法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 1 FEBRUARY 2016

FCCC ACTIVITIES

FCCC Chinese New Year Reception – 3 February 2016 – Brussels

Register here. Members : €24,2 (incl. 21% VAT) Non-Members: €54,45 (incl. 21% VAT)

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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

PAST EVENTS

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

The European Union Chamber of Commerce in China, the EU-China Business Association and BUSINESSEUROPE organized 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 event took place on 28 January, 2016 at Thon Hotel EU in Brussels. The purpose of this event was to take stock of the most important developments in the EU-China relations and how this affects EU businesses.

Following an introduction by Mr Markus Beyrer, Director-General, BUSINESSEUROPE, Ms Cecilia Malmström, European Commissioner for Trade delivered a keynote speech on EU-China business relations. Her speech was followed by a speech by Mr Jörg Wuttke, President, European Union Chamber of Commerce in China and another one by Mr. Jo Leinen, Member of the European Parliament and Chair of the Delegation for relations with the People's Republic of China. Following a moderated panel discussion and Q&A, Mr. Bert De Graeve delivered the closing remarks on behalf of the EU-China Business Association.

During the event, representatives from the European Chamber's working groups were on-site to 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.

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

The Flanders-China Chamber of Commerce (FCCC) organized a meeting with the Ambassador and Consuls General of Belgium in China. This event took place on 27 January 2016 at BNP Paribas Fortis in Brussels.

This event offered an excellent opportunity to discuss your companies' activities in China with the Ambassador and Consuls General of Belgium in China: 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; and Mrs Michèle Deneffe, Consul General of Belgium in Hong Kong and Macao.

The event was concluded with an exchange of views and networking with the Ambassador and Consuls General.

MEMBERS' NEWS

Opening ICBC Antwerp Branch

The Industrial and Commercial Bank of China (ICBC) opened its Antwerp Branch on 26 January 2016 at a ceremony at Brasschaat Castle. Mr. Bart De Wever, Mayor of Antwerp; and Dr. Jiang Jianqing, Chairman of ICBC, gave key note speeches. Mrs. Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce (FCCC) represented the Chamber at the event.

At the event the Port of Antwerp also signed a cooperation agreement with the ICBC, which up to now was only represented in Brussels but is expanding its presence in Belgium. ICBC is the world's No 1 bank in assets and market capitalization. ICBC and the Port of Antwerp will together look for opportunities in the framework of the One Belt One Road initiative. ICBC will introduce the Port of Antwerp to Chinese investors and business activities at the port will be promoted through the ICBC customers.

AUTOMOTIVE

Investigation launched in NEV subsidies fraud

A nationwide investigation is set to be launched into fraudulent subsidies of new energy vehicle manufacturers, the Ministry of Finance said. The investigation will target new energy vehicle manufacturers that received subsidies from the government in 2013 and 2014, and those who applied for the subsidies in 2015. The probe will be jointly conducted by the Ministries of Industry and Information Technology, Finance, and Science and Technology, and the National Development and Reform Commission (NDRC). Some companies are accused of having produced poor-quality electric cars, and then secretly set up a car rental agency that bought all the cars in exchange for millions of yuan in subsidies and subsequently dump them in a warehouse. In December 2015, sales of new energy commercial vehicles reached 63,525 units, around double the figure on a year-on-year basis. Xu Changming, Director of the Resources Development Department of the State Information Center, said that total sales of new energy vehicles in the first 10 months of 2015 was nearly double the number of these vehicles that received license plates. One electric car, once sold, can generate subsidies of up to CNY120,000.

Tesla CEO Elon Musk predicts Hong Kong to become world leader in electric vehicles

Electric car maker Tesla expects Hong Kong to be the “leader of the world” in electric vehicle adoption, following phenomenal growth in the city last year, CEO Elon Musk said. Tesla sold 2,221 Model S sedans in 2015, making the electric car the top-selling sedan. “Hong Kong is a beacon city for electric vehicles, it can serve as an example to the rest of the world on what to do,” Musk said. “I currently do not foresee any city exceeding Hong Kong. It will be the leader of the world,” he added. From 2014 to 2015, new registrations of electric vehicles in Hong Kong grew 270%. Tesla’s Model S vehicle accounts for over 70% of all electric vehicles on the road in Hong Kong. As of the end of December, there were 4,198 electric vehicles on the road, compared to 100 electric vehicles in Hong Kong at the end of 2010, according to the Environmental Protection Department in Hong Kong. Musk also praised the Hong Kong government’s policies for promoting electric vehicles as “excellent”, the South China Morning Post reports. Despite Tesla’s success in Hong Kong, it is facing greater resistance in entering the China market, with media reports last year suggesting low consumer demand and an excess of inventory.

- The ultra-luxury car segment in China has remained in the doldrums last year. The number of imported cars in 2015 dropped 25% year-on-year, according to the China Automobile Trading Co. BMW-owned British ultra-luxury brand Rolls-Royce’s China sales dived 54% over 2014. Volkswagen-owned Bentley’s China sales dropped 37% from 2014 to 1,615 cars. Italian luxury brand Ferrari’s sales in the first three quarters declined 24% to 157 cars. But German luxury brand Porsche has seen its 2015 China sales rise 24% to 58,000 cars thanks to its SUV offerings such as Cayenne and Macan.

EXPAT CORNER

Foreigners experience difficulties buying rail tickets

Faced with the language barrier and cultural divide, foreigners are finding it hard to buy rail tickets in China ahead of the Spring Festival. More than 300 million people are forecast to travel home by rail to celebrate the festival, which falls on February 8. Most railway stations don't provide English-language services for international travelers, according to a staff member at China Railway Corp. He suggested that international travelers be accompanied by Chinese-speaking friends, or ask other buyers for help at ticket windows where there are no signs in English. Launched in 2011, the official online ticket reservation system does not have an English-language service. Even if foreign travelers have mastered Chinese, they can only make a maximum of four reservations online. They must take their passports to stations for identity checks before making any further bookings. Once an online booking is made, travelers can collect tickets at stations or have them delivered by mail. Some web sites, including Qunar.com, travalchinaguide.com and ctrip.com do provide English-language services for ticket searches and reservations. The Ministry of Transport estimates that 2.91 billion trips will be made during the peak Lunar New Year travel period. China Railway Corp said that 332 million trips are expected to be made by train, a year-on-year increase of 12.7%, the China Daily reports.

- Many foreign experts living in China say that obtaining a “green card” has not given them all the rights equal to Chinese residents that they thought they could expect. The permanent residency permits, which China began issuing in 2004, are among the most difficult to obtain in the world due to the high requirements, although in June they were relaxed a bit for foreigners working in some government-affiliated institutes and scientific and research centers. According to the Ministry of Public Security, more than 7,300 foreigners had obtained green cards by 2013, but more than 600,000 foreigners live in China.

- Foreign family members of Chinese citizens will be eligible for a two-year residency permit in Beijing based on a family visit visa, according to the Beijing Municipal Public Security Bureau. The two-year permits are renewable. Formerly they had to go to the Department of Entry and Exit for an annual renewal.

FINANCE

Rule violations rising in banking sector

Rule violations and discipline breaches are increasing in China's banking sector, according to a survey by the China Banking Association and global accountancy firm PricewaterhouseCoopers (PwC). Most violations are due to the lax implementation of the country's banking rules and weak links in the compliance management system. The survey tracked responses of 1,328 bankers from 116 financial institutions. Two employees of the Beijing branch of Agricultural Bank of China (ABC) are reported to have taken CNY3.9 billion of the bank's acceptance bills out of the branch's safe and cashing them through repurchase transactions. A considerable part of the money that was raised using the bank's acceptance bills was clandestinely reinvested in the stock market. Several large Chinese commercial banks are investigating bill financing risks and tightening controls over the business. The China Banking Regulatory Commission (CBRC) also issued a risk warning notice on December 31, listing the major rule violations it found during an inspection of the bill business of banking institutions in the first six months of 2015, the China Daily reports.

- China has no intention of exercising its veto power over the newly established 57-member Asian Infrastructure Investment Bank (AIIB), President Jin Liqun said. “There are still many countries on the waiting list, and when the new members join, China's voting power will be reduced. Such de facto veto power will be lost gradually,” Jin said. China, the largest AIIB shareholder, now holds 26.6% of the voting power. The U.S. has veto power in the World Bank. Danny Alexander, Treasury Secretary in Britain's previous Conservative-Liberal Democrat coalition government, is expected to be named a Vice President of the AIIB.
- China Merchants Bank Co has teamed up with ride-hailing major Didi Kuaidi to provide automobile financing and expand its reach in China's booming mobile payment industry. Under the partnership, CMB will become the first bricks-and-mortar bank that can offer in-app credit card payments to Didi users. At present, users of Didi can only choose third-party payment solutions like WeChat Payment and Alipay to pay cab fares. Jean Liu, President of Didi, said many of the expats prefer payment by credit card rather than Alipay or WeChat.
- Statistics from Big-Data Research showed that more than 90% of China's CNY9.3 trillion third party mobile payment market is dominated by Alibaba and Tencent.
- Chinese Premier Li Keqiang has called for efforts to expand VAT reform in 2016. “Expanding it across all industries will reduce tax burdens on enterprises, boost the upgrade of industry and stimulate consumption,” Premier Li said. A pilot VAT scheme was tested in 2012 and gradually expanded. This year, China will replace business tax with VAT in the remaining four industries – finance, construction, property and consumer services.
- Premiums in China's insurance industry grew to a seven-year high in 2015 amid an expansion in the life insurance segment, according to Xiang Junbo, Chairman of the China Insurance Regulatory Commission (CIRC). Premiums jumped 20% to CNY2.4 trillion last year from 2014. Life insurance premiums rose by 25% to CNY1.6 trillion while the premiums of the property and casualty sector rose 11% to CNY799.5 billion.
- Tencent Holdings is taking part in a fundraising round for WeBank that will value its online financial affiliate at about USD5.5 billion and keep its stake at roughly 30%.

WebBank is raising about USD450 million via a round that will also include Singaporean state investment company Temasek Holdings and other investors.

- The slowing economy has taken its toll on China's collection of taxes and fees in 2015, which registered the slowest expansion pace in 28 years. This could lead to a fiscal deficit of up to 3% of GDP this year – up from 2.3% in 2015, analysts said. General fiscal revenue, including taxes and fines, rose 5.8% to CNY15.22 trillion, the slowest since 1987, the Ministry of Finance said, a drop from 2014's 8.6% and 10.2% in 2013. It also was the first time that fiscal growth had been slower than GDP growth.
- The People’s Bank of China (PBOC) injected a record CNY690 billion into the money market via reverse-repurchase agreements last week to prevent a liquidity crunch ahead of the weeklong Spring Festival which starts on February 8.
- The former President of the Agricultural Bank of China, Zhang Yun, has been demoted and placed on a two-year probation due to “severe disciplinary violations”. Zhang should be downgraded to a post lower than Vice Manager in the bank, the Central Commission for Discipline Inspection (CCDI said in the statement. The former President of China Everbright Bank, Zhao Huan, 52, will replace Zhang after approval by the board.
- Hong Kong banks on average saw their pre-tax profit decrease by 2.8% last year due to a drop in loan demand and increase of bad debt, making it the worst year for the local banking sector since the global financial crisis in 2008, according to the Hong Kong Monetary Authority (HKMA).
- Tencent’s WeChat has rolled out its WeChat Wallet service to users in Hong Kong, putting it ahead of Apple’s mobile payment service Apple Pay that is slated to arrive in the city later this year. Hong Kong users who are part of the pilot program will be able to link their Hong Kong credit cards to the service and purchase items using the WeChat app including movie and flight tickets.
- Chinese authorities have busted a Ponzi scheme involving over CNY50 billion and more than 900,000 investors across the country. The case surrounding Ezubao, China’s largest online peer-to-peer (P2P) lender, is set to become the country’s biggest illegal fund-raising case in terms of money and the number of investors.

FOREIGN INVESTMENT

Foreign investors target services and high-tech sectors

Foreign companies are keen to invest in China's services and high-tech sectors to maintain robust growth, senior Commerce Ministry officials said. There is no sign that multinationals are withdrawing from the country on any scale, according to the officials. Overseas firms are eager to enhance their earning abilities, said Huang Feng, Deputy Director General of the Ministry's Foreign Investment Administration (FIA). Huang said that multinationals are keen to invest in healthcare, environmental protection, pharmaceuticals, communication and information services in China, and also in high-tech industries. “Foreign companies have discovered that market demand in China is changing as consumers and companies want to buy more high-value-added products and that there is surging demand for the service industry in the country,” Huang said. He was commenting after foreign media reports said that global companies such as Microsoft, Panasonic and Sharp would withdraw or remove part of their business from China to either their home bases or to other emerging markets, the China Daily reports.

- China will face heavier competition in attracting foreign direct investment (FDI) this year, according to Jiang Zengwei, Chairman of the China Council for the Promotion of International Trade (CCPIT). Even though FDI into China rose by 6.4% year-on-year to USD126.27 billion last year, FDI into India nearly doubled in 2015 to USD59 billion. The U.S. attracted USD384 billion last year, the highest level since 2000, according to the annual report of the United Nations Conference on Trade and Development (UNCTAD). The Netherlands, the United Kingdom, Brazil and Canada attracted USD90 billion, USD68 billion, USD56 billion and USD45 billion of FDI in 2015, respectively.

FOREIGN TRADE

China to export more aviation, transport and telecom products

China expects to export more aviation, transportation and telecommunications technology and products this year, and continue with an industrial upgrade, the Ministry of Commerce (MOFCOM) said. Zhi Luxun, Deputy Director General of the Ministry's Department of Foreign Trade, said the core of the export policy remains transforming from being a low-grade consumer-goods manufacturer to one producing higher value-added products, while maintaining stable domestic economic growth. Exports of China's rail transportation and aviation technology sectors, as well as its machine tools and rail industries, grew between 15% and 30% in 2015. At the same time, the country's telecommunications and power-equipment industries expanded their presence in 140 countries and regions, including highly developed markets such as the European Union and the United States. The Asian Development Bank (ADB) said recently that the proportion of China's high-end product exports surged from 9.4% of Asia's total annual exports in the category in 2000, to 43.7% in 2014.

- The export hub of Guangdong province aims to see positive growth in exports of 1% this year, despite the continued downward pressure on the country's foreign trade. Guangdong set its economic growth rate during the 13th Five Year Plan (2016-20) at 7%. The province saw its GDP grow by an average 8.5% a year during the 12th Five Year Plan (2011-15). The province had an annual growth rate of 7.3% in exports from 2011-15.
- China and Chile are in talks to expand the 10-year-old free trade agreement (FTA) between the two sides, to boost trade in agricultural products and develop logistics and financial services. According to Carlos Furche, Chilean Minister of Agriculture, both governments are keen to accelerate talks in areas including air transportation, e-commerce, services, customs procedures and rules of origin, as well as add grapes, pork and wool to the trade list of agricultural products.
- A giant “block train” left Dalian in Liaoning province on January 27, headed for the first time to Kaluga in Russia. The new international freight service was carrying 100 standard containers packed with goods produced by Samsung Electronics in South Korea. Dalian Port plans to build three more such “sea-rail channels” to allow direct connections to Europe.
- The Chinese government “has no intention to boost exports by devaluing the renminbi, not to mention waging a trade war”, Premier Li Keqiang told International Monetary Fund Director Christine Lagarde during a telephone call. Lagarde said she believed the Chinese government could maintain steady economic growth through measures such as structural reform, keeping the exchange rate policy stable and boosting communication with the market.
- Shanghai reported CNY2.8 trillion of foreign trade last year, down 2.1% from 2014, Shanghai Customs said. The figure breaks down into CNY1.6 trillion of imports and CNY1.2 trillion of exports. It said the city's imports edged up 0.5% annually and accounted for 15.2% of China's total imports. High technology products accounted for 40% of Shanghai's imports, valued at CNY527 billion, up 4.6% annually. Imports of meat surged 66.1%, while imports of fruits jumped 31.6%. Shanghai's exports dropped 5.3% year-on-year and accounted for 8.7% of China's total.

HEALTH

Cancer in China kills more than 7,500 people a day

More than 7,500 people a day died from cancer in China in 2015, new figures show, and some 12,000 more were diagnosed with the disease each day. Although mortality rates have decreased significantly since 2006, the figures still show a 73.8% increase in the number of cancer deaths over a decade, mainly due to aging and the growth of the population, say researchers led by Dr Chen Wanqing of the National Cancer Center in Beijing. Overall, there were an estimated 4.3 million new cancer cases and more than 2.8 million cancer deaths in China in 2015, with lung cancer the most common cancer and the leading cause of cancer death. With the number of cancer cases and deaths rising, the disease is the leading cause of death in China. Smoking is the biggest single cause of cancer in China. The largest contributor to avoidable cancer deaths in China is chronic infection, which is estimated to account for 29% of cancer deaths, predominantly from stomach cancer (caused by H. pylori bacteria), liver cancer (from hepatitis B and C viruses), and cervical cancer (caused by human papilloma virus or HPV), the South China Morning Post reports. The top five cancers in men are cancers of the lung, stomach, oesophagus, liver, and colo-rectum, which together account for about two-thirds of all cancer cases. The top five cancers in women are cancers of the breast, lung and bronchus, stomach, colo-rectum, and oesophagus, accounting for nearly 60% of all cases.

- Five Chinese pharmaceutical companies have been fined a combined total of CNY4 million for acting in collusion to fix the price of allopurinol, widely used to treat gout and hyperuricemia, or abnormally high levels of uric acid in the blood.

MACRO-ECONOMY

Construction of eight nuclear power plants approved

The Chinese government approved the construction of eight nuclear power units in 2015, the highest number since the Fukushima accident in 2011. China now has 30 nuclear power units in operation, 24 under construction, and others planned. The China Nuclear Power Engineering Co has 16 nuclear power units in use, which made it the world's largest nuclear power plant builder in 2015. The country has a combined annual power generation capacity of 5.618 trillion kilowatt, and nuclear power accounts for 168.9 billion kilowatt, or 3.01%, of the total.

- Chongqing municipality's GDP growth led the country at 10.9% in 2014 and 11% in 2015. The national growth rate was 6.9% last year. Chongqing expects to maintain its double digit record. It has set its target at 10% in 2016. In 2015 value-added by large-scale industry increased by 10.8%, industrial profits rose by 16% and fixed asset investment (FAI) grew by 17.1%. By 2020, its GDP will reach CNY2.5 trillion, and the income of Chongqing residents is expected to catch up with the national average.
- This year will be more challenging than 2015, and the government will need to work together with non-Communist parties and associations for new ideas to lead the change, Premier Li Keqiang said while meeting with some 10 representatives of non-Communist parties during a symposium in Beijing. The symposium was held to solicit suggestions from the parties on improving the draft of the Government Work Report and the 13th Five Year Plan (2016-20).
- China's state-owned enterprises (SOEs) reported a drop in profit for 2015 by 6.7% to CNY2.3 trillion. Total business revenue fell 5.4% from a year ago to CNY45.47 trillion. Profits grew for SOEs in the transport, petrochemicals and machinery sectors while the steel and non-ferrous metal sectors suffered losses. At the end of last year, total assets of SOEs were CNY119.2 trillion, while liabilities grew 18.5% year-on-year to CNY79.1 trillion.
- China's state-run media has escalated the rhetoric against market speculation on its currency and economy, claiming billionaire investor George Soros had "declared war against China". Soros said that a hard landing for the Chinese economy was "unavoidable" and he was shorting Asian currencies. Premier Li Keqiang says shorting the Chinese economy is 'absurd'.
- China can use its huge land mass to harness enough solar energy to "easily" generate enough power to satisfy the needs of the whole country including Hong Kong, Tesla CEO Elon Musk said in Hong Kong, as China moves towards more sustainable energy production. "You can easily power all of China with solar energy," he said.
- The annual research report by PetroChina showed China's crude oil demand expanded at a slow pace in 2015, with real oil consumption up by just 4.4% from a year ago, compared with a 3.7% rise in 2014. Natural gas consumption in 2015 increased at the slowest rate in 10 years.
- Guangdong authorities plan to increase investment in research and development (R&D) as the province turns to innovation to revive its slowing economy. The provincial government said private and public investment in R&D would increase from 2.5% of

gross domestic product (GDP) to 2.8% in five years. But experts said the target was not ambitious enough.

- Chinese full-year industrial profit dropped by 2.3% last year, raising the risk of debt defaults. The last time a full-year profit drop was recorded was 18 years ago, when annual profit plummeted by 17% amid the Asian financial crisis. Lian Ping, Chief Economist at the Bank of Communications (BoCom), said non-performing bank loans to industrial companies are likely to quickly rise this year.
- Consultancy Wealth-X said China ranks second only to the United States in the latest list of countries which are home to the most billionaires. Wang Jianlin of Dalian Wanda Group was the top Chinese billionaire, placing 16th on the global list with a net worth of USD29.2 billion. He was followed by Alibaba's Jack Ma (23rd), Tencent's Pony Ma (40th) and Xiaomi's Jun Lei (47th) – while Hong Kong tycoons Li Ka-shing and Lee Shau-kee 35th and 38th respectively. They are all self-made billionaires.

MERGERS & ACQUISITIONS

M&As hit record high

Mergers and acquisitions (M&As) hit a record high in China last year, rising 37% year-on-year, according to a new report by PricewaterhouseCoopers (PwC). 9,420 deals were completed during 2015, worth USD733.7 billion, which marked an 84% increase in value. PwC's George Lu said the firm also expects M&A activity this year again to be brisk, growing at a similar double-digit pace. Technology and financial services were particularly attractive sectors, mainly due to higher growth expectations for the technology sector, as well as some industry consolidation. Outbound activity grew 40% by volume and 21% by value, both new highs. The report also showed private equity and financial investor deals increasing 79% by deal volume and 169% by deal value. The report highlighted insurers and financial technology companies as likely to look to acquire new capabilities and brands.

- Startup companies from China received record financing from venture capital investors last year. According to London consultancy Preqin, venture capital firms invested in 1,555 China deals and their investment funds totaled USD37 billion, more than double the previous year's total.
- China's Zoomlion Heavy Industry Science & Technology Co confirmed an unsolicited take-over bid for Terex Corp, the U.S. crane and construction machinery maker. Zoomlion has offered USD30 per share for the company, valuing it at USD3.2 billion. The Terex board said it is carefully reviewing the Zoomlion proposal to determine what course of action is in the best interests of its shareholders.

REAL ESTATE

One third of China's listed developers expecting a loss

About one third of China's listed real estate developers expect a loss for 2015 while nearly 50% said they would suffer a drop in net profit despite a general recovery in the property market. Fifteen of the 50 property developers listed on the Shanghai and Shenzhen stock exchanges which have released their annual performance forecast said they would suffer losses while 23 expect a year-on-year drop in net income, financial information provider Tonghuashun said in a report. Shanghai-based China Enterprise said it expects an annual loss of between CNY2.4 billion and CNY2.5 billion, one of the largest among its peers, due to continuing flat sales in second and third-tier cities where the company is largely present. The firm has also been forced to cut prices of some of its housing projects. "To some extent, this reflects an industry-wide scenario that Chinese developers in general are facing a drop in profit margins amid ever-rising land costs and more expensive sales and marketing costs," said Yan Yuejing, Analyst at the E-House China R&D Institute. But Yan said it is unnecessary to worry too much as the country's housing market is recovering steadily with better-than-expected sales over the past 12 months amid demand from buyers and rising home prices, the Shanghai Daily reports.

- Hong Kong was ranked the most expensive housing market in the world for the sixth year in a row, with average flat prices at 19 times gross annual median income, according to a survey of 367 cities by the annual Demographia International Housing Affordability Survey. The survey was based on data from the third quarter of 2015 when Hong Kong home prices reached their peak in September. Simon Lo, Executive Director at Colliers International predicted Hong Kong home prices would fall 15% this year. The average price for a flat of 430 square feet in Kowloon was HKD4.34 million, or HKD10,113 per square foot.

- Centaline Property Agency estimates the total number of property transactions in Hong Kong in January was on track to register its worst month since 1991, when it started compiling monthly figures. Total transactions are likely to have hit 3,000. With developers slowing down new launches, only 394 units were sold in the first 27 days of January, 80.3% lower than the 2,127 deals in December. Meanwhile, sales of used homes fell by a fifth to 1,276 in January. The government will announce the official data in the coming days.

ADVERTISEMENT

RETAIL

Beijing leads in consumer spending

For the 8th consecutive year, Beijing led the nation's cities in consumer spending, racking up more than CNY1 trillion in retail sales in 2015 on the back of online shopping. Shanghai and Guangzhou were second and third in retail sales of consumer goods, a key indicator of consumption. Retail sales of consumer goods in Beijing increased from CNY100 billion in 1996 to CNY500 billion 13 years later. It took just six more years for the number to double again. Last year's retail sales increased 7.3% year-on-year. They made a major contribution to boosting the city's economic growth over the past 20 years, the Beijing Statistics Bureau said. In 2006, retail sales contributed 51% of Beijing's GDP, compared to 48.5% for investment. Consumption contributed more than 70% to the city's GDP growth in 2015. Expenditure on food declined to 19% of consumer good retail sales, from 21.3% in 1996, while the percentage of clothes sales remained the same at 7.2%. Retail sales of consumer goods rose 10.7% year-on-year in China in 2015, contributing 66.4% to the country's GDP, the Ministry of Commerce (MOFCOM) said.

- Members of China’s Communist Party have been warned against making money through setting up online stores. Cadres could be punished if they opened a personal store on e-commerce portals such as Taobao or social messaging sites like WeChat, the state-run China Discipline Inspection Newspaper said.

- McDonald's said that is setting up 250 new outlets mostly in lower tier cities and stepping up the pace of its digital expansion in China this year. McDonald's unveiled the first of its “Experience of the Future” restaurant on the Chinese mainland last week in Beijing's Wangfujing shopping district. The outlet will offer digital, personalized and customized experiences, said Phyllis Cheung, CEO of McDonald's (China) Co. China is already McDonald's third largest market globally, with 2,230 restaurants.
- Italian luxury goods maker Prada is looking for space to open its first restaurant in China, joining other designer labels expanding beyond their core fashion businesses into the food and beverage sector as a slowing Chinese economy begins to dent their bottom lines. Shanghai Plaza 66, a high-end shopping center owned by Hang Lung Properties in Shanghai, is likely to be the venue for Prada’s food venture.

STOCK MARKETS

Billionaires suffer losses from stock market decline

Five billionaires in China are among the big losers due to the slump in share prices since the beginning of the year. The benchmark Shanghai Composite Index has fallen by about 23% since the start of 2016. The big shareholders in 1,700 companies on the A-share market, outside the state sector, have lost a total of CNY1.87 trillion on paper from January 1 to January 26, according to financial data provider Wind Information. The five big losers are Wang Jianlin (Wanda Group); Guo Guangchang (Fosun Group); Li Zhongchu (Beijing Shiji Information Technology); Cai Dongqing (Guangdong Alpha Animation and Culture); and Wang Jing (Beijing Xinwei Telecom Technology Group).

- As of January 28, 105 listed companies have disclosed their preliminary annual results of 2015. Two thirds of them reported net profit growth, while 18 companies saw profits more than double. But the performances were split. Traditional sectors like non-ferrous metals saw business falter, while emerging industries such as electronics and securities reported robust growth. 11 securities companies enjoyed over 100% net profit growth last year. Iron and steel producers suffered major losses or a huge slump in profits.
- The Shanghai Composite Index rose 3.1% to end at 2,737.6 points on the last trading day of January. The gauge, however, slumped 22.7% for the month, the steepest fall since October 2008.

TRAVEL

China No 1 in number of outbound tourists

China ranked No 1 for both the number of outbound tourists and their spending last year, and it is expected to retain its leading position this year. According to China's National Tourism Administration (CNTA), 120 million tourists from the Chinese mainland travelled abroad in 2015, spending CNY11,625 per capita. While mainland tourists have long been known for their predilection for splashing cash on duty free luxury goods, spending in department stores and hotels, dining and entertainment is also rising. This trend is highlighted by the growing visibility and acceptance overseas of China's most popular payment card. Delivering on its strategy of “going where the Chinese go”, UnionPay became the largest payment-card network in the world last year, with 27 million merchants and 1.9 million ATMs in more than 150 countries and regions. The card company predicts 6 million Chinese tourists will be celebrating the upcoming Spring Festival overseas.

- China’s first cross-region visa-free transit policy took effect on January 30 in the Yangtze River Delta region. The policy gives 144 hours – six days – with no visa requirement to foreign tourists or businesspeople from 51 countries who pass through Jiangsu province, Zhejiang province or Shanghai. To qualify, a passenger must hold valid international travel documents and booked tickets with confirmed dates and destinations. Since 2013, Shanghai, Hangzhou, capital of Zhejiang, and Nanjing, capital of Jiangsu, have had a 72-hour visa-free policy.

- Hong Kong approved a massive HKD5.4 billion in extra funding for the controversial project to build a bridge linking Hong Kong, Macao and Zhuhai after a stormy meeting of the Legislative Council's Finance Committee, voting 29 to 13 to pass the funding. The government says the extra money is necessary because of surging labor and material costs. The whole project cost estimate is now HKD35.9 billion.
- Burgeoning car-hailing apps and falling oil prices are compounding Beijing's traffic woes, according to Beijing Transport Commission Director Zhou Zhengyu. Leading car-hailing app Didi Kuaidi said it could not respond to the comments but its research indicated that "in 2015 Didi Express Pool and Hitch reduced China's total daily car trips by 1.14 million on average". "This is the equivalent of 2.1% fewer car trips in Beijing," the company said. More than 100,000 private cars are registered with car-hailing apps in Beijing.
- Uber has announced that it would expand into 18 new cities across three provinces in South China by the end of February, covering a total of 55 cities.
- China's joint project to build a high-speed railway in Indonesia has been suspended over unresolved issues and incomplete paperwork, just six days after Indonesian President Joko Widodo officiated at the project's groundbreaking ceremony, Indonesian media reported. Indonesian Transport Minister Ignasius Jonan told the House of Representatives that his Ministry had yet to issue a permit for the USD5.5 billion railway to go ahead. Chinese authorities denied the news.
- Malaysian Prime Minister Najib Razak said visitors from China will be allowed to enter his country visa-free to boost tourism. Subject to certain conditions, visas will not be required of Chinese tourists to Malaysia for up to 15 days from March 1 to December 31, 2016.
- China will accelerate the construction of a 1,629-kilometer Sichuan-Tibet railway starting this year. The railway connecting Lhasa and Chengdu will be divided into three sections from west to east: Lhasa-Lyingchi, Lyingchi-Kangting, and Kangting-Chengdu. Construction of the west and the east sections began last year. The whole project is expected to be completed in the early 2030s. To travel from Chengdu to Lhasa currently takes 42 hours by train and three days by road. The rail line will shorten the travel time to less than 15 hours.
- Hainan province will raise its cap on tourists' duty-free purchases, doubling it to CNY16,000 a year from February 1, to boost spending. Restrictions limiting residents to shopping at duty-free outlets only once a year and tourists twice a year would also be scrapped.

ONE-LINE NEWS

- Wang Bao'an, Director of the National Bureau of Statistics (NBS), was placed under investigation by the Central Commission for Discipline Inspection (CCDI). Wang, 52, had still attended the State Council Information Office's regular news conference on January 19 and answered reporter's questions about China's economic slowdown. He became Vice Minister of Finance in 2012 and Director of the NBS in April 2015.
- Yang Zezhu, former Chairman of Chinese brokerage Changjiang Securities has committed suicide, just weeks after the company said he was under investigation by authorities. He jumped from a 12-story residential building in Wuhan after leaving a suicide note.
- A new agency has been set up by the Ministry of Public Security to handle fugitives who have fled overseas. The Department of Overseas Fugitives Affairs will help China to bring fugitives hiding overseas to justice and to retrieve stolen funds, the Ministry said. 857 fugitives were brought to China from 66 countries and regions between April and the end of December.
- China published its first nuclear white paper, detailing policies and measures to boost nuclear power emergency preparedness which will assuage public concern over the country's rapid expansion of nuclear power plants, experts said.
- Wang Maotong, 59, Chairman of Zhejiang-based car parts manufacturer Century Huatong, topped the 2015 Generosity Index of Chinese philanthropists, after he donated CNY101 million – 5.6% of his publicly disclosed net worth, according to the

findings of the Ash Center for Democratic Governance at Harvard Kennedy School.

- Drone maker DJI Technology has agreed with Germany's Lufthansa Group to jointly develop products that can conduct inspections on large machines such as jumbo jets and wind turbines. DJI said the two companies have already completed a pilot project using DJI drones to inspect rotor blades on wind turbines for an undisclosed client.

QUOTES OF THE WEEK

"The biggest challenge for overseas companies in China is not the Chinese government, regulations or laws. When you're a company coming into China from the United States, Europe or Southeast Asia, you're entering a completely different market. Think about it like this – when you learn how to do something, you might spend 10,000 hours and become an expert. You develop a gut instinct. But once you go into a market that's different, like China, your gut instincts are wrong."

William Bao Bean, Partner at Shanghai venture capital firm SOSV, quoted on the South China Morning Post website, January 30, 2016.

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Contact:
Flanders-China Chamber of Commerce
Offices: Ajuinlei 1, B-9000 Gent – Belgium
New telephone and fax numbers: Tel.: +32/9/269.52.46 – Fax: ++32/9/269.52.99
Registered office: Zenith Building, Koning Albert-II laan 37, 1030 Brussels
E-mail: info@flanders-china.be
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The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com . Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.