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

NEWSLETTER | 4 APRIL 2016

FCCC/EUCBA ACTIVITIES

Briefing: China's New Normal: What are the challenges and opportunities for businesses? – 18 April 2016 – Brussels

The Flanders-China Chamber of Commerce and The Conference Board are organizing a briefing focused on 'China's New Normal: What are the challenges and opportunities for businesses?'. This briefing will take place on 18 April at 16h00 at The Conference Board, 178 Chaussée de la Hulpe, 1000 Brussels.

According to Chinese President Xi Jinping, the Chinese economy has entered a "new normal" of "moderate to high growth", implying that China's GDP will be growing at the lower rate of 6.5% to 7%. What do companies need to know about this "new normal"?

David Hoffman, Senior VP Asia and Managing Director of The Conference Board China Center for Economics & Business, will deliver a special briefing to help MNCs dimension the current state of play in China:

- An appraisal of recent economic, financial market and political economy developments
- How these developments fit into the big picture scheme of China's momentous transition
- What they imply for the near- and medium-term business environment for MNCs and foreign investors in China

David will also provide an introduction to the concept and components of "global China exposure", and how "geo-economic" propagations and exertions from China will (and could) impact the global business environment.

Mr Bert De Graeve, Chairman of the Flanders-China Chamber of Commerce, will facilitate the briefing.

If you are interested in attending, please register online at www.flanders-china.be before 12 April 2016. Participation fee for FCCC members: 80,5 € (incl. 21% VAT), non-members: 108,9 € (incl. 21% VAT).

The briefing will be conducted according to the Chatham House Rules (1).

We very much hope you will be able to join us and share your views.

(1) Participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

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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- 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

ACTIVITIES FROM EUCBA MEMBERS

EU-China Economic Cooperation (EUCEC) Forum 2016 – 28 April 2016 – Hannover

In 2015, the Chinese economy has experienced its lowest growth rate since the last 25 years, going along with strong devaluation of the renminbi and falling Chinese stocks. Although numerous sources have therefore expressed their concerns about the sustainability of the Chinese growth model, it is necessary to consider that the planned 6.5% minimum growth rate announced by the Chinese government for the next five years is still high compared to most industrialized countries. Furthermore, the absolute growth of China´s GDP from USD47 trillion in the first decade of the 21st century to USD50 trillion until 2015 does not fail to impress.

The term "New Normal" is used to describe the transformation of the Chinese economy from a rather quantity-focused to a more quality-orientated strategy, which will consequently lead to a soft landing in terms of GDP growth rates. As labour costs in China rise to an all-time high an increasing emphasis is put on household consumption and the service sector, moving away from an export-led growth model. The implementation of new structural reforms aims at reducing income inequality between Chinese households, encouraging consumption and therefore strengthening labour market flexibility. This strategy should ensure the successful transition for China to a consumption-based growth model and therefore to reach the economic goals stated in the new five-year plan.

For the German economy, the transformation process of Chinese economy includes risks as well as new opportunities. With China being Germany´s fourth biggest destination for exports worldwide, its market changes lead to immediate effects for the German GDP. According to the German central bank, an economic slowdown in China implies a serious risk for growing losses for German companies. Nevertheless, China´s increasing focus on high-technology and environmental solutions will likely benefit exports of specialized German companies in the future.

Program *(tentative)*

14:00	Moderation by Thomas Scheler, General Manager, DCW GmbH – A Subsidiary of German-Chinese Business Association (DCW)
14:10	Introduction: Latest Trends in EU-China Economic Relations by Silke Besser, General Manager, German-Chinese Business Association (DCW)
14:30	M&A China and Germany – Latest Trends and Ways to Success by Frank-Christian Raffel, Co-founder and Managing Partner, MelchersRaffel Ltd.
15:00	Protecting and Enforcing Intellectual Property Rights in China by Erik Schäfer, Partner, COHAUSZ & FLORACK Patent Attorneys and Attorneys-at-law
15:30	"One Road, One Belt": Linking Europe and Hong Kong by Michael Ries, Marketing Manager, Hong Kong Trade Development Council (HKTDC)
16:00	Intercultural Communication: Business Etiquette in different Regions of China by Wu You, General Manager, WUYOU GmbH
16:30	Q&A with all Speakers
17:00	Get Together at DCW International Joint Booth (Hall 3, H02)

Participation is free of charge for visitors of HANNOVER MESSE 2016. Registration is required. Please register via email: registration@dcw-gmbh.de

Visit the International Joint Booth „Doing Business with China“ in Hall 3, H02! For more information about other activities at HANNOVER MESSE 2016 please visit: www.dcw-ev.de/hannovermesse

PAST EVENTS

Seminar: How to Succeed in the Chinese Market – 16 March – Ghent

The Flanders-China Chamber of Commerce organized an interesting seminar focused on: '*How to Succeed in the Chinese Market'*. This event took place on 16 March 2016 at the Club of Flanders in Ghent.

The aim of the event was to share, discuss and exchange knowledge and experiences between companies doing business with or investing in China. Following an introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, Mr Robert De Regge, CEO-ad interim and Chairman of the Board of Directors, Vitalo, and Mr Dirk Laeremans, General Manager, Orientas presented "Case studies of doing business and investing in China". The event was concluded by an exchange of views and a networking drink.

Seminar: How to Prepare for Trade Fairs in China: Selection Advice, Negotiation Tips and IP Protection – 2 March 2016 – Eurochambres, Brussels

The EU SME Centre and the China IPR SME Helpdesk organized a half-day training seminar, on 2nd March in Brussels, to learn all you need to know about preparing for trade fairs in China. This seminar was organized with the support of the EU-China Business Association and Eurochambres.

During this seminar, the EU SME Centre's expert Rafael Jimenez, alongside Simon Cheetham, Team Leader of the China IPR SME Helpdesk, shared their insights on the following topics:

- What to do in preparation for a trade fair in China?
- Which fair should I choose to attend in China?
- Practical tips for business negotiation in China
- Key protection measures SMEs can take before attending trade fairs in China
- Collecting evidence of IP infringements

AUTOMOTIVE

SAIC Volkswagen to invest €2 billion in Skoda

SAIC Volkswagen will spend around €2 billion over the next five years to enrich Skoda's portfolios in China, the biggest single investment the Czech brand has received since its entry into the Chinese market in 2007. The investment was detailed in a joint memorandum signed by Volkswagen, SAIC Motor Corp and Skoda Auto during President Xi Jinping's visit to the Czech Republic. Founded in 1895, Skoda became a wholly-owned subsidiary of Volkswagen Group in 1991. The three parties also agreed that Skoda would assume an equity position in SAIC Volkswagen, subject to approval by the Chinese authorities. China has grown into Skoda's largest market, with its China sales reaching 281,700 vehicles in 2015, accounting for more than a quarter of its global sales in the year. The investment will enable Skoda to rapidly expand its offerings to include forward-looking vehicle concepts and modern technology. The aim is to double sales in China by 2020. Skoda is also preparing a comprehensive SUV campaign for the Chinese market, the China Daily reports.

- Sales of second-hand cars in China are expected to hit a new high this year after the government released a guideline on March 25 to stimulate the sector's development. The guideline proposes that cities outside the Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta regions lift their ban on used cars being imported from other regions by June. The ban, which has been in place in about 300 cities, has been seen as a major obstacle to trading in used cars in the country. Last year, there were

9.4 million transactions of second-hand cars, and 806,300 used cars were sold in January, a 6.47% growth year-on-year, with those that have been used for six years accounting for almost 47%.

- Shanghai will accelerate development of charging infrastructure for new-energy cars, and is set to follow the central government in cutting sales subsidies to turn the sector into one driven by market forces. The number of charging poles in the city will grow nearly 10 times in the next five years to 210,000 by 2020, up from 21,700 at the end of last year, to serve 260,000 new-energy cars, the Shanghai Transport Commission said. The sales of green cars rose over four times in Shanghai to 44,247 units and brought their combined sales since 2013 to 55,406 units.

FINANCE

Two big banks report big drop in net profit

Two of China's biggest banks released their annual earnings reports, reporting large slides in net profit and sharp increases in bad loans. Industrial and Commercial Bank of China (ICBC), the world's largest lender by assets, said its net profit rose by just 0.5% in 2015 to CNY277.1 billion. The increase followed a 5% gain a year earlier. The lender's non-performing loans (NPLs) rose by CNY55 billion to CNY179.5 billion, pushing its bad-loan ratio up to 1.5% from 1.13% a year earlier. The bank said more loans had gone sour as "economic growth slows down, structural adjustment deepens and industrial transformation accelerates." The bank said it cut its dividend payout ratio for a second year in succession, to 30% from 33% in 2014. Bank of China (BOC) said its net profit rose by just 0.74% to CNY170.8 billion in 2015, following an 8% gain a year earlier. The country's fourth-largest lender said in a stock exchange filing that its bad loan ratio for last year rose to 1.43% from 1.18% in 2014, or by CNY30.4 billion to CNY130.9 billion. "China's economy is at a critical juncture, in which growth is shifting gear, the economic structure is adjusting and the driving impetus is changing," said BOC Chairman Tian Guoli. The Agriculture Bank of China (ABC) posted a 0.62% growth in profit from a year earlier to CNY180.6 billion as rising bad loans weighed on earnings, while non-performing loans surged 70% to CNY212.9 billion at the end of 2015, pushing its bad-loan ratio to a six-year high of 2.39%. Bad loans in China's banking industry jumped 51% last year to CNY1.27 trillion, data from the China Banking Regulatory Commission (CBRC) showed.

- The BRICS-backed New Development Bank (NDB) will soon issue between CNY3 billion and CNY4 billion in bonds in China, according to Vice President and CFO Leslie Maasdorp. He said the bank had a "20-year horizon" and there was no pressure from shareholders to see immediate dividends. Maasdorp said the NDB would not compete against the Asian Infrastructure Investment Bank (AIIB) because they had a different geographic focus, but the NDB bank would work closely with the AIIB as well as the China Development Bank (CDB) and the Silk Road Fund.
- Authorities in Zhejiang province have cracked down on 115 cases of underground banking involving transactions totaling more than CNY900 billion in 2015. More than 270 people arrested during the operation were allegedly members of 127 criminal gangs. Some of the money channelled abroad had been earned through criminal activities.
- Home Credit Group, an international consumer finance provider based in the Czech Republic, will invest CNY6 billion in China to double its business by the end of 2017, CEO Jiri Smejc said. The company will increase the number of loan products and accelerate the development of its online business to further diversify its presence in China this year. Home Credit, the largest Czech consumer finance provider by assets, entered China in 2007. As of last year, the company had more than 33,000 employees in China.
- Shanghai banks conducted offshore yuan lending of CNY66.1 billion last year, a surge of 119% year-on-year. The banking sector's non-performing loans (NPLs) and the bad-loan ratio fell, Liao Min, Director of the China Banking Regulatory Commission Shanghai Office said. Assets under management by Shanghai banks totaled CNY12.98 trillion at the end of 2015, almost two times the scale five years ago.
- South Korea's Samsung Electronics Co announced the launch of its mobile payment service in China, where it is likely to struggle in an already crowded market that Apple

entered nearly six weeks ago. Samsung Pay has a powerful partner in China – bank card provider UnionPay. China had 359 million online payment users in mid-2015, up almost 18% in six months. Mobile transactions were valued at some CNY9.3 trillion last year, up an annual 57%.

- China Pacific Insurance Co (CPIC) plans to acquire a controlling stake of more than 51% in Anxin Agricultural Insurance Co, up from the current 34.34%, and expand its agricultural businesses. The move could increase Anxin's sales using CPIC's network, and within the next two years make the agricultural business the second-largest sector in the property unit. CPIC reported a 60.4% net profit increase for the group to CNY17.73 billion.
- Dongbei Special Steel Group failed to repay CNY852 million in corporate debt, just days after its Chairman was found dead in an apparent suicide. It was very likely to miss the payment of another tranche of debt worth CNY1.015 billion due on April 5. The failure was the eighth credit default in China's debt market this year.
- The Finance Ministry expressed disapproval over major rating agencies' recent downgrade of China's credit outlook, saying the worries were "unnecessary". "Rating agencies have overestimated the difficulties the economy faces and underestimated the ability of the Chinese government to press ahead with reforms and tackle risks," said Shi Yaobin, Vice Minister of Finance, in a statement. His comments came one day after Standard & Poor's Ratings Services cut the outlook for Chinese government credit from "stable" to "negative", becoming the second major global rating agency to do so after Moody's Investors Service.
- India hopes to receive one of the first loans issued by the China-led Asian Infrastructure Investment Bank (AIIB) this year as it looks to raise USD500 million for solar power projects from the newly created lender. Interest on the loan is likely to be 2% to 2.5% and would be linked to Libor for a term of more than 15 years.
- Munich Re has opened an "innovation lab" in Beijing's 798 art district as the German reinsurer scouts for Asian start-ups to partner innovative ideas disrupting the insurance sector. The Beijing lab is the reinsurer's first such innovation hub aimed at bringing in new ideas from digitization of sales channels to risk management and loss prevention. The company's other innovation lab is in Princeton, where the insurer's U.S. subsidiary is located.

FOREIGN TRADE

EU studying China's WTO compliance for MES

The European Union is studying the anti-dumping provisions in China's WTO accession agreements as it contemplates whether to grant it market economy status (MES), French Ambassador to Beijing Maurice Gourdault-Montagne, said. The final decision on whether to grant the status to China would be taken by the European Commission. The issue is controversial because granting China market economy status would make it more difficult for the EU to impose anti-dumping duties on cheap Chinese goods sold in Europe. China is the EU's biggest trading partner, but about 80% of its investigations into allegations of dumping and unfair government subsidies on goods focus on China. "We need also to have some instruments in case there are unbalances, dumping and unfair competition," Gourdault-Montagne told reporters. China agreed to a number of obligations during a 15-year transition period after joining the WTO in 2001 as it moved towards becoming an officially-designated market economy. Beijing thinks it should now automatically be granted that status at the end of this period in December this year, but the EU has said China has only met one of its five criteria. Opinions are divided among the EU's 28 members on the issue. Britain, the Netherlands, and Nordic countries support China. Germany is in principle supportive, but wants to protect sensitive industries, while Italy is strongly opposed. Ambassador Gourdault-Montagne said it was too early to say what the Commission's final decision would be as the process was still ongoing. He did not say which side his country was on. "It is not a question of yes or no. It is a question of reciprocity and fair competition," he said. Russia, Brazil, New Zealand, Switzerland and Australia already recognized China as a market economy, the South China Morning Post reports.

HEALTH

China to become the world's third largest cosmetic surgery market by 2019

A recent HSBC report predicts that China will become the world's third largest cosmetic surgery market by 2019 owing to people's growing wealth, and peer pressure derived from social media platforms. In the face of fierce competition, Hong Kong-listed Bloomage BioTechnology – the world's biggest producer of hyaluronic acid (HA) dermal fillers and raw materials – is planning to diversify its products. HA is a natural substance found in soft connective skin tissues, cartilage and joint fluids, and in fluid around the eyes, which can be extracted, reformulated and then injected as a skin filler. Bloomage, based in Beijing, has skin care and cosmetics firms such as Procter & Gamble, Estée Lauder, and L'Oréal among its many clients. Bloomage started to make its own HA dermal fillers in 2012 and now has a 30% share of the domestic market, Chief Executive Jin Xuekun said. The company's revenue increased to CNY200 million in 2014, and is expected to see a yearly growth rate of 20% over the next few years, the South China Morning Post reports. The HSBC report said that sales in China's cosmetic surgery market were expected to double to CNY800 billion by 2019 – up from CNY400 billion in 2014.

- China has established a cross-departmental working group to investigate the trade in improperly-handled vaccines. A large quantity of improperly-stored or expired vaccines are believed to have been sold in more than 20 provincial-level regions since 2011. Twenty-nine pharmaceutical companies are said to have been involved and 16 vaccination institutions are suspected of buying the vaccines, authorities said. More than 130 people have been questioned and 69 criminal cases have been filed.

IPR PROTECTION

Sellers of counterfeit baby formula arrested

Shanghai authorities have arrested six people suspected of manufacturing and selling more than 17,000 tins of counterfeit baby formula in several provinces. The suspects were accused of buying cheap baby formula and adult milk powder and packaging it in fake tins of famous brands. Products were sold to retailers in cities including Zhengzhou, Xuzhou, Changsha, and Yanzhou, and then circulated to more places. The group made nearly CNY2 million by collecting cheap milk powder, making fake tins, and then packaging and selling the goods.

MACRO-ECONOMY

Chinese steelmakers suffer heavy losses

Chinese steelmakers reported huge losses this year, battered by plunging steel prices and massive market overcapacity. Angang Steel posted losses of CNY4.59 billion in 2015, a 600% drop from the year before. Baosteel, the second-largest steelmaker, saw a 82.5% year-on-year slump in 2015 net profits to CNY1.01 billion, while Chongqing Iron & Steel reported a net loss of almost CNY6 billion, compared to a profit of CNY51 million in 2014. China, the world's largest steel producer, accounts for almost half of global production. It produced 804 million tons in 2015, almost eight times the output of Japan, the second-largest maker, and 20 times that of Germany. The Chinese government is committed to slash steel production by 100 million to 150 million tons in the next few years to reduce capacity, estimated at around 400 million tons. Some 500,000 workers in the industry are expected to lose their jobs in the downsizing. The China Metallurgical Industry Planning and Research Institute forecast in December that Chinese steel output would fall by 3.1% this year to 781 million tons. It had declined by 2.3% to 804 million tons in 2015 – the first drop in over three decades, the South China Morning Post reports.

- Profits at major industrial firms with annual revenues of more than CNY20 million rose 4.8% year-on-year to CNY780.7 billion for the first two months of 2016, reversing last year's downward trend. In December, profits had registered a 4.7% year-on-year fall – the seventh straight month of decline – and an overall 2.3% annual decrease in 2015.
- China will face severe demographic challenges in the next 25 years as the country's

working-age population is predicted to shrink from last year's 66.3% to 56.9% of the total in 2030. The aging population will swell from 16.1% to 25.2% which could seriously test China's social and economic development, experts said. The number of those aged between 16 and 59 will decrease to 896 million in 2020 and 824 million in 2030, while those aged 60 and over will grow to 253 million in 2020 and 365 million in 2030.

- The National Academy of Economic Strategy under the Chinese Academy of Social Sciences (CASS) forecasted that China's first-quarter growth slowed to 6.7%, compared with 6.8% the previous quarter, as consumer price inflation stood at 2.2%.The think tank expected gross domestic product (GDP) expansion to return to 6.8% in the second quarter, and inflation to rise 2.4%.
- The Asian Development Bank (ADB) has revised down its forecast for China's 2016 economic growth to 6.5% due to weak external demand and slowing investment. In its Asian Development Outlook 2016, it predicted growth would slow further in 2017 to 6.3%. The official first-quarter GDP growth figure will be be released by the National Bureau of Statistics (NBS) on April 15.
- A new industrial base for China's burgeoning unmanned-aerial-vehicle (UAV) sector is being created in Shaanxi province. The Aviation Science Park for Civil UAV Development is being jointly led by the Northwest Polytechnical University, one of China's leading aviation, aerospace, marine engineering institutions, and the Xixian New Area, an urban and industrial development zone between the provincial capital Xian and the neighboring city of Xianyang.
- The official Purchasing Managers' Index (PMI), which reflects operational conditions in largely state-owned manufacturing companies, rose 1.2 points month-on-month to 50.2, the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP) said. It was the first time in eight months that the index rose above 50 points, the demarcation line between contraction and expansion. The Caixin China PMI, an indicator slanted toward private and export-oriented manufacturing companies, rose 1.7 points in March to 49.7.
- China briefly halted approval of new nuclear power plants as it reviewed safety standards in the aftermath of the Fukushima nuclear disaster in 2011, but is now continuing the construction of nuclear power plants. The nation gets about 2% of its electricity from nuclear power and aimed to raise the level to 6% by 2020. The country is operating 30 plants with a capacity of 26.9 GW and another 24 are under construction.

MERGERS & ACQUISITIONS

Anbang drops bid for Starwood Hotels

Anbang Insurance Group Co abandoned its USD14 billion bid for Starwood Hotels & Resorts Worldwide. The Chinese company said in a statement released in the United States that it would not proceed with a consortium – including J.C. Flowers & Co and Primavera Capital – to buy Starwood because of various market considerations. Analysts said price and regulators' attitude may have played a significant role in the decision. Huang Peng, Partner at Beijing-based Guantao Law Firm who specializes in cross-border deals, said Anbang's decision showed that Chinese enterprises have been more mature when going abroad. “A bidding war is not good for buyers, and I believe Anbang and its partners abandoned the USD14 billion bid based on reasonable business judgment,” Huang said. Alan Wang, Partner at international law firm Freshfields, who has also closely followed the bidding, said price considerations may be a reason for Anbang calling it quits. The China Insurance Regulatory Commission (CIRC) may also have objected to the use of short-term insurance proceeds to finance long-term-held assets.

- Taiwan-based Foxconn has agreed to buy Japan's Sharp Corp at a big discount to its original offer. Foxconn will pay about USD3.5 billion for a two-thirds stake, cutting its initial offer by nearly USD900 million following the emergence of previously undisclosed liabilities at Sharp.
- The sale of Australia's largest dairy farm, Van Diemen's Land Co (VDL), to Chinese

businessman Lu Xianfeng has received final clearance. VDL, situated in the northwest of Tasmania, has now been officially turned over to Lu's Moon Lake Investments company for USD215 million. Lu beat two rival Australian companies to secure VDL's 13 farms, 19,000 hectares and 18,000 milking cows.

REAL ESTATE

Real estate market shows duality, analysts say

The real estate environment in China can be described as a "dual market": first-tier cities are moving to cool their overheated property markets, while other parts of the country are struggling with excessive inventories. New measures rolled out by the governments of Shanghai and Shenzhen recently are expected to rein in speculation and mitigate risks for a bubble. Zou Linhua, Associate Researcher at the Chinese Academy of Social Sciences (CASS), was upbeat that home prices in top-tier cities, which also include Beijing and Guangzhou, will increase at a slower pace. But this would not be the case outside the "big four" cities. China's property market is showing a "divided" picture, with high inventories in smaller cities and a shortage of housing in big ones, leading to structural overcapacity across the whole sector, said Zou. While most second-tier cities, such as Hangzhou and Nanjing, also saw home prices rise – but at a slower pace – home prices in most cities of third-tier and below are stagnating or falling due to aging, high inventory and faltering industrial restructuring, Zou said. In February, new home prices in Shanghai jumped about 20% year-on-year, while in Shenzhen, prices soared 72%. The cool the market, second-home buyers in Shanghai must now put down a 50% deposit on a house, compared with 40% previously, to qualify for a mortgage. This minimum down payment rises to 70% if the home surpasses the criteria for a "normal house." The new rules also make it harder for non-residents to buy homes in Shanghai. Authorities in Shenzhen announced similar measures, which are also expected in Beijing and Guangzhou. New home prices in Beijing increased 12.9% in February from a year ago, and that of used homes soared 27.7% year-on-year. The indicators for Guangzhou were 11.8% and 14.7%, the Shanghai Daily reports.

- China had 739 million square meters of unsold new housing by the end of February, over 15% up from the same time last year, Housing Minister Chen Zhenggao said.
- New measures to dampen the hot Shenzhen property market are likely to make it harder for non-residents, including those from Hong Kong, to purchase a home there, but it remains unclear if the package will cool the market. The new measures included higher mortgage down payments and a more stringent threshold for home purchases by non-locals. In the past two years, about 4% of all homes sold in Shenzhen were bought by Hongkongers. New home prices in Shenzhen surged 57.8% in the past year. The city's price-to-income ratio has jumped to 23.2, beating the figure of 15.6 in Hong Kong.
- New home prices in Shanghai increased 5.1% from February to March. In Shenzhen, new home prices advanced 3.6% in March, up 57% from a year earlier. Both Shenzhen and Shanghai rolled out tightening measures to cool the market. New home prices in Beijing picked up 0.84%, but prices for pre-owned homes jumped 5.1%.
- Shares of Dalian Wanda Commercial Properties Co soared more than 18% on the Hong Kong Stock Exchange after its parent Dalian Wanda Group said it was considering taking the company private just 16 months after listing. Du Jinsong, Analyst at Credit Suisse Group, said the move may indicate that Wanda believes the A-share market is sufficient to feed its funding demand.
- Chinese investors – including banks, insurers, developers and sovereign wealth funds – invested a record USD21.37 billion in outbound commercial real estate last year, a surge of 41.5% from 2014. The Asia-Pacific region attracted the biggest amount of Chinese capital, or USD8.1 billion, a nearly threefold increase compared with 2014, according to DTZ/Cushman & Wakefield. Office space remained the most popular type of asset class, taking up 40% of total outbound capital in 2015.
- Property sales in Hong Kong are estimated to have picked up in March after falling to the lowest level in 25 years in February, reversing an eight-month losing streak, but analysts warn the downturn is far from over and home prices will continue to fall. According to property agency Midland Realty's estimates, total property transactions

last month came to 3,125 – a 21.8% rise from February. In February, Hong Kong recorded just 2,583 transactions, the lowest since Midland began the monthly survey in 1991.

ADVERTISEMENT

RETAIL

Domestic retailers closing in on multinational chains

Home-grown retailers are closing the gap in market positions between them and multinational companies. RT-Mart improved its ranking in the past year and overtook Walmart to become the top retailer by performance, while JD.com became the first online retailer in the top 10, jumping from No 11 in 2014 to seventh spot last year, retail consultancy Kantar Retail said. Walmart slipped to No 2, followed by CRV, Yonghui and Carrefour.

- Online sales of imported goods have grown at a compounded rate of 63% in the five years to 2015, reaching CNY638 billion and accounting for 17% of China's total online retail sales, according to Mintel Group. The most popular categories of products purchased online in China are consumer electronics, clothing and shoes, appliances, food and beverages, and beauty products, according to Euromonitor International.
- Mobile phone manufacturer Xiaomi Corp launched a new brand called Mijia (Mi Home) for devices such as electric cookers and air purifiers produced by startups it has invested in. The new smart-home ecosystem brand offers Chinese consumers high performance at affordable prices, said Lei Jun, Xiaomi's Founder and Chief Executive.
- McDonald's Corp plans to add more than 1,500 new restaurants in China, Hong Kong and South Korea over the next five years and is on the lookout for suitable investment partners. The company said the new outlets are in addition to the more than 2,800 restaurants it has in these markets, most of which are company-owned.
- China's cinema box office revenue in the first quarter of 2016 grew 51% year-on-year, China National Radio said. Ticket sales in the period totaled CNY14.5 billion. Despite a limit of 34 foreign films a year, Hollywood has become increasingly reliant on China's rapidly growing box office as its home market growth has stalled. Earning CNY10.5 billion, Chinese films accounted for almost three-quarters of the takings in the country's box offices during the first quarter. Last year, the number of movie screens in China rose from 23,592 to 31,627, with 22 added every day on average.

SCIENCE & TECHNOLOGY

Shanghai to become science center in three years

Shanghai is set to become a comprehensive science center within three years by implementing systematic innovation reform, the Chinese government decided. Additionally, new independent districts for innovation will be established in Henan province (Zhengzhou, Luoyang and Xinxiang), the Shandong Peninsula, and Liaoning province (Shenyang and Dalian). Shanghai will enjoy more flexible policies in research funding, the transfer of scientific research findings, and collaboration between universities and local enterprises. Companies' innovation activities will also face fewer local government hurdles. The municipality will also experiment with streamlining foreign investment procedures. In 2014, CNY83.1 billion went toward research and development (R&D) in Shanghai, accounting for 3.6% of its GDP. In May last year, the city approved a plan to become a technological innovation center. Since 2009, China has set up 11 self-innovation demonstration areas, including the Zhongguancun technology hub in Beijing, which was the first such area, the China Daily reports.

- A recent graduate with a Masters in Business Administration (MBA) from a leading university in South Korea, has been offered a monthly salary of just CNY1,600 as a Korean language teacher at a job fair on March 17-19 at Nankai University in Tianjin. Several graduates with master’s degrees said they had trouble finding reasonably paid jobs. Most companies in Tianjin offer the same salary to candidates with bachelor’s and master’s degrees.
- 7.65 million university student are expected to graduate this year in China, an increase of about 160,000 from last year.
- According to a draft regulation on the internet, domain names with access to China should be provided by domestic internet registration services, which should in turn be managed by Chinese institutions. Service providers that are not under the management of Chinese institutions would be prohibited from offering domain names with access to China. Authorities are soliciting public opinions on the draft until April 25. They advised that foreign companies would do well to transfer the domain names of their websites to Chinese registers.

STOCK MARKETS

SAFE subsidiary starts investing in A shares

Wutongshu Investment Platform Co, wholly-owned by the State Administration of Foreign Exchange (SAFE), has started investing in the A share market. It became a major shareholder of Bank of Communications Co (BoCom), Industrial and Commercial Bank of China (ICBC), Bank of China (BOC), Shanghai Pudong Development Bank (SPDB) and Everbright Securities Co. The amount of A shares held by Wutongshu and its two wholly-owned subsidiaries, Fengshan Investment and Kunteng Investment, totaled more than CNY27 billion, according to Shanghai Securities News. Liu Jipeng, Director of the Capital Research Center at the China University of Political Science and Law, said that Wutongshu is playing an important role in China's foreign exchange management and the development of the A-share and H-share markets. “It not only helps China's foreign exchange regulator better use the huge amount of foreign exchange reserves, but offers ample funds and boosts confidence in the domestic stock market,” he said. China's foreign exchange reserves totaled USD3.2 trillion at the end of February, decreasing USD28.6 billion compared with January. Yan Liliang, Financial Columnist at Securities Daily, said Wutongshu, along with Central Huijin Investment and China Securities Finance Co, will be China's three main stock market stabilization funds. Beijing-based Wutongshu’s investment platform was established in November 2014 with a registered capital of CNY100 million, the China Daily reports.

- ICBC Credit Suisse Asset Management, the Industrial and Commercial Bank of China’s joint venture fund arm in Hong Kong, plans to launch an index fund this year to track the newly-launched S&P China 500. It would help provide investors easy access to leading Chinese companies, such as Hong Kong-listed Tencent Holdings. While the Hang Seng Index represents Hong Kong stocks and the CSI300 tracks blue chips in Shanghai and Shenzhen, there is still a demand to trade Chinese stocks listed across other markets. The joint venture between ICBC and Credit Suisse will have exclusive rights to launch ETFs to the indices.

- Fundraising in Hong Kong hit the lowest level in a decade in the first quarter of this year as poor stock market performance hit companies' plans to list or issue new shares, but the city still remains the largest initial public offering (IPO) market worldwide, according to Thomson Reuters data. The falling yuan and worries over China's slowdown pulled down the Hang Seng Index 10% in January, followed by a drop of another 3% in February, before bouncing back 6% in the first three weeks of March. The benchmark index has thus wiped off all the gains it made last year.
- Shareholders of New York-listed Qihoo 360 approved a USD9.3 billion privatization plan, providing a boost to the ambitions of China's largest online security firm to re-float in China through a shell company by the end of this year. The key players in the cash buyout include Qihoo Chairman Zhou Hongyi, Citic Securities, Golden Brick Capital and Sequoia Capital China.
- Global index provider FTSE Russell announced the creation of a new index that combines the FTSE China A and H 50 Index. The index is the first from FTSE Russell to represent the largest firms listed on both the Chinese mainland (A shares) and/or Hong Kong (H shares). It has been licensed by Deutsche Bank for exchange-traded funds listed on the London Stock Exchange and Deutsche Boerse.
- The Hong Kong unit of Chinese securities firm Guotai Junan International announced a strategic cooperation agreement with the Sydney Stock Exchange. Yim Fung, Chairman of Guotai Junan International, said its corporate clients can now list on the Sydney Stock Exchange seamlessly, leveraging the extensive network and professional consulting capability of its holding company, AIMS Financial Group. Some analysts said there was no reason for Chinese companies to list in Australia. The five Chinese companies currently listed in Sydney are not doing well.

TRAVEL

Chinese airlines report profit growth

China Southern Airlines, Asia's largest carrier by fleet size, reported 2015 profit jumped 117% to CNY3.85 billion, helped by the plunge in oil prices. Fuel costs during the period dropped 30.36% to CNY26.27 billion, while revenue only grew 2.91% to CNY111.4 billion. However, a CNY5.95 billion exchange loss resulting from the weakening yuan reduced profit growth. Its international business grew 32% last year as measured by revenue-passenger kilometers, but net yield declined 10.26% on international routes and 1.96% overall. The carrier also said ticket prices for international flights declined by "high single digits" in the nine months ending September, in contrast with a 3% rise for domestic flights in the same period. Hainan Airlines, owned by the HNA Group, reported a 15.9% profit rise to CNY3 billion in 2015. A more than 50% fall in jet fuel prices in 2015 was a major profit boost for Chinese airlines which did not hedge their fuel consumption. Air China said separately that its net profit surged 83% to CNY7.06 billion. China Eastern Airlines posted a just over 33% rise in net profit last year to CNY4.54 billion. China Eastern Airlines plans to boost its capacity to North America by 50% in 2016 to tap the rapidly-growing travel market between China and the U.S. in the China-U.S. tourism year, Chief Executive Ma Xulun said. He added that all of China Eastern's U.S. routes turned in profits last year and that flights to New York and to Los Angeles were among its top 10 most profitable routes. Passenger yield dropped at all the big three Chinese airlines in 2015. China Eastern is currently the third largest operator on China-U.S. routes after United Airlines and Air China.

Spain's NH Hotel Group enters Chinese market

NH Hotel Group, the largest hotelier in Spain, has entered the Chinese market with a plan to open 120 to 150 hotels by 2020. The properties will be developed through a joint venture between NH Hotel Group and HNA Group, China's fourth-largest airline group and also the biggest shareholder in NH, said Federico Gonzalez Tejera, CEO of the Spanish chain. The first two NH hotels in China are already under construction and are expected to open in the second half of this year, said Markland Blaiklock, Managing Director of NH Hotel Group in China. The hotels are located in Hainan province. One property in Haikou, with 1,001 rooms, will be the largest NH hotel in the world, Blaiklock said. The joint venture expects to develop 10 to 20 hotels in China this year and it has already started work on some projects in some first- and second-tier cities. During the past three years, China's hotel industry, especially the high-end hotels, has suffered from oversupply and the effects of the government's tough austerity policies. But some business insiders said the situation is getting better. Statistics from Jones Lang Lasalle indicate that the average occupancy rate of Chinese hotels is expected to increase by 3 percentage points to almost 60% from the previous year.

- Tourists snapped up the first batch of tickets to Shanghai Disneyland park on the opening day – June 16 – and the following weeks on its website. Within half an hour, clicks on the website (www.shanghaidisneyresort.com) reached more than 5 million. The massive volume resulted in the ticketing system temporarily malfunctioning. Disney Resort's flagship store on Alitrip, one of its authorized ticket-selling websites, also sold out standard admission tickets and two-day tickets that include the opening day. Meanwhile, hotels at the resort are also open to bookings, with rooms at the Shanghai Disneyland Hotel starting from CNY1,650 and those at the Toy Story Hotel priced at CNY850.
- Thousands of drivers working for popular car-hailing apps like Didi Chuxing and Uber in Shenzhen have been found to have criminal records including drug offenses, sparking public concern, local authorities said. The city's Transport Commission summoned executives from Uber, Chinese market leader Didi, Yongche, Zuche and ihavecar.com, the five major car-hailing apps in the country, to uncover safety problems among their operations. The Commission said that more than 3,600 of the drivers had been involved in traffic accidents while working for the apps.
- China National Travel Service (HK) Group and China International Travel Service Group will set up their headquarters in Hong Kong after their proposed merger that will create the country's biggest player in the sector. China Travel International Investment Hong Kong, the Hong Kong-listed subsidiary of China National Travel Service, reported a 22% drop in net profit for last year as a result of dwindling Chinese tourist numbers in Hong Kong.

VIP VISITS

President Xi paid historic visit to the Czech Republic

Chinese President Xi Jinping paid a historic visit to the Czech Republic. The state visit is the first to either the Czech Republic or the former Czechoslovakia in the 67 years since the founding of the People's Republic of China. Xi met with Czech President Milos Zeman and Prime Minister Bohuslav Sobotka and witnessed the signing of 15 cooperation documents. Xi also became the first foreign President to be welcomed at the Lany chateau in Prague, the residence of the Czech President. China and the Czech Republic established a strategic partnership during Xi's visit. China's Belt and Road Initiative will be linked with the Czech Republic's development strategy. The two nations will promote cooperation in fields including infrastructure, financing, high-technology, and nuclear energy. The two countries also agreed to discuss establishing a renminbi clearing center in the Czech Republic. The two sides agreed to invest €1 billion in phase one of the construction of a canal linking the rivers Danube, Oder and Elbe, a project Czech President Zeman is promoting to improve transport links. China Eastern Airlines has agreed to launch direct flights between Shanghai and Prague.

President Xi attends nuclear security summit in Washington

Chinese President Xi Jinping held talks with his U.S. counterpart Barack Obama and attended the 4th Nuclear Security Summit in Washington. China will firmly safeguard its sovereignty and rights in the South China Sea and will not accept any activities excusing, in the name of free navigation, behavior that could harm its national sovereignty, Xi said. The 90-minute meeting with Xi was the only bilateral meeting Obama arranged during the summit, which was attended by more than 50 heads of state and government. China and the U.S. should boost trust between their militaries, and they should make cybersecurity an area for cooperation, Xi said. Both Presidents agreed to speed up negotiations on the China-U.S. Bilateral Investment Treaty (BIT). In what analysts called a "pragmatic" joint declaration, the two countries agreed to hold annual talks on nuclear security.

- Vice Premier Liu Yandong visited Tel Aviv as part of a three-day trip that also included Palestine. China and Israel agreed to start long-awaited negotiations on a free trade agreement (FTA), following talks between Liu Yandong and Israeli Prime Minister Benjamin Netanyahu. Netanyahu noted that China is now Israel's third-largest trading partner, with annual trade of over USD10 billion. Last year, bilateral trade volume reached USD11.4 billion, a year-on-year increase of 5%. China's total investment in Israel has reached USD6 billion.

ONE-LINE NEWS

- Tan Dinghua, former Deputy General Manager of liquor maker Kweichow Moutai, is being investigated for suspected corruption. Moutai is China's top seller of premium baijiu, a fiery liquor traditionally served at banquets and presented as gifts, which was once commonly used to smooth business and political ties. Tan retired from his post in early 2015.
- Li Jia, Communist Party Secretary in Zhuhai, Guangdong province, is under investigation for alleged corruption. He has been replaced by Guo Yuanqiang, Director of the Guangdong provincial Commerce Department. Zhuhai, which borders Macao, is in the midst of ambitious development plans, including a reclamation project to double the size of the Hengqin free trade zone (FTZ).
- Ji Wenlin, former Vice Governor of Hainan province, was sentenced to 12 years in prison and CNY1 million in fines for corruption by the Tianjin No 1 Intermediate People's Court. The court said a lenient sentence was given because Ji confessed to his wrongdoings.
- Premier Li Keqiang said China will ramp up efforts to nurture a fairer environment for market competition and will bolster intellectual property rights protection to attract more foreign investment. He made the remark during a meeting with a U.S. delegation organized by the Aspen Institute, a Washington-based think tank, at the Great Hall of the People in Beijing. The delegation was composed of 18 U.S. Senators and Members of the House of Representatives.
- The Inner Mongolia autonomous region appointed Buxiaolin as its acting Chairwoman. Both her father and grandfather had previously served as Chairman. Buxiaolin is the granddaughter of Ulanhu, a former Vice President of China, and the daughter of Buhe, a former Vice Chairman of the National People's Congress Standing Committee.
- China will likely face massive spring floods due to the worst El Nino weather pattern since 1997/98. The floods, which lasted two months from June 1998, affected 220 million people across 24 provinces. Some 3,004 people died. The incident was one of the 20th century's three most severe flooding disasters. Rainfall in the Yangtze River is forecast to rise 10% to 50% from previous years in May.
- A crackdown on unlicensed motorcycle and electric-bicycle taxi services in Shenzhen has dealt a heavy blow to the city's express delivery industry, which largely relies on these vehicles to deliver packages. Delivery companies said they could only send out couriers in the early morning and late at night – outside the working hours of the traffic police. About 18,000 motorbikes or electric bicycles were impounded since the crackdown started on March 21.

ANNOUNCEMENTS

"Vlamingen in de wereld" looking for Beijing representative

The organization "Vlamingen in de Wereld" (VIW) is looking for a Beijing Representative. VIW is an organization of compatriots who live and work abroad. It has a world-wide network of contacts with thousands of expatriates. VIW has become the symbol preserving and strengthening the links between Flanders and Flemish expatriates. A VIW Representative is the antenna of the organization in a particular region. For more information, please contact Koen Vanderschaeghe at koen.vanderschaeghe@viw.be

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