法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 8 FEBRUARY 2016

The Chairman and the Board of Directors of the Flanders-China Chamber of Commerce wish the members and newsletter readers a happy and prosperous Year of the Monkey!

FCCC ACTIVITIES

China Mission East-Flanders – 28 May – 4 June – Beijing, Shanghai, Tianjin, Shijiazhuang

China, the largest economy and the most dynamic consumer market in the world, is no longer only a production or sourcing country. It is a huge market for European products which have a stellar reputation with the consuming Chinese middle class. Thousands of Flemish companies are active in China. 2016 is an excellent moment in time for your company to participate in the East-Flanders trade mission, organized by the Province of East-Flanders, Voka Chamber of Commerce East-Flanders and Flanders Investment & Trade, in cooperation with the Flanders-China Chamber of Commerce. On the programme are B2B meetings, visits to companies, ports and industrial zones. Also planned are meetings with Chinese authorities and networking with Chinese and Belgian business partners. We will visit four important cities: Beijing, capital of China; Shanghai, the biggest city of China; Tianjin, the most important port city in North China; and Shijiazhuang, provincial capital of Hebei. The Province of East-Flanders opens doors. The trade mission is headed by the Governor of the Province of East-Flanders Jan Briers and Vice Governor Geert Versnick. For more than 25 years, East-Flanders has had close relations with the Chinese Province of Hebei. The presence of the Governor and Vice Governor will certainly open doors to your company!

More information and subscription

The trade mission is organized by the Province of East-Flanders, Voka Chamber of Commerce East-Flanders and Flanders Investment & Trade, in cooperation with the Flanders-China Chamber of Commerce.

ADVERTISEMENT AND SPONSORSHIP

Advertisement and sponsorship opportunities 2016

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.

If you are interested in advertising or sponsoring or need more information, please send an e-mail to: gwenn.sonck@flanders-china.be
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Number of recipients every week: 1200 executives dealing with China

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- Newsletters are also posted online at the FCCC website
- 1 issue every quarter
- Number of direct recipients: +/- 2000 Chinese and Belgian business leaders, local authorities and institutions
- Distributed through the different Chambers of Commerce in China
- Your logo on the electronic newsletter and a 200-word profile of China activities

GOLDEN SPONSOR: 1.650 € -3 issues
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5. SPONSORING 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 organisation registered in Belgium.
The FCCC holds the secretariat-general of the EUCBA.

The EUCBA organises high-level EU-China events and also publishes a Quarterly newsbulletin.
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

FCCC Chinese New Year Reception – 3 February 2016 – Brussels

On 3 February the Flanders-China Chamber of Commerce (FCCC) organized its annual Chinese New Year Reception at KBC Bank in Brussels. Speakers at this event were:

- 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

Special thanks to KBC Bank at which the reception was organised and also its golden sponsor: ZTE, silver sponsors: Deme and Maasmechelen Village.

Pictures will soon be online at www.flanders-china.be.

EUCBA: Exclusive Luncheon with Her Excellency Mrs Yang Yanyi, Ambassador of the People's Republic of China to the EU and Head of the Chinese Mission to the EU – 3 February 2016 – Brussels

The EU-China Business Association (EUCBA) organized an exclusive luncheon with Her Excellency Mrs Yang Yanyi, Ambassador of the People's Republic of China to the EU and Head of the Chinese Mission to the EU on 3 February 2016 in Brussels. Following a networking cocktail, Mr Stephen Philips, Chairman of the EUCBA, introduced the speaker. Ambassador Yang Yanyi delivered the keynote speech on the developments of EU-China relations. Mr. Bert De Graeve, Chairman of the Flanders-China Chamber of Commerce (FCCC) presented the conclusions of the event.

Pictures will soon be online at www.flanders-china.be.

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.

Special thanks to BNP Paribas Fortis at which the reception took place.

Pictures will soon be online at www.flanders-china.be.

ADVERTISEMENT

AUTOMOTIVE

Renault opens car factory in Hubei province

Renault opened its first car factory in China, the last major manufacturer to set up a plant in the country. The factory in Wuhan, Hubei province, is a joint venture with Chinese carmaker Dongfeng and will be able to produce 150,000 vehicles a year at full capacity. China remains “a growth driver for the global auto industry,” Renault CEO Carlos Ghosn said at the inauguration. The factory was a “first big step” for the development of the Dongfeng-Renault joint venture and for the growth of Renault, he added. China is crucial to foreign automakers, both as the world’s largest market and a key source of revenue outside Europe and the United States, but until now, the French firm had largely left it to its Japanese alliance partner Nissan. At first the Wuhan factory will build Kadjars, Renault’s latest crossover model. “We’re arriving late, but with the right product,” said Jacques Daniel, CEO of the joint venture. A total of 24.60 million cars were sold in China in 2015, according to the China Association of Automobile Manufacturers (CAAM), up 4.7% on the previous year, only about a third of the near-14% growth seen in 2013. CAAM forecasts sales will still gain around 6% to top 26 million units this year, the Shanghai Daily reports.

China’s second-hand car market to become the world’s largest

China‘s burgeoning second-hand car market is well on its way to becoming the world’s largest, and this success is at least in part due to Renrenche, a leading C2C (customer-to-customer) used car selling website. New car sales in China are twice the volume in the United States, while the second-hand auto market is about one third of the size, indicating that there is still much room for development. Last year, seven million used cars were sold to new owners – one million more than the year before. The China Automobile Dealers Association (CADA) estimates that by 2020, the number of second-hand cars traded will equal that of new car sales at 29.2 million. The average age of a used car on sale in China is 6.2 years. Websites such as Renrenche will reduce commissions and eliminate the role of agencies, thereby reducing prices, the South China Morning Post reports.

FINANCE

CCDI criticizes financial institutions

China’s top policy financial institutions, which are expected to shoulder an even more prominent role in Beijing’s economic diplomacy, received harsh criticism from the Communist Party’s Central Commission for Discipline Inspection (CCDI) after a two-month disciplinary review. Among the 21 financial regulators and institutions that came under review, China Development Bank (CDB), the country’s biggest policy bank, and China Investment Corp (CIC), the sovereign wealth fund, are among the major fund contributors to the Silk Road Fund. “The problem of extravagance is prominent. Office space surpassed the standards excessively and it built luxurious hotels in multiple places with many remaining idle,” the CCDI said about the CDB. Managers at CIC were criticized for playing golf with public money while overseas travel on public expense continued “despite repeated prohibition”. CIC’s marketing fees “went out of control” and problems of discipline “occurred frequently”, it added. But Zhuang Deshui, Deputy Director of Peking University’s Clean Government Center, told the South China Morning Post the reports did not address the basic problems underlying the financial system, such as the flow of funds for credit projects.

- Beijing police have busted a major fraud ring accused of using E Rent Treasure (Ezubao), an online financial platform, to illegally collect up to CNY50 billion in funds, harming 900,000 investors across 31 provinces and regions, according to the Beijing Public Security Bureau. Ding Ning, former Chairman of Yucheng International Group, the owner of E Rent Treasure, along with 20 senior managers, has been arrested on suspicion of fund-raising fraud, illegally acquiring funds and possessing firearms. Ezubao’s operators made up as much as 95% of the projects listed on its website and used funds from new investors to pay old debt.
- China’s peer-to-peer lending platforms posted a drop in transactions for the first time in 11 months in January as investors were affected by pending stricter rules on the sector. The monthly transactions fell 2.5% to CNY130.4 billion from December, Online Lending House, a web portal that tracks the sector, said in a report. The drop was a reversal from an average monthly growth of 12.2% in transactions in 2015.
- Hong Kong Monetary Authority (HKMA) Chief Executive Norman Chan hit back at plans by hedge fund managers led by George Soros to short Asian currencies, saying the local financial system and stock markets are stronger and would make it ‘very

expensive" for these speculators to repeat their successful attacks during the Asian financial crisis in 1997. Chan said Hong Kong's aggregated balance or the liquidity of the local banking sector stood at HKD363 billion as of January 29, which is 224.4 times than HKD1.5 billion in July 1997. Foreign reserves amounted to HKD422 billion, 5.2 times higher than the HKD67.6 billion in 1997.

- Peer-to-peer money transfer platform Transferwise has launched low-cost money transfers to China. The UK-based company now allows customers to send money to China UnionPay bank accounts from 14 currencies including the U.S. dollar, euro and British pound, levying a 1.5% charge on each transfer. It takes one to three days to deliver the money. This compares to an average fee of 9.8% charged by other banks and companies to send money from the UK to China. Some rivals offer competitive rates, but only for smaller sums.
- The Asian Infrastructure Investment Bank (AIIB) has appointed five non-Chinese Vice Presidents. Danny Alexander, former Chief Secretary of Britain's Treasury, was appointed as Corporate Secretary, and Germany's Joachim von Amsberg, a World Bank officer, was appointed Vice President of Policy and Strategy. The other posts are held by former senior officials and bankers from India, South Korea and Indonesia.

FOREIGN INVESTMENT

South Korean companies encouraged to invest in Yangtze River Delta

South Korean companies are being encouraged to invest in the Yangtze River Delta region to allow more businesses and residents in the area to benefit from the China-South Korea Free Trade Agreement, the Ministry of Commerce said. Zhongfa Group, a Beijing-headquartered company that manages more than CNY100 billion of capital and assets in the real estate and insurance businesses, for instance, will partner with seven South Korean companies from the service industry to build large hospitals, hotels, educational, financial and consulting businesses, as well as a movie and TV themed town in Yuecheng, a district of Shaoxing, this year.

FOREIGN TRADE

China notes signing of TPP agreement

The Ministry of Commerce (MOFCOM) said it had noted the signing of the Trans-Pacific Partnership (TPP) on February 4 in New Zealand by 12 countries. The free trade agreement does not include China. The deal, agreed in October after five years of talks, is aimed at promoting trade and investment among countries which make up 40% of the world economy. Zhang Jianping, Director of the International Economic Cooperation Institute at the National Development and Reform Commission (NDRC), said the TPP is still in its early stage, and will now go through a two-year ratification period, in which "at least six countries, including Canada, Australia and Japan, must approve the final text, for a deal to be implemented via legislative procedures". China hopes to complete negotiations on the Regional Comprehensive Economic Partnership (RCEP) by the end of this year, which would link the Association of Southeast Asian Nations (ASEAN) with China, Australia, India, Japan, New Zealand and South Korea, accounting for one-third of global gross domestic product (GDP). Beijing will also launch FTA negotiations with Israel and initiate FTA feasibility studies with Colombia, India, Nepal, the Maldives and South Pacific island nations including Fiji and Papua New Guinea this year, as well as reinstate free trade negotiations with the Cooperation Council for the Arab States of the Gulf. "China hopes the TPP pact and other free trade arrangements in the region will complement each other and contribute to Asia-Pacific trade, investment and economic growth", MOFCOM Spokesman Shen Danyang said, as reported in the China Daily. China has concluded 14 free trade agreements with 22 countries and regions.

HEALTH

Caterpillar fungus dangerous to health

China's State Food and Drug Administration has warned that cordyceps, or caterpillar fungus, one of the most sought-after and expensive ingredients in traditional Chinese medicine (TCM), is a danger to human health, as products derived from the fungus, such as powders and tablets, contain excessive arsenic. The national standard limit for the toxic chemical is 1 milligram per kilogram, but the level found in the supplements ranged from 4.4 to 9.9 mg/kg.

- Preventable forms of cancer are killing far too many people in China, according to the World Health Organization (WHO). The international organization urged people in China to give up smoking, get more exercise, moderate alcohol consumption, and eat healthier food. The WHO noted that more than 2.8 million people died of cancer in China last year, with an average of 7,500 such deaths per day.

MACRO-ECONOMY

A third of listed SOEs expected to have made a loss in 2015

A third of China's 173 listed state-owned enterprises (SOEs) are expecting to have made a loss last year, with coal, iron and steel companies the hardest hit. Fifty-eight of the companies – which are all directly controlled by the State-owned Assets Supervision and Administration Commission (SASAC) – are predicted slipping into the red in their earnings pre-announcements for 2015. The three worst affected are Wuhan Iron and Steel Co, Maanshan Iron and Steel Co, and Angang Steel Co, with projected losses of CNY6.8 billion, CNY4.8 billion and CNY4.37 billion, respectively. Wuhan Iron and Steel cited sluggish downstream demand in the steel industry and sustained low prices. It also said a weakened yuan had resulted in significant foreign exchange losses. Shanghai Baogang Group Co (Baosteel) is estimating a 83.4% crash in 2015 profits to CNY961 million, blaming a decrease in steel prices far exceeding the prices of iron ore. The China Iron and Steel Association (CISA) said its member enterprises have forecast combined losses of CNY64.5 billion in 2015, compared with profits of CNY22.6 billion the previous year. In the coal sector, 10 listed companies that posted earnings pre-announcements put their losses at between CNY13.6 billion and CNY15.1 billion, citing decreasing coal prices and sluggish demand. Some SOEs however did well. China Shenhua Energy Co, considered the largest coal miner, expected a CNY6.1 billion net profit, but only because of its business unrelated to coal. Datang International Power Generation Co estimated its net profit will grow by 50% to 60% to between CNY2.7 billion and CNY2.9 billion. China Southern Airlines and Changan Automobile Co have also forecast solid profit gains, the China Daily reports.

- The purchasing managers index (PMI) dropped to a three-year low of 49.4 in January, the National Bureau of Statistics (NBS) said, a record sixth straight month of deterioration. The official services index also fell, while a private PMI survey signaled the industry shrank for an 11th month. The reports could worsen policymakers' dilemma: either add monetary stimulus to help stem the slowdown in growth, or avoid more easing that could exacerbate record capital outflows and put more pressure on the yuan.
- Hong Kong was ranked the world’s freest economy for the 22nd year in a row, scoring 88.6 out of 100 points in the annual index compiled by the Heritage Foundation, down by one point from last year, beating key rival Singapore by 0.8 points.
- China’s logistics sector continued to expand in January although the upcoming Spring Festival holiday affected business activity. A performance index for the sector stood at 53.3 in January, 1.7 points below the previous month but still above the 50-point demarcation level, according to the China Federation of Logistics and Purchasing (CFLP).
- China is confident of maintaining last year's economic growth momentum based on promising data from its service and technology industries. “China will not see a hard landing," said Xu Shaoshi, Chairman of the National Development and Reform Commission (NDRC). The country had been “doing well enough” to achieve 6.9% GDP growth last year, contributing 15% of the world's total economic growth, he added. China set its economic growth projection range at 6.5% to 7%.
- China intends to cut its crude steel production capacity by 100 million to 150 million tons over five years. The reduction is part of a structural reform in China’s steel industry which has been hit by overcapacity and low technology. The government will

raise the environmental requirements for factories and control the number of new locations for steel plants. Furnaces smaller than 400 square meters or below a capacity of 30 tons will be shut down and dismantled.

- China can avoid a “hard landing” if Beijing pursues reforms to state enterprises and sticks to a more market-driven and well-communicated exchange rate policy, International Monetary Fund Managing Director Christine Lagarde said. But she added that spillovers from China’s transition to a slower, more sustainable growth rate would continue to pressure oil and commodity exporters around the globe, increasing demands for financing help from the IMF and other international institutions.
- China is expected to overtake Japan this year as the world’s second-largest market for information technology goods and services, behind the United States. Business and government expenditure on technology, including telecommunications services, in China is forecast to reach USD224 billion this year, compared with USD203 billion in Japan, according to Forrester Research.

MERGERS & ACQUISITIONS

ChemChina launches bid to acquire Syngenta

China National Chemical Corp (ChemChina) offered more than USD43 billion to acquire Swiss agrochemical and seeds producer Syngenta in the biggest acquisition sought by a Chinese company in the global market. If the Syngenta acquisition goes ahead, it will be another significant Swiss deal after the sale of Addax Petroleum, a former Geneva-based company, to Sinopec in 2009 for USD7.6 billion. For ChemChina, the Swiss offer comes after it said at the start of January that it had bought Germany's KraussMaffei machinery supplier for €925 million, the biggest outbound investment from China in Germany. Syngenta's board of directors will unanimously recommend ChemChina's offer to buy 100% of their company's equity. The offer price is USD465 per share in cash, and the acquisition is subject to antitrust reviews and approval from countries involved.

Syngenta is the largest European producer of hybrid seeds and crop protection products. Ren Jianxin, Chairman of ChemChina, said it would continue to work alongside management and employees at Syngenta to maintain the company's leading competitive edge in global agricultural technology. ChemChina will maintain Syngenta's operations, management and employees, and retain its headquarters in Basel, Switzerland. The deal would help ChemChina to become the world's biggest supplier of agrochemicals and pesticides, and make it stronger to compete with Monsanto, the China Daily reports. The ChemChina deal already amounts to two-thirds the USD67 billion total of all China outbound acquisitions made last year, which was 20% higher than in 2014 and was a record high. The seed technology would give better food security to a nation where corn yields are about half those of the United States and where the amount of arable land is declining. “They’re acquiring assets that add to their competitiveness as global multinationals,” said Tyler Rooker, Assistant Professor at the University of Nottingham in the UK who has studied ChemChina deals.

- Foxconn Technology Group Chairman Terry Gou is confident his company will win in its USD5.4 billion bid to take control of Sharp Corp, the embattled maker of Aquos flat-screen televisions. However, Sharp would prefer a deal with Innovation Network Corp of Japan, which would keep its technology in Japan and allow it to cooperate more closely with domestic companies. Chairman Terry Gou took a step forward by concluding an agreement to become the preferred negotiating partner during talks at Sharp headquarters in Osaka, Japan.
- Beijing Enterprises, a Chinese public utilities provider, is to acquire German energy group EEW for €1.44 billion in one of the biggest-ever direct investments by China in Germany. Swedish private equity group EQT, which acquired 51% of the German energy-from-waste company EEW in 2013, said it had signed an agreement in principle with Beijing Enterprises, pending clearance by the relevant authorities. The transaction is expected to close at the end of February 2016.
- China’s COSCO is expected to make an offer for Greece's rail network after earlier becoming the sole bidder for the country’s largest port. Buying TrainOSE and Piraeus Port would give COSCO maritime connections to the Suez Canal and rail links to the

Balkans and central and Eastern Europe.

REAL ESTATE

China property bubble bound to burst, say experts

China's property bubble is bound to burst as the government's efforts to clear the inventory of unsold flats is unlikely to work, say market experts. Property inventory in China rose to a record 6.2 billion square meters by the end of 2015, which, according to the China Index Academy, would take at least five years to clear at the current speed of sales. "The challenge is huge, the inventory figure does not factor in shadow inventory," said Bocom International Chief China Strategist Hong Hao, alluding to unsold homes in the secondary market. "Recent measures like lowering down payment will do little to turn the tide. Many third- and fourth-tier cities are already in deflation, and their inventory level may never go down," Hong said, warning that the bubble will inevitably burst. Divergence in China's property market has intensified in recent years, with home prices skyrocketing in top cities and stabilizing in second-tier cities but plunging in smaller cities, where supply has far outpaced demand due to a sluggish economy.

- The rise in China's new home prices slowed in January, as sales faltered on reduced housing supplies before the Lunar New Year. The average price of a new home in China's 100 major cities rose 0.42% month-on-month in January to CNY11,026 per square meter, private researcher China Index Academy said. It was the ninth straight month of growth, but slower than December's 0.74% rise and November's 0.46% advance. New homes in the 10 biggest cities posted 0.54% month-on-month growth.
- Property sales in Hong Kong plunged to 3,123, the lowest January figure recorded by the government since 1991, and the worst is yet to come, property agents said. The transaction volume represented a 4% decline month-on-month or a 62% dive year-on-year as developers slowed down new launches ahead of the Chinese New Year holidays. Total transaction value fell 43.5% month-on-month to HKD20.69 billion, the lowest amount since February 2009. As there is usually a lag of a few weeks between a transaction and it being registered at the Land Registry, the January figures actually reflect the market conditions in December to early January.
- China further bolstered its housing market by announcing a reduction in the minimum down payment to buy houses to 20% from 25% in most cities. Home buyers with an existing mortgage need to put up a minimum deposit of 30%, from the previous 40%, according to a statement by the People's Bank of China (PBOC). "This is a very timely policy," said Huang Yu, Executive Vice President of the China Index Academy. "It can encourage budget conscious migrant workers to buy a house at home during the Lunar New Year holiday." The relaxation does not include cities with home purchase restrictions, such as Beijing, Shanghai, Shenzhen and Guangzhou.
- Shenzhen plans to spend CNY15 billion this year ensuring the safety of building sites and dumping grounds, following the deaths last year of 70 people killed by the collapse of a mountain of construction waste. Various campaigns would be launched to identify and remove potential hazards at building sites and landfills, Mayor Xu Qin said. About 7.3 million of Shenzhen's 18 million residents live in illegal buildings.
- Unsold homes in China rose by 11.2% last year to a total of 52 million square meters, according to the National Bureau of Statistics (NBS).
- Sales in Shanghai of new homes by floor area rose 12.8% last year to 20.1 million square meters, the Shanghai Statistics Bureau said. The mean selling price increased 31% to CNY21,500 per sq m. By location, the average cost of a new home inside the Inner Ring Road rose 34.4% year-on-year to CNY72,066 per sq m, while for those outside the Outer Ring Road, prices increased 19.6% to CNY16,065.

RETAIL

Growth in smartphone sales drops

Global vendors shipped 427.6 million smartphones to the Chinese mainland in 2015, representing a disappointing 2% year-on-year growth, which was the slowest on record. Controlling more than a 15% market share last year, Beijing-based handset maker Xiaomi Corp edged out rival Huawei Technologies Co to claim the top spot, according to industry consultancy Canalys. Shenzhen-based Huawei recorded a 14.7% market share while Apple, the No 3, had 12.5%.

- United States meat supplier OSI Group is disputing a Shanghai court's verdict that its local subsidiary sold expired chicken and beef to McDonald's, KFC and other fast-food restaurants. Six employees received jail sentences. OSI staff had marked products with false expiration dates.
- One in 10 ground level shops in Causeway Bay – Hong Kong's glitziest shopping district – will become empty, the highest level since the SARS outbreak in 2003, as a slump in retail sales and tourist arrivals will force several to close down after the Lunar New Year this month. Hong Kong retail sales last year hit the lowest level since 2002, with a year-on-year decrease of 3.7%.
- Chinese consumers' willingness to spend in 2015 reached the highest level in the past four years despite the economic slowdown, a study from The Nielsen Co showed. "This is a result of China's commitment to shift from an investment-driven to consumption-driven economy," said Kiki Fan, Managing Director of Nielsen China. "Booming online shopping provides more variety and convenience to customers, thus fueling their spending desire." The Chinese Consumer Confidence Index stood at 107 in the fourth quarter of 2015, a rise of one percentage point from the third quarter.

SCIENCE & TECHNOLOGY

Government to turn idle factories into innovation bases

The Chinese government said it will encourage idle factories and warehouses to be transformed into bases for entrepreneurship and innovation, with government subsidies for rent, utilities and internet access. Priority will be given to information technology, high-end equipment manufacturing and modern agriculture. The government will encourage venture capital investment in these bases, and will provide policy support in taxation, intellectual property rights (IPRs) and in other fields. The platforms for innovation are expected to help upgrade the real economy and to establish a favorable environment to solve the problem of overcapacity. The concept of mass entrepreneurship and innovation was included in the Government Work Report last year.

China's Long March 5 rocket to be launched in September

China's most powerful rocket, the Long March 5, will be launched for the first time in September at the Wenchang Satellite Launch Center in Hainan province. Final tests of the rocket have recently been completed. Tao Gang, General Manager of Tianjin Long March Launch Vehicle Manufacturing Co, which will produce the Long March 5, said all fuel tanks of the first mass-production rocket have been made and delivered to the Tianjin assembly plant. As the nation's first-generation heavy-lift launch system, the Long March 5 is nearly 57 meters high, with a diameter of 5 m. With a lift-off weight of around 800 metric tons, it will have a maximum payload capacity of 25 metric tons in low earth orbit and 14 metric tons in geosynchronous transfer orbit – roughly comparable to those of the United States' Delta IV and Atlas V. The rocket will use liquid oxygen/kerosene and liquid oxygen/liquid hydrogen as propellants for its engines, meaning it will be friendlier to the environment than previous Chinese rockets. Once the Long March 5 becomes operational, it will be used to launch large lunar probes and the manned space station that China plans to send into orbit around 2020. In addition to the Long March 5, China is also preparing for the debut of the smaller Long March 7, which will replace the decades-old Long March 2 and Long March 3 families in commercial launch service, the China Daily reports.

- China has released new color photographs of the moon, which show its surface in stunning detail. The Chinese space agency shared hundreds of pictures of the moon landing by lunar rover Yutu and the Chang'e 3 lander, which landed on the moon on December 14, 2013.
- China plans to launch 40 Beidou navigation satellites by 2020 to support its global navigation and positioning network. 18 of them will be put into service by the end of 2018. Beidou will offer global coverage by 2020.
- Chinese scientists have been able to produce hydrogen gas more than three times hotter than the core of the sun using nuclear fusion – and maintain this temperature for 102 seconds. The breakthrough puts China one step ahead in the global race to harness a new, artificial kind of solar energy for clean and unlimited energy.

STOCK MARKETS

Curbs on QFII investors eased

China eased curbs on investment quotas and fund withdrawal for foreign investors in the securities markets. Participants in the Qualified Foreign Institutional Investor program (QFII) will be allowed to invest a base amount determined by a formula linked to their assets under management, the State Administration of Foreign Exchange (SAFE) said as it unveiled new rules on investments made by QFIIs. QFII investors have to apply for quota only when their investments exceed the base quota. Previously, SAFE granted quota approvals to QFIIs on a case-by-case basis. The investment amount is subject to a ceiling of USD5 billion, up from USD1 billion previously, under the rules which came into effect immediately. "The move aims to promote capital-account convertibility and facilitate cross-border investment in an orderly manner," SAFE said. SAFE's relaxation also came at a time when China is facing increasing pressure from capital outflow amid an economic slowdown and yuan depreciation. "China needs to attract foreign investors to offset pressure of capital outflows," Khoon Goh, Senior Currency Strategist at Australia & New Zealand Banking Group said. "More flexibility for QFIIs will encourage capital inflows." SAFE also eased rules restricting QFIIs from moving funds in and out of China, the Shanghai Daily reports.

- Eastern Pioneer Driving School Co is set to become China's first publicly traded driving school after its initial public offering (IPO). The Beijing company has a leading 20% share of the capital's driver-training market. Eastern Pioneer has increased its revenue from CNY700 million in 2012 to CNY1.28 billion in 2014, with profits of CNY297 million that year. Its net annual profit margin in 2014 was over 23%. It now costs CNY5,000 to CNY6,000 to complete one of its driver-training courses.

- Chinese equities capped the biggest weekly gain this year despite a mild correction on February 5 as liquidity injection by the central bank and eased rules on foreign funds helped alleviate market anxiety over its worst yearly start. The benchmark Shanghai Composite rebounded by 1.4% last week. The People's Bank of China (PBOC) injected liquidity of CNY330 billion last week, adding to last month's injection of CNY2 trillion to ease the liquidity pressure as Spring Festival holidays approached.

TRAVEL

Uber and Alibaba to cooperate on online payments

Ride-hailing company Uber China and Alibaba's financial arm Ant Financial Service Group jointly announced cooperation regarding online payment, allowing Chinese mainland Uber users to use the car-hailing services overseas and pay in renminbi. Hong Kong, Macao and Taiwan were the first places to roll out the new payment services. More than 5,000 stores in Hong Kong, Macao and Taiwan and an additional 50,000 stores in Asia, Europe and Australia accept Alipay payments.

- Chinese investors – mainly insurers and large funds – may launch a short-term pullback in cross-border hotel investments given volatile conditions and a slowing economy. In 2015, Chinese capital is expected to represent some USD5 billion in global hotel investment, making it among the top three exporters of capital globally along with the U.S. and the Middle East, according to JLL’s Hotels & Hospitality Group. A few years ago, China was not even in the top 10.
- Tickets for Walt Disney Co's USD5.5 billion Shanghai Disneyland theme park are being priced 20% lower than in Hong Kong, and slightly lower than in Tokyo. They are set to go on sale from March 28, with the park itself due to open on June 16. During the grand opening period (June 16-30), daily entry has been set at CNY499, while the regular weekday price of admission will be CNY370. On holidays and weekends the price will be CNY499.
- Holders of Chinese passports may now visit 53 countries either visa-free or by obtaining visas upon arrival, suggesting the rising value of the Chinese passport, Guo Shaochun, Deputy Director of the Consular Department of the Ministry of Foreign Affairs (MOFA) said.
- Beijing will build more subway lines this year. The city plans to start constructing 16 subway lines with a total length of 300 kilometers, as well as roads exclusively for public buses and lanes for bicycles. The length of subway lines will increase to about 1,000 km by 2020 from the current 554 km. The city will also offer 10,000 public bicycles to rent at bus or subway stations. Beijing already put 50,000 public bikes in use last year, five times the figure in 2012 when it introduced them.
- Chinese visitors to South Korea are buying less from global luxury companies like Louis Vuitton and Chanel in favor of cheaper home-grown brands, as young, independent travelers make up a bigger share of tourists. Lured by the “Korean Wave” of culture exports, from soap operas and K-pop music to food and fashion, price-conscious younger Chinese visitors are seeking a more authentic and less expensive shopping experience. The number of Chinese tourists to South Korea dipped 2.3% last year to about 6 million. The number is expected to jump 28% this year.

ONE-LINE NEWS

- Si Xianmin, General Manager of China Southern Airlines, was expelled from the Chinese Communist Party and removed from his post. He violated Party regulations, interfered with inspection work, and used public funds to play golf, the Central Commission for Discipline Inspection (CCDI) announced.
- Wei Hong has been removed from his post as Governor of Sichuan province for

"serious violations of discipline" and will be demoted to vice-departmental level. Liu Zhigeng, Vice Governor of Guangdong province, is also under investigation.

- More than 120 people have been held responsible for the massive explosions in Tianjin in August that killed 165 people. Public security authorities are conducting criminal investigations into 24 staff members from related enterprises, including 13 from Tianjin International Ruihai Logistics Co, which owns the warehouse where the explosions occurred. Eight people are still missing and another 798 were injured in the disaster. The explosion also damaged 304 buildings, 12,428 cars, and 7,533 containers, resulting in CNY6.87 billion in losses,
- At least 119 officials and company owners in Hebei face punishment for their role in the pollution plaguing the province, after inspectors sent by the central government completed their one-month investigation. Seven of the ten most polluted cities in China are located in Hebei province.
- 1.02 million Chinese work overseas at 30,000 enterprises in 200 countries and regions, and the number of Chinese students studying abroad has exceeded 1.7 million.

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.
Contact: (86) 20 83137628 (Ivy Sun), 83137630 (Toni He)
Email: ivysq2013@yahoo.com, toni3670@sina.com
Fax: (86) 20 83137626

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- SMEs: €385
- Large enterprises: €975

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