P) lending sector in China will be subject to strict rules which will affect "up to 90%" of the P2P platforms as the authorities get tough amid rising risks and defaults. New draft rules ban P2P lending platforms from selling products that can be bought at traditional financial institutions, including banks' wealth-management products, funds, insurance and trust products. Nearly 2,612 P2P firms had lent CNY133.1 billion at the end of November, according to Online Lending Houser.
- China's value-added tax (VAT) reform will be implemented in all industries in 2016, Minister of Finance Lou Jiwei said. The business tax will be replaced by VAT in the remaining four industries: finance, construction, property and consumer services. Business tax refers to a levy on the gross revenue of a business while VAT refers to a tax levied on the difference between a commodity's price before taxes and its cost of production.
- Deutsche Bank agreed to sell its stake of 19.99% in China's Huaxia Bank for about €3.5 billion to PICC Property and Casualty Co. DB made its first equity investment in Huaxia Bank in 2006, but said it was now the right time to sell the investment.

FOREIGN INVESTMENT

China to meet investment target for 2015

Both foreign direct investment (FDI) in China and outbound direct investment (ODI) have risen this year, putting the nation on track to meet its annual growth target, Minister of Commerce Gao Hucheng said. FDI is expected to reach USD135 billion in 2015, up almost 13% year-on-year, while ODI is forecast to hit USD128 billion, up 24% year-on-year. Gao Hucheng said his Ministry's main tasks in the 13th Five Year Plan (2016-20) will be to stabilize external demand, improve the quality of high-end manufacturing and adjust the industrial structure to attract quality FDI. China received USD620 billion in FDI during the 12th Five Year Plan period (2011-15), up 30% on the previous five year plan. ODI grew 14.2% over the same period. Ministry Spokesman Shen Danyang said the Belt and Road Initiative, which aims to improve regional connectivity between Asia, Europe and Africa and involves big-ticket infrastructure projects, had contributed to ODI growth in 2015. In the first 10 months of 2015, Chinese ODI in 49 of the nations along the Belt and Road routes totaled USD13.17 billion, up 36.7% year-on-year, with Russia, Singapore, Laos, Indonesia and Kazakhstan among the top destinations, the China Daily reports.

Safe and risky destinations for investment mapped

Venezuela is the riskiest destination for Chinese to invest – worse even than Iraq and Sudan – while Germany is the safest, followed by the United States and Britain, according to the Institute of World Economics and Politics of the Chinese Academy of Social Sciences (CASS), a government think tank. While overseas investment continues to grow, some companies have suffered huge losses. Deals that have gone sour include a controversial water dam project in Myanmar and a delayed copper mine development in Afghanistan. The Institute assessed 57 countries, mainly non-tax haven destinations for Chinese outbound investment, under a home-

grown rating system to provide a risk map for Chinese investors venturing abroad. A country's overall risk was measured by its economic fundamentals, debt repayment abilities, social conditions such as internal conflicts and security, and political soundness. In a separate sub-index, each country was assessed in terms of its relations with China, the South China Morning Post reports. The United States ranked 22nd in terms of its relations with China, but was the second safest place for Chinese to invest. Pakistan was regarded as China's best friend, but was in the 35th safest place to invest.

- Consortia led by China's Citic Group have won bids for two projects to develop a special economic zone (SEZ) in Myanmar's western Rakhine State. One consortium won a tender to build a deep sea port on the Bay of Bengal, while another consortium won a contract to develop an industrial area. The consortia include China Harbor Engineering Co, China Merchants Holdings, Teda Investment Holding and Yunnan Construction Engineering Group.
- Shanghai's contracted foreign direct investment increased to USD58.9 billion last year, up 86% on an annual basis to a record high, thanks in part to reform programs in the pilot free trade zone (FTZ), the Shanghai Commission of Commerce said. There were 2,800 foreign-funded projects signed last year in the free trade zone, with a contracted value of more than USD35 billion.

FOREIGN TRADE

Foreign trade drops 7.8% in first 11 months

In the first 11 months of 2015, China's foreign trade dropped 7.8% year-on-year to CNY22.1 trillion, with exports down 2.2% and imports off 14.4%, according to Yu Guangzhou, Director of the General Administration of Customs (GAC). The drop in commodity prices was estimated to have cut imports by 11.2 percentage points and exports by 0.7 percentage points. The world's total exports fell 11% year-on-year in the first three quarters, data from the World Trade Organization (WTO) showed.

- Exports of China's private sector surged 44.9% year-on-year in the first 11 months of 2015, compared with just 7.3% in 2001, Ministry of Commerce (MOFCOM) officials said. Though the Ministry did not reveal the total value of exports, this was the first time that private sector exports were higher than the exports of foreign-invested firms.

HEALTH

Health sector monitors possible avian flu cases

The Eurasian avian-like H1N1 virus strain commonly found among pigs in China has the potential to transmit efficiently to humans, according to a study published by the Proceedings of the National Academy of Sciences of the U.S. Researchers found that only 3.6% of children aged below 10 and 13.4% of the elderly aged 60 or above had antibodies against one of the two subgroups of the Eurasian avian-like H1N1 lineage. No adults have antibodies against this subgroup. A woman in Shenzhen in southern China is in a critical condition after contracting bird flu. The 26-year-old has caught the H5N6 strain of the virus. Experts believe the infection is an isolated case and there is little possibility in the near future of the virus spreading. The world's first human H5N6 infection was reported in May last year in Sichuan province. Four cases have been reported so far around the world.

MACRO-ECONOMY

Strategy aimed at spearheading economic transition announced

China's top leadership, which is preparing to launch the 13th Five Year Plan (2016-20), announced a strategy to lead the economy's ongoing transition. President Xi Jinping said the country's emphasis in 2016 will be on a package of supply-side policies to release new demand and boost new productivity. He made the remarks at the conclusion of the Central Economic Work Conference, which was held along with the Central Urban Work Conference in

December. Economists said this means that China will no longer seek to fuel economic growth solely by using fiscal and monetary measures to boost capital investment, consumption and exports. Instead, the government will be more focused on devising policies which, from the supply side, are aimed at helping the industries it wants to support. Outdated businesses will also be phased out. The Central Economic Work Conference has pledged to launch a series of policies including more tax cuts, incentives for specific industries, regulatory reforms and more aid to lift people out of poverty. Supply-side reform covers two areas, according to the political magazine Outlook. One of these is to readjust the economic structure by shedding excessive industrial capacity. The other is to use institutional reforms and innovation – not merely financial stimulus measures – to boost growth, such as subsidized sales of empty housing to migrant workers from rural areas. The magazine said an important aspect of supply-side reform is to continue to streamline the government's administrative power over business and to provide policy-level convenience for private entrepreneurs, the China Daily reports.

The following policies will also be pursued:

- Cutting capacity: policies will be designed to allow bankruptcy cases and mergers to resolve industrial overcapacity, as the supply glut has been choking growth.
 - De-stocking: reducing property inventory and stabilizing the ailing housing market. Reform of the household registration system and encouraging rural residents to buy properties and settle down in cities.
 - De-leveraging: China will effectively defuse local government debt risks. It will strengthen supervision, regulate financing activities, and clamp down on illegal fund-raising.
 - Opening-up: Facing a continued economic slowdown, China seeks to attract foreign investment by slashing restrictions, widening market access and improving the business environment.
-
- China may lower the target for economic growth for 2016 to 6.5% from around 7% in 2015, economists said after the conclusion of the annual Central Economic Work Conference. The government will use accommodative fiscal policies, including more tax cuts and increased infrastructure and social spending, as key tools to sustain the growth momentum.
 - Shanghai's industrial production grew 5.1% in November from a year earlier to CNY276.8 billion, the fastest rate in 2015. The six key industries, namely, automobile, biomedicine, equipment machinery, refinery, fine steel and electronics, grew 7.9% to a combined CNY188.5 billion. In particular, production of cars surged 30.2% to CNY53.2 billion, stimulated by market demand after the reduction of taxes for greener cars in October. In the first 11 months, Shanghai's industrial production fell 0.5% on an annual basis to CNY2.82 trillion.
 - China will further develop nuclear power to fulfill its target of increasing the proportion of non-fossil energy consumption to 20% of the total energy consumption by 2030, Xie Zhenhua, China's special representative on climate change said. "Security should be considered the most important factor when developing nuclear power," Xie added. China has 30 nuclear power reactors in operation, with an additional 21 under construction.
 - Shanghai has put a ceiling on the city's permanent resident population of 25 million by 2020, an increase of 740,000 from the current figure. Shanghai has been facing persistent population pressure due to rapid urbanization and the comparatively high income standard in the city. The latest numbers from the Shanghai Municipal Statistics Bureau showed that the number of permanent residents surged from 16.08 million in 2000 to 24.26 million in 2014. Among the permanent residents last year, 14.29 million had household registration in Shanghai.
 - The Jiangxi provincial authorities have formally decided to build the Nanchang Optics Valley to establish a LED industry cluster and accelerate the sector's development in the province. The valley, mostly located in the Nanchang National High-tech Industrial Development Zone and part of the city's state-level economic development zone, will focus on building an electronic information industrial chain that is centered on the opto-electronics information industry, covering all upstream, midstream and downstream links of chip design, packaging tests and LEDs.

- Construction work on the Wudongde hydropower project, China's third-largest dam, has started, with the first batch of units expected to be commissioned by 2020. The China Three Gorges Corp, the builder and operator of the project, said the successful commissioning of the project will help China achieve its clean energy goals by 2020. The project got the green light from the Chinese government earlier this month. The project has a total investment of about CNY100 billion, and a total installed capacity of 10,200 megawatt (MW).
- The annual expansion rate of industrial output will be around 6% this year, well below this year's GDP growth, which is likely to be about 7%, the Ministry of Industry and Information Technology (MIIT) said, adding that such a situation was happening for the first time in nearly two decades, and a strong indication that economic recovery may face more headwinds.
- Profit declines at China's state-owned enterprises (SOEs) continued but narrowed in November, the Ministry of Finance said. China's non-financial SOEs raked in CNY2 trillion in profits from January to November, down 9.5% year-on-year, compared with a 9.8% drop for the first 10 months. Profitability in sectors including transport, chemistry and electricity improved substantially, while petroleum and construction material businesses suffered sharp profit drops.
- Slashing the number of inefficient and unprofitable "zombie enterprises" is the priority on China's "must-do" list in 2016, Yang Weimin, Deputy Director of the Office of the Central Leading Group on Financial and Economic Affairs, said. "The pain is inevitable, but it is a necessary part of the leadership's shift to supply-side reform next year," he said.
- Net profits of China's industrial companies fell 1.4% year-on-year in November to CNY672 billion, slowing from a 4.6% drop in October, the National Bureau of Statistics (NBS) said. A rise in sales and lower operating costs helped narrow the decline in net profits.
- China's economic growth may ease to 6.78% in 2016 and 6.51% in 2017 from 6.9% in 2015, according to the World Economic Outlook released by the Shanghai Academy of Social Sciences. The country's exports may stabilize and consumption will improve, but fixed-asset investment will weaken further on lower corporate and property investment. The report said China may again be pressured into cutting manufacturing overcapacity in 2016 along with the economic restructuring.
- The official Purchasing Managers' Index (PMI) rose 0.1 points from November to 49.7 in December, according to the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP). The figure represented the first rebound in four months although still indicating contraction. Meanwhile, the official non-manufacturing PMI, a counterpart for the services sector, improved to 54.4 last month, the highest in more than a year.

MERGERS & ACQUISITIONS

China's outbound acquisitions to continue rising

China's outbound acquisitions in 2015 helped push Asia-Pacific's annual deal value past USD1.2 trillion for the first time, up 46% from 2014, preliminary data from Thomson Reuters showed. Chinese firms spent a record USD102 billion in 2015. "China is on the move, we are preparing for a busy year for deal making," said Joseph Gallagher, head of M&A for Asia-Pacific at Credit Suisse. "Chinese outbound activity is set to pick up with a focus on the semiconductor, power and financial sectors." A strong year for deal-making bodes well for global investment banks in the region. In 2015, Goldman Sachs was the top adviser with a 16.7% market share, followed by Morgan Stanley and HSBC Holdings. China's mainland, Hong Kong and Australia were the three most active M&A markets in the Asia-Pacific. China's large state-owned enterprises (SOEs) played a less active role in 2015's M&As compared with their mid-2000s heyday as President Xi Jinping's wide-ranging anti-graft investigations turned officials cautious about making big decisions.

COFCO fully acquires Noble Agri

State-owned China National Cereals, Oils and Foodstuffs Corp (COFCO) is taking full control of Noble Agri, after buying the remaining 49% of the company still owned by Noble Group. Its subsidiary COFCO International will acquire the stake for USD750 million, and on completion, Noble Agri will have its name changed to COFCO Agri. COFCO bought 51% of Noble Agri in 2014, and since then has been actively engaged in resource consolidation to optimize asset allocation and boosting its profitability, Chairman Ning Gaoning said in a statement.

Established in 1998, Noble Agri is engaged in the trading and processing of farm products mainly sourced from low-cost regions around the world, and supplying them to Asia and the Middle East. Last year's sales were USD14.9 billion from 46 million metric tons of goods delivered to 45 locations in 29 countries. Noble Agri's main business deals in wheat, corn and soybean, while its other leading earners include coffee, cocoa, sugar and cotton. It owns and operates a number of logistics and processing assets in key markets, and employs 9,500 people globally, the China Daily reports.

- The Chinese government has approved the merger of Sinotrans & CSC and China Merchants Group as part of a wider restructuring of state-owned companies and the consolidation of the shipping industry. China Merchants Group's total assets at the end of last year exceeded CNY600 billion, six times that of Sinotrans & CSC.
- Chinese developer Fantasia Holding announced it had acquired Hong Kong-based travel company Morning Star Group for an undisclosed amount. Morning Star Travel has been in operation for over 43 years and is one of the leading travel agencies in Hong Kong.
- Fosun International plans to acquire a 52.31% stake in insurer Phoenix Holdings of Israel. Fosun said that the acquisition will further optimize the group's capital structure and lower its cost of funding on a consolidated level. It recommended shareholders vote in favor of the deal.

REAL ESTATE

Chairman Wang Shi trying to keep control of China Vanke

China Vanke Chairman Wang Shi is trying to retain control of China's biggest home builder as Baoneng Group and Anbang Insurance increased their holdings in the developer to a level where they can seize control of the company. "We welcome them to buy Vanke shares, but we do not welcome them to control the company", Vanke said in a letter. The move by Vanke to issue new shares to a friendly third party is widely seen by investors as one option. Anbang Insurance Group, a significant shareholder, said it will support Chairman Wang Shi and his management team to run the company and fend off a hostile takeover by the Baoneng group of companies. Anbang Insurance Group increased its holdings of China Vanke's A shares to more than 7% before trading in the stock was suspended. The China Securities Regulatory Commission (CSRC) is checking whether any violations of disclosure requirements were committed in the battle for control of Vanke. On December 18, Vanke asked that its Hong Kong and Shenzhen shares be suspended from trading pending a planned share issue for acquisitions. Two days later, Vanke said in a filing that it would disclose the restructuring plan before January 18. Vanke said in a statement to the Hong Kong Stock Exchange (HKSE) that it signed a letter of intent to buy unspecified assets from a potential investor by issuing new shares and using cash. The company's shares are still suspended from trading to avoid abnormal share price volatility in a bid to protect investors' interests.

- China will roll out measures to reduce its property inventory and stabilize its ailing housing market, according to a statement released after the Central Economic Work Conference. It was agreed that rural residents relocating to urban areas should be allowed to register as city residents, which would enable them to buy or rent property. In addition, a low-rent public housing program would cover those without household registration, the statement said. China will also promote the consolidation of property developers.
- A 5,732 square foot duplex flat at Unit A on the 46th floor at Henderson Land Development's 39 Conduit Road in Hong Kong, including four bedrooms, has been

sold for HKD590 million or HKD102,900 per sq ft. If the deal is completed, it will overtake Opus Hong Kong as the costliest flat in Asia per foot.

- Chinese developer Evergrande Real Estate announced it is buying five projects from Hong Kong tycoon Cheng Yu-tung's New World Development Group and Chow Tai Fook Enterprises for CNY20.4 billion, in the latest instance of cash-rich mainland investors buying assets from Hong Kong tycoons.
- Average new home prices in Shenzhen jumped 39% in 2015 to CNY42,591 per square meter, according to monthly index data by SouFun. Shanghai fell to the No 2 spot after a year in which new home prices rose 15% to CNY36,935 per sq m. Beijing was placed slightly behind, ending the year with new homes selling at an average CNY34,981 yuan per sq m.

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RETAIL

Catering industry returning to growth

In the first nine months of this year revenue in catering grew 11.7% to CNY2.3 trillion compared with the corresponding period last year, the first double-digit growth since late 2012, the China Cuisine Association (CCA) says. High-end restaurants, or restaurants charging more than CNY200 a head, have turned the corner, their revenue growing 8.6% over the two months from August to September compared with the same period last year, says Feng Enyuan, Vice Chairman of the Association. Feng attributes the revival to the fact that while government limits on public spending continue to have an impact on upmarket restaurants, many have heeded advice to adopt new business models to broaden their customer bases. "People used to go to restaurants mainly on special occasions, but they're now dining out either because they can't be bothered cooking, or simply because they want something other than home-cooked meals," Feng said. Most restaurants have adopted various strategies to reach lower-end customers, including reducing prices, establishing cheaper junior brands, providing corporate catering, and using the internet to bring in diners, the China Daily reports.

- International firms are likely to gain a bigger share of China's baby formula market due to a new law governing product registration. The recently issued food safety law limits manufacturers to three infant formula brands each and requires all brands to be registered with the China Food and Drug Administration (FDA) before they can be sold to retailers. The law, expected to take effect soon, will apply to 103 Chinese companies and 73 foreign ones.

SCIENCE & TECHNOLOGY

China launches earth observation satellite

China launched an observation satellite that will provide weather forecasting as well as images and data from across Southeast Asia for forest monitoring, disaster prevention and other missions. A rocket carrying the first Gaofen 4 earth-observation satellite lifted off from the Xichang Satellite Launch Center in Sichuan province and placed the 5-metric ton satellite into orbit. The mission marked the 222nd flight of the Long March rocket family. The Gaofen project will have a network of eight satellites with global coverage by 2020.

- China plans to establish a remote-sensing satellite network with global coverage by setting up more ground stations overseas. Yin Liming, President of China Great Wall Industry Corp, the country's sole provider of commercial satellite launch services, told the Third Aerospace Internationalization Forum in Beijing that China is willing to work with foreign space agencies and international organizations to establish the network, which will mainly depend on Chinese-made satellites.
- Lu Zhiqiang, Chairman of China Oceanwide, has donated CNY700 million to Fudan University in Shanghai. The contribution is the biggest single donation to the institution. CNY500 million would go to support research and development (R&D) in financial studies, innovation and social science. Another CNY50 million would be used to set up a development fund to, among other things, recruit talent, while another CNY50 million would be set aside to establish an international finance institution.

STOCK MARKETS

Record funds raised from IPOs in Hong Kong

Funds raised through Hong Kong's initial public offerings (IPOs) from January 1 to December 15 totaled HKD246.5 billion, the world's highest for the period, Hong Kong Exchanges and Clearing (HKEx) said. There had been 125 new listings since the start of 2015 and the total funds raised from January 1 to December 15 were HKD1.058 trillion, exceeding the full-year record high established in 2014, HKEx said. From January to November, turnover of securitized derivatives in Hong Kong was the world's highest for the period and the exchange has been the global leader in securities derivatives turnover every year since 2007, according to figures from the World Federation of Exchanges quoted by HKEx. Turnover in HKEx's securities and derivatives markets also saw new single-year highs, reaching HKD25.5 trillion and 183,221,506 contracts respectively. As of December 15, there were 1,854 listed companies in Hong Kong, of which 1,635 were listed on the Main Board.

Stock exchanges to give approval for IPOs after registration

The China Securities Regulatory Commission (CSRC) will no longer manage the process for initial public offerings (IPOs). Instead, the stock exchanges in Shanghai and Shenzhen will vet applicants and grant approval. It will also let the market decide on the price range for share issues, minimizing the Commission's role in the process. The reform plan was officially endorsed by the Standing Committee of the National People's Congress (NPC) as it ended its bimonthly session in Beijing on December 27. The policy change will come into force on March 1, but the government will have two years time for detailed implementation. Companies that want to go public will need only to register with one of the exchanges and file statements about their earnings and operations. The bourse will review the documents to ensure they are accurate and then give the go-ahead, ideally within a few months, the South China Morning Post reports.

N-board established in Shanghai

The Shanghai Equity Exchange (SSE), operator of the city's over-the-counter (OTC) equity market, said that seven firms raised CNY7.71 million on its new high-tech board, or N-board, on December 28. The N-board, a high-tech trading platform for innovative startups, will make China's equity market multi-layered and provide easier financing options for companies, said analysts. It will also provide investors with more investment channels. Small and medium-

sized enterprises (SMEs) which focus on high technologies, pharmaceuticals, and innovation-driven services will find the N-board a viable channel for financing, especially those backed by venture capital firms, according to Chen Yan, Director of Innovation at the SEE. According to Zhang Yunfeng, General Manager of the SEE, 19 out of the 27 listed companies on the N-board are in the startup phase, while the balance are in growth stages. About 70% of enterprises are profit-making with an average revenue of CNY23 million and average profit of CNY1.23 million, while 10% are break-even and 20% are loss-making. Listing on the N-board is conducted through the registration-based mechanism, with the approval process focusing on information disclosure, the China Daily reports.

- The China Securities Regulatory Commission (CSRC) has halted fundraising by private equity (PE) companies on the new share-transfer system, underscoring increased concerns over an overheating market and the amount of capital the companies have been raising. PE firms will not be able to list their shares on the National Equities Exchange and Quotations (NEEQ), better known as the New Third Board. Some analysts suggest the NEEQ market has become too easy a platform for PE firms to expand their capital base.
- Yim Fung, 52, Chairman and CEO of Guotai Junan International, who disappeared on November 23 in mysterious circumstances, has returned to work after “assisting” authorities in an investigation, the company said in a filing to the Hong Kong Stock Exchange (HKSE). Shares of Guotai Junan International, the overseas arm of Chinese broker Guotai Junan Securities, surged 8.1% on the news.
- The number of IPOs by Chinese companies around the world in 2015 was 277, 31.3% higher than last year’s total of 211 while the number of IPOs in 2013 was 70, according to Reuters.
- The Hong Kong Stock Exchange (HKSE) topped the global IPO market in 2015 with 121 IPOs raising a record USD33.7 billion. The New York Stock Exchange (NYSE) was ranked second with IPOs raising USD19.6 billion, followed by USD17.5 billion raised on the Shanghai Stock Exchange (SSE), according to Ernst & Young (EY).
- China’s A-share market is a clear winner globally this year as the 219 initial public offerings (IPOs), an increase of 75% year-on-year, reaped an average year-to-date return of 473%, according to Ernst & Young. The IPOs raised a total of CNY158.6 billion, a surge of 102%. By the number of deals, industrials ranked first, followed by technology, media and telecom (TMT), accounting for 34% and 20% respectively of the total. By funds raised, the financial sector was first with CNY44.7 billion, or 28% of total funds raised.
- Hong Kong’s stock exchange has decided to cancel the listing of suspended China Metal Recycling (Holdings) because it “obtained its initial listing by fraud” and is no longer suitable for listing. The exchange said the company’s management had acted against the interests of minority shareholders.

TRAVEL

Profitable year for China’s aviation sector

China’s aviation sector turned in a total profit of CNY54.8 billion in the first 11 months of 2015, up 76.2% year-on-year, according to the Civil Aviation Administration of China’s annual work meeting. Low oil prices have helped the industry save on its biggest single cost and further stimulate demand with lower ticket prices, despite the yuan’s devaluation in the second half of 2015 eating into airlines’ bottom lines. Passenger traffic had grown by an average of 10.4% a year for the past five years, with the industry’s accumulated total profit for the five years reaching CNY180 billion – more than triple the amount in the previous five years. China’s commercial fleet has grown by 1,047 planes to 2,645 planes in the past five years, while the number of airlines increased from 45 to 54. Several start-up airlines formed in 2015 are expected to start flying in 2016, including Colorful Guizhou Airlines, Hongtu Air and Guilin Air, which were approved after the CAAC’s lifting of a seven-year-long moratorium on airline license applications in 2013. As the license review process lasts two years, more new names are expected to hit the market this year. The industry’s target in 2016 would be to transport 485 million people, up 10.7% compared with 2015, and 6.8 million tons of cargo, up 8.3%.

World's largest terminals to be constructed at Pudong Airport

Construction of the world's largest passenger terminals has begun at Shanghai Pudong International Airport, with completion set for 2019. The two new passenger terminals, which will cover 622,000 square meters, will boost airport capacity to 80 million passengers annually, a significant increase over the current 60 million. After checking in at T1 or T2, passengers will take trains resembling small subways to the satellite halls. A fifth runway will also be built at a cost of CNY20.6 billion. "It's predicted that in 2020 Shanghai's two airports – Hongqiao and Pudong – will have an annual passenger throughput of 120 million, which will place the city among the top three in the world," said Jing Yiming, President of the Shanghai Airport Authority. Surging passenger demand in recent years has exceeded Pudong's design capacity of 42 million.

- Dubai-based carrier Emirates Airline is expanding its services in China with the addition of flights to Zhengzhou in Henan province and Yinchuan in the Ningxia Hui autonomous region. The Gulf carrier will start four weekly flights to the new destinations, both of which are major economic hubs on the Belt and Road trade route, from May 2016. The airline will use Boeing 777-200LR aircraft with 266 seats and a cargo capacity of 14 tons.
- China Southern Airlines Co has signed deals worth about USD2 billion to buy 10 aircraft from Airbus. The Airbus A330-300 has a list price of USD227.36 million. The planes will be delivered between 2017 and 2019 and increase the airline's capacity by 4%. In December, China Southern said it and affiliate Xiamen Airlines had signed USD10 billion deals to buy 110 Boeing aircraft.
- China will add at least 200 international air routes this year, Director Li Jiayang of the Civil Aviation Administration of China (CAAC) said, focussing on the Belt and Road Initiative. China now has 663 international routes operated by domestic and foreign carriers, of which 369 were launched in 2015. Li said China had signed bilateral air transportation agreements with 118 countries by November 2015.
- Tang Energy Group, a Dallas-based clean energy company, has won a more than USD70 million arbitration award for breach of contract against China's biggest state-owned aerospace and defense company, Aviation Industry Corporation of China (AVIC). The ruling was issued by the International Center for Dispute Resolution in Dallas. Tang Energy argued AVIC did not fulfill commitments to help fund a West Texas wind farm and develop a global wind energy business as part of a joint venture, Soaring Wind Energy.
- China had the world's largest number of outbound tourists in 2015, according to data from the China National Tourism Administration (CNTA). About 120 million Chinese traveled overseas, up from 109 million in 2014. This was an increase of 19.5% year-on-year and nearly 13 times the level in 1998. The increase in outbound tourists is attributed to more relaxed visa policies and rising disposable incomes.
- The western section of a new high-speed railway opened in Hainan province, completing the railway circling Hainan island. The 653-kilometer railway connects Haikou in the north to Sanya in the south, with trains running along both the east and west sides of the island at projected speeds up to 200 kilometers per hour. Passengers are now able to circle the island in 3.5 hours, passing through 12 cities and counties.
- Seven airlines obtained the rights to nine airport slots at Guangzhou Baiyun International Airport for three years in China's first airport slot auction. Urumqi Air, a subsidiary of Hainan Airlines, China's fourth-largest carrier, offered the highest price of CNY90.99 million of the CNY550 million auction proceeds. The other successful bidders included Shenzhen Airlines, China Southern Airlines, China Eastern Airlines and Xiamen Airlines.
- The largest underground railway station in Asia – Futian station in Shenzhen – is now up and running, helping to cut the travel time in half from Hong Kong to Guangzhou. There will be 11 Guangzhou bound departures every day at the initial stage. After its Hong Kong section is completed, the journey time between Hong Kong and Guangzhou will be reduced from about 100 minutes at present to 48 minutes.

VIP VISITS

China and Iraq expand relations

China and Iraq agreed to build a strategic partnership and expand energy cooperation during the visit to Beijing of Iraqi Prime Minister Haider al-Abadi. Agreement was reached to use Chinese-made facilities and equipment in Iraq's gas and oil exploitation. Iran is also negotiating to form an oil-marketing venture with China Petrochemical Corp (Sinopec Group). China imported more than 28 million metric tons of crude oil from Iraq in 2014. Trade between China and Iraq increased 50-fold between 2003 and 2014.

- Chinese President Xi Jinping visited 14 countries in 2015 – making him China's best-travelled top leader since the Communist party took power in 1949. Xi's predecessor, Hu Jintao, visited only seven countries during his decade as China's top leader. Since Xi took the reins in 2012, he has visited more than 30.

ONE-LINE NEWS

- Shanghai Vice Mayor Zhou Bo was given a "serious warning" for attending a banquet paid with public funds, while Li Jian, Deputy Director of the Civil Aviation Administration of China (CAAC), and Lin Chunsong, Executive Vice Mayor of Wuyishan in Fujian province were given a serious warning for expensive expenditures on golf courses. Several other officials were also reprimanded in a statement by the Central Commission for Discipline Inspection (CCDI).
- November statistics show that 34,578 Chinese students were studying in primary and secondary schools in the U.S., or 52% of all international students in the K-12 segment. Five years ago, the number was 8,857, according to the Student and Exchange Visitor Program.
- Wan Qingliang, former Party Secretary of Guangzhou, pleaded guilty to charges of accepting bribes and neglecting duty. He was tried by the Nanning Intermediate People's Court for taking bribes worth more than CNY111.25 million from 15 companies and individuals while in office.
- The Shenzhen landslide that killed seven people and left dozens missing on December 20 was an "industrial safety accident" rather than a geological disaster, a Chinese government investigation found. The accident was caused by the improper storage of waste from construction sites.
- China's one-child policy came to an end on December 27, effective January 1, when the Standing Committee of the National People's Congress (NPC) approved a bill allowing all married couples to have a second child. Chinese couples – except those from ethnic minorities – would still be prohibited to have more than two children.
- Eight international shipping companies have been investigated for monopolistic practices, the National Development and Reform Commission (NDRC) said. CNY407 million in fines has been handed out. The eight companies include Japan's Mitsui OSK Lines, Nippon Yusen KK, Kawasaki Kisen Kaisha, and Chile's Compania Sud Americana de Vapores. The companies involved had either agreed on price fixing or implemented it.
- G.Credit Electronic Co, a Shenzhen-based supplier that assembles mobile phones for major brands like Samsung Electronics, has suddenly ceased operations, terminating the contracts of its 2,500 workers. The company was founded in 2009.
- Wei Pengyuan, former Deputy Director of the National Energy Administration's Coal Department, was tried on charges of taking CNY211.7 million in bribes and being unable to account for the source of huge assets disproportionate to his income.
- The number of Chinese students in U.S. community colleges has increased from 2,500 in 2007 to more than 16,200. Many are searching for an alternative to China's high-pressure and overcrowded educational system.
- Li Xiaolin, the daughter of former Premier Li Peng, has resigned as Chairwoman of China Power New Energy Development as the company announced that it had signed a preliminary agreement to acquire State Nuclear Power Technology. Wang Binghua

would take on the role as the company's Chairman.

- President Xi Jinping in his New Year speech said that lifting tens of millions of rural people out of poverty was his top concern, and called for joint efforts to achieve this goal. China must not be absent from international affairs, Xi added, as the world is looking forward to voices and answers from China.
- Macao casino revenue sunk to the lowest level in five years as Chinese high-rollers stayed away in 2015, narrowing its lead on Las Vegas. Gross gaming revenue fell 34.3% to MOP231 billion (Macao pataca) last year. While casino takings dropped 21.2% in December – falling for the 19th straight month – that represented the smallest year-on-year decline since last January.

ANNOUNCEMENTS

13th China International SME Fair (CISMEF) – 10-13 October 2016 – Guangzhou

The China International SME Fair has been held for 12 sessions and will hold its 13th session in October this year.

Date: October 10-13, 2016

Venue: POLY World Trade Center Expo in Guangzhou

Sponsors: Ministry of Industry and Information Technology (MIIT), State Administration for Industry and Commerce (SAIC), People's Government of Guangdong Province.

Area: about 110,000 m², among which, no less than 20,000 m² for international exhibition hall

Participants: nearly 3,000 exhibitors from 31 provinces, autonomous regions or municipalities and over 20 foreign countries or regions, with an expectation of 200,000 visits.

Wide range of forums, seminars, business matchmaking, promotion activities, theme workshops and trainings will be held during the event.

Overseas enterprises to show in the International Show may apply to the local exhibitor recruitment organizer of their countries or regions or contact the Secretariat of the CISMEF Organizing Committee for details.

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