



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

NEWSLETTER | 11 APRIL 2016

FCCC/EUCBA activities

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

[China Mission East-Flanders – 28 May – 4 June – Beijing, Shanghai, Tianjin, Shijiazhuang](#)

Advertisement and sponsorship

[Advertisement and sponsorship opportunities 2016](#)

Activities by EUCBA members

[EU-China Economic Cooperation \(EUCEC\) Forum 2016 – 28 April 2016 – Hannover](#)

Past events

[Seminar: How to Succeed in the Chinese Market – 16 March 15h30 – Ghent](#)

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

Advertisement

[Hainan Airlines, your direct link from Belgium to China](#)

Members' news

[Bank of China invites companies to Zhejiang Symposium](#)

Automotive

[Joyson Electronics invests in self-driving technology](#)

Finance

[Tax reform to reduce burden on industry](#)

[Anbang increases its shares in major banks](#)

[Executives at Chinese banks earn less than 1% of Western counterparts](#)

Foreign trade

[China to export its nuclear power expertise](#)

[China imposes duties on imports of GOES steel](#)

Health

[One in three of world's adults with diabetes is in China](#)

IPR protection

[Beijing, Tianjin and Hebei province to work together in IP development](#)

Macro-economy

[China limits 'Panama Papers' coverage](#)

[Swaps of bad debt for equity could be risky](#)

Mergers & acquisitions

[China's M&A activity in Q1 reaches new heights](#)

Real estate

[Net profits of half of listed developers decline](#)

[Home sales slump in Shanghai, Shenzhen](#)

Advertisement

[HKWJ Tax Law: Your Hong Kong & Mainland China Tax Advisor](#)

Retail

[Walmart to open 60 new stores in China by 2017](#)

<u>Science & technology</u>	<u>DuPont Pioneer and Origin Agritech to develop new seed technologies</u>
<u>Stock markets</u>	<u>Quality of Hong Kong IPOs could be better</u>
<u>Travel</u>	<u>Three major airlines report declining yields on international routes</u>
<u>VIP visits</u>	<u>Swiss President visits China</u>
<u>One-line news</u>	
<u>Announcements</u>	<u>EU Survey on new anti-dumping rules for China</u>

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.

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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.

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Every Monday, the weekly Newsletters are sent and posted on the FCCC website.

Number of recipients every week: 1200 executives dealing with China

GOLDEN SPONSOR (12 months): 1.950 €

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SPONSOR (3 months): 895 €

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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

SILVER SPONSOR: 1.250 € - 2 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

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, 15h30 – 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

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MEMBERS' NEWS

Bank of China invites companies to Zhejiang Symposium

The Bank of China (Luxembourg) Brussel's Branch is inviting companies to the 18th China Zhejiang Investment & Trade Symposium (briefly called Zhejiang Symposium), The 15th China International Consumer Goods Fair (briefly called Consumer Fair) and The 2nd China-CEEC Investment and Trade Expo (briefly called CEEC Expo), held from June 8, 2016 to June 12, 2016 in Ningbo, Zhejiang. Focussed on "deepening cooperation for mutual benefit and win-win result", the Zhejiang Symposium, Consumer Fair, and CEEC Expo promote the level of internationalization of Zhejiang through organizing a series of activities like investment symposiums, trading exhibitions, conferences and forums and cultural exchanges, etc.

The China Zhejiang Investment & Trade Symposium will be hosted by the People's Government of Zhejiang; The China International Consumer Goods Fair and China-CEEC Investment and Trade Expo will be hosted by the Ministry of Commerce and the People's Government of Zhejiang.

The Zhejiang Symposium, Consumer Fair and CEEC Fair plan to invite 30,000 businessmen at home and abroad, including 12,000 foreign businessmen, 500 businessmen from world top 500 enterprises and other world famous enterprises, and 5,000 buyers in and out of Zhejiang Province.

More information: e-mail: xiaowei.zhao@bankofchina.com ; website: www.bankofchina.com/be/

AUTOMOTIVE

Joyson Electronics invests in self-driving technology

Ningbo Joyson Electronic Corp has signed an agreement to buy U.S.-based Key Safety Systems Holdings (KSS) for USD920 million. Joyson provides driver control systems to auto companies including General Motors and Mercedes-Benz. It also plans to buy the car navigation business of Germany's TechniSat Digital for USD204.6 million. KSS supplies airbags and is developing autonomous car-safety systems, including collision avoidance technology. TechniSat provides navigation systems and is developing technology for connected cars, which can help vehicles maintain safe distances and avoid accidents. The Chinese firm said the deals will help it become a leading supplier in self-driving and smart-car technology. Based in Ningbo, Joyson has more than 7,000 employees and operates in the United States, Germany and Mexico, as well as in China. Its revenue last year was CNY8.09 billion.

- SAIC Motor Corp and Great Wall Motor, China's biggest maker of SUVs, are spearheading Chinese carmakers' first major push into India, where they will compete head on with established carmakers like Suzuki Motor and Hyundai Motor. Even so, India offers one of the last frontiers of growth – by 2020 the country is likely to become the world's third-largest car market, up from fifth place, with annual sales nearly doubling to 5 million vehicles from 2.7 million in 2015. SAIC and Great Wall are in separate discussions to set up a factory in the auto hub of Pune. SAIC is also in discussion to purchase a plant currently operated by GM in Gujarat state.
- A multi-story parking lot that can be accessed by a mobile phone app is expected to open in Beijing before the end of the month. Similar parking lots may be introduced across the city to relieve a severe shortage of parking spaces. Ma Limin, Chairman of Beijing Easy Parking Static Transport Investment Co, said the lot provides 64 parking spaces and is located near a hospital in Tongzhou district. There were 2.9 million parking spaces for motor vehicles in Beijing by the end of 2014, but 3.8 million were needed.
- Volvo aims to launch an experiment involving self-driving cars in China in which up to 100 such cars could be deployed. Volvo, wholly owned by China's Zhejiang Geely Holding Group Co, is currently scouting for a city that could provide the necessary permissions, regulations and infrastructure to allow the experiment to go ahead. The China experiment will be patterned after Volvo's own testing program in the Swedish city of Gothenburg that aims to start deploying self-drive test cars next year.
- BMW China Automotive Trading is to recall some imported BMW 7 series models over flawed air bags from May 25. The recall will involve 3,115 vehicles sold in China that were produced between June 24, 2015, and December 11, 2015. Meanwhile, Jaguar Land Rover will recall 36,415 faulty automobiles from July 1. The recall involves Jaguar XJ and XF models produced between March 29, 2012, and October 6, 2015.

FINANCE

Tax reform to reduce burden on industry

The on-going landmark tax reform must reduce burdens on all industries, Premier Li Keqiang said during a visit to the State Administration of Taxation and the Ministry of Finance. On May 1, the business tax will be replaced with a value-added tax (VAT) in the remaining four sectors – property, construction, finance and consumer services – were this has not yet been done. At least 10 million companies are operating in these sectors, contributing 80% of China's total business tax revenue. An 11% VAT will be levied on construction and real estate companies, while a 6% rate will be imposed on finance and consumer service sectors. "The business-tax-to-VAT reform is key to ensuring the effectiveness of the pro-active fiscal policy, and to pressing ahead the structural, especially supply-side, reform for this year. If this is well done, the real economy will be more vital," Premier Li said. He added that the government's deficit increased this year, and the increase – CNY560 billion more than last year, to CNY2.18 trillion – is meant primarily to cover tax reductions for enterprises following the tax reform, which will alleviate the tax burden on enterprises by over CNY500 billion. The reform will bolster the development of the service sector, which contributed more than half of the country's gross

domestic product (GDP) last year, the China Daily reports.

Anbang increases its shares in major banks

Chinese insurance conglomerate Anbang Insurance Group has boosted its holdings of banking stocks, making it one of the top 10 shareholders of the country's "big four" lenders. Anbang increased its stake in Industrial and Commercial Bank of China (ICBC), Bank of China (BOC), Agricultural Bank of China (ABC) and China Construction Bank (CCB) in the fourth quarter of last year, according to the annual reports of the banks. Anbang has become the fifth-largest shareholder of Bank of the China, holding 0.23% of the bank's shares. The insurer has also become the sixth-largest shareholder of ICBC, while taking eighth place in ABC and ninth in CCB. The banking sector is a main sales channel of insurance products, but analysts said the increase in shareholdings could just be a financial investment. "Bank stocks with cheap valuations and stable and safe returns have always been preferred by insurance funds," said Zhao Shasha, Insurance Analyst at Huarong Securities Co. "Anbang's stakes in the big four banks are all below 1%, meaning that it is unlikely to have a major influence on the boards of directors of the banks," Zhao added. Banking stocks are likely to get a boost after the government has been considering using debt-for-equity swaps to reduce the banks' rising bad loans, the China Daily reports.

Executives at Chinese banks earn less than 1% of Western counterparts

After the government halved their remuneration last year, top executives' of Chinese banks are earning less than many first-year bankers in the United States and Europe, while the disparity with Western bank CEOs is enormous and widening. For example, Jiang Jianqing, Chairman of Industrial and Commercial Bank of China (ICBC), the world's biggest lender by assets, made under CNY550,000 in compensation last year, down 52% from CNY1.1 million in 2014, according to ICBC's latest annual report. His compensation was just 0.3% of the USD27 million received by JPMorgan Chase & Co Chief Executive Jamie Dimon in 2015. It was also a fraction of the USD14.8 million that UBS CEO Sergio Ermotti received in compensation for 2015. The biggest Chinese banks are typically led by officials appointed by the central government, and for many, the top jobs are often a passport to powerful political positions in the future. China's top-four banks are among the world's top-10 banks by assets. The pay cuts come at a particularly challenging time as lenders battle with bad debts that have risen to a decade high. The banks are also struggling to grow their business due to a slowing economy.

- The total number of bankcards issued by China's financial institutions reached 5.44 billion at the end of last year, putting average per capita bankcard ownership at 3.99. There were 5.1 billion debit cards and 432 million credit cards, the People's Bank of China (PBOC) said. As of the end of 2015, financial institutions had extended CNY7.08 trillion in credit to credit card owners, up 26.4% year-on-year. Credit card loans that were over six months overdue accounted for 1.23% of outstanding credit, down 0.3 percentage points from a year earlier.
- China's national asset management market will grow by 87% to CNY174 trillion by 2020, up from about CNY93 trillion at the end of last year, according to a report by China Everbright Bank and The Boston Consulting Group. Between 2012 and 2015, the market had a compound annual growth rate of 51% on average, but that is likely to be 13% over the next five years. The report estimated that commercial banks offering wealth management products will be the most important players in the Chinese asset management market by 2020, taking a leading 27% share of the market.
- Shanghai is set to open its long anticipated insurance exchange in June, which aims to be China's first bourse and pricing center for re-insurance. The city aims to become an international insurance center by 2020. The China Insurance regulatory Commission (CIRC) has vowed to open the re-insurance market to domestic and foreign capital, and allow insurance companies and mutual insurance companies to be set up in Shanghai's free trade zone (FTZ) to support the exchange. Insurance companies in Shanghai collected CNY478.9 billion in premiums last year, or a fifth of the national total.
- Chinese companies reported increased foreign exchange losses in 2015 and analysts

warn more risks lie ahead. About 980 listed Chinese companies reported combined foreign-exchange losses of CNY48.7 billion for last year, almost 13 times higher than in 2014. Profits at those firms fell 11% in 2015 to CNY789.2 billion. China's yuan fell 4.5% against the U.S. dollar last year, the biggest drop since 1994. The decline swelled financing costs for Chinese companies – the biggest dollar borrowers in Asia. The country's airline sector hurt most with a combined foreign-exchange loss of CNY17.9 billion for 2015.

- China's foreign exchange reserves rose month-on-month for the first time since October. The reserves rose USD10.2 billion to USD3.21 trillion in March, the People's Bank of China (PBOC) said.
- More than 50 countries and economies have shown an interest in joining the Asian Infrastructure Investment Bank (AIIB), of which 30 have indicated a firm intention to join. The AIIB hopes to increase the number of members to 100, nearly double the 57 founding members. "We are going to have a second board meeting at the end of this month and we will discuss the procedure for accepting new members," AIIB President Jin Liqun said.
- China's foreign exchange reserves increased by USD10 billion in March to USD3.213 trillion. The figure, the first monthly rise since last October, followed a fall of USD28.6 billion in February. Since April 1, China has been publishing its foreign exchange reserve figure measured by Special Drawing Rights (SDRs). Measured by SDR, China's foreign exchange reserves were 2.28 trillion at the end of March.

FOREIGN TRADE

China to export its nuclear power expertise

China, which has almost half the world's pipeline of nuclear power projects to be built by 2030, wants to export its expertise. "The export of nuclear reactors will become one of the key pillars for executing China's one belt, one road strategy," Zheshang Securities Analyst Zheng Dandan said. The world has around 384 gigawatts of installed nuclear power generation capacity in 400 reactors, according to the World Nuclear Association. There is 69 GW more being built in 15 nations and around 182 GW have been planned. Chinese firms are marketing the Hualong One-build reactors which come with a USD2.5 billion per GW construction cost. Planned projects represent a potential market of USD455 billion. Global nuclear generation capacity could grow by a compound annual average 2% to 624 GW by 2040. If more aggressive low-carbon emission policies are adopted, it could grow 3.3% a year to reach 862 GW. Some 46% of the increase is expected to come from China, while India, South Korea and Russia make up another 30%. The United States could account for 16%, and 8% from the rest of the world. Three Chinese state-backed firms are actively pursuing opportunities to export their reactor construction expertise, especially in developing nations that do not have their own construction capabilities. Sun Qin, Chairman of the China National Nuclear Corp (CNNC), said that 80% of the up to 300 new reactors projected to be built by 2030 globally could be in 'one belt, one road' nations. CNNC aims to build 30 of them, the South China Morning Post reports.

China imposes duties on imports of GOES steel

Starting this month, China has imposed duties of 14.5% to 46.3% on grain-oriented flat-rolled electrical steel (GOES) imported from Japan, South Korea and the European Union, the Ministry of Commerce (MOFCOM) said. GOES is used to make power transformers that increase or decrease the voltages of electric power applications. In a meeting with Foreign Minister Wang Yi in Beijing, British Foreign Secretary Philip Hammond urged China to accelerate its efforts to cut steel production. China's retaliatory move came 11 months after the EU imposed tariffs of 21.6% to 35.9% on GOES imported from China and other nations. It also came two months after the EU launched anti-dumping investigations into more imported Chinese steel products including seamless pipes, heavy plates and hot-rolled flat sheets, and slapped provisional anti-dumping duties on Chinese cold-rolled flat sheets, citing "unfair competition from artificially cheap imports" that threatened its industry. Li Hongmei, Senior Editor at Platts, said there were 36 new anti-dumping cases targeting China last year, with the EU initiating 16 anti-dumping and countervailing cases against Chinese imports. China's steel exports surged around 20% to 112.4 million tons last year, after jumping 51% in 2014. Although exports accounted for only 15% of China's total steel production, much less than

around 40% in Japan, the sheer size of China's steel industry meant its export volume was triple that of Japan, making it an obvious target for trade barrier action.

- China has banned imports of iron ore from North Korea as well as exports of jet fuel and other oil products used to make rocket fuel. The Ministry of Commerce (MOFCOM) published the list on its website, saying it also would ban imports of gold and rare-earth elements from the country in line with new UN sanctions. The majority of the DPRK's exports to China are minerals, and its exports to China account for about 90% of the country's total export volume. The Chinese government said the sanctions were intended to urge the DPRK to come back to the negotiating table.
- The United States exported 27.5 billion kilograms of pork to China in the first two months of this year – almost six times what it shipped in the same period last year, according to the United States Department of Agriculture. China's pork imports may top 1 million metric tons for the first time in 2016 and are likely to be up by at least 28% on the 777,000 tons imported last year. China's pork imports, excluding offal, surged 111% in February compared to a year ago, reaching 74,371 tons.
- Chinese beef imports are forecast to reach 600,000 tons in 2016, a 20% year-on-year growth. The high demand for red meat is prompting Chinese companies to look abroad to secure production facilities. Only a few countries can export beef to China due to various health restrictions. They include Australia, New Zealand, Argentina, Uruguay and Brazil.
- The United States government has cited Chinese internet controls as a trade barrier in a report by the office of the U.S. Trade Representative. It gave no sign that Washington planned to take action, but highlighted the economic cost of the censorship. Eight of the top 25 most-visited websites worldwide are now blocked in China. Almost 80% of firms that responded to a survey in January by the American Chamber of Commerce in China said they were "negatively impacted" by the controls.
- Gunnar Wiegand, Managing Director of Asia and Pacific for the European External Action Service (EEAS), said at a forum in Beijing that the recent developments in the South China Sea region were a cause of concern. He noted that half the world's trade passed through the South China Sea and that the EU's economic security was closely linked to stability in the Asia-Pacific region.

HEALTH

One in three of world's adults with diabetes is in China

Nearly one in three adult diabetes sufferers in the world is in China, where there has been an explosion in the numbers affected in the past quarter-century, a new World Health Organization (WHO) report shows. While China accounts for 19% of the world's population, it had more than 30% of adult diabetes cases in 2014. Of the 422 million adults with the chronic disease, an estimated 129.3 million were in China, according to the Global Report on Diabetes. The prevalence of diabetes in Chinese adults has increased from less than 1% in 1980 to 9.4% in 2014. Globally, the prevalence of diabetes has also increased, but at a slower rate: from 4.7% in 1980 to 8.5% in 2014. Unhealthy diets and sedentary lifestyles are factors in the dramatic rise in diabetes prevalence in China, doctors say.

- About 400 citizens have signed a letter to protest against the purchase of Swiss-based seeds and pesticides company Syngenta by state-owned ChemChina, saying the deal would eventually lead to genetically-modified crops being sown in China.
- China's e-commerce businesses are expanding into pharmaceuticals as the government directs prescription drug sales from hospitals to retail outlets. The online pharmacy business has grown from virtually nothing five years ago to more than CNY7 billion in 2014, accounting for 3% of all retail medicine sales, according to the Boston Consulting Group (BCG). Online pharmacies are working with hospitals and local governments on trial programs to allow patients to buy drugs online with doctors' prescriptions. Chinese patients traditionally purchase medicines in the hospitals where they seek treatment.

IPR PROTECTION

Beijing, Tianjin and Hebei province to work together in IP development

Beijing, Tianjin and Hebei province, which together hold nearly half of all invention patents in China, make one of the strongest engines for the nation's economy and will create a competitive industry chain using their respective advantages, said Wang Hong, Director of the Beijing Intellectual Property Office. He made the remarks at a ceremony on March 29 in Beijing to mark the establishment of an alliance for Beijing-Tianjin-Hebei regional IP development. Contributing 10.9% of GDP in China, the region is more patent-intensive than the national average, Wang said. It is home to nearly 30% of all the nation's valid patents and 46% of valid invention patents. "The region has seven patents for every CNY100 million of GDP it generates, much higher than the national average, which is only 1.5 patents," Wang said. In Beijing alone, companies and individuals filed 588,000 patent applications during the past five years, of which 323,000 were granted. However, Beijing is too small a market to "digest all the intellectual achievements", and needs to industrialize them in Tianjin and Hebei, said Wang, while Tianjin and Hebei need patents to upgrade their industrial structure. Thanks to the new alliance, IP service projects in Beijing, Tianjin and Hebei province will be integrated in a resource pool to allow innovative companies in the region to share and cooperate. The founding members of the alliance include 120 companies and 30 IP agencies, the China Daily reports.

- The European Union Chamber of Commerce in China has handed out IP Friendly Awards to six Chinese provinces and municipalities: Beijing, Shanghai, Guangdong, Tianjin, Shandong and Zhejiang. Officials from the chamber said at the award ceremony that China's legal environment and law enforcement have improved remarkably in recent years. The awards were established to honor the efforts of the Chinese government in IP protection.

MACRO-ECONOMY

China limits 'Panama Papers' coverage

China has moved to limit coverage of the 'Panama Papers' by blocking some search terms and removing certain stories online. The International Consortium of Investigative Journalists (ICIJ), which has published the documents, said the families of some current and former Chinese leaders were implicated. While holding money in offshore companies is not illegal, the documents provide evidence of wealth hidden for tax evasion, money laundering, sanctions busting, drug deals or other crimes. While the Chinese government has yet to respond publicly to the allegations and most Chinese media did not report on the Panama Papers, the Global Times, published by the People's Daily Group, suggested in an editorial that Western media backed by Washington had used the leaks to attack political targets in non-Western countries. "Information that is negative to the U.S. can always be minimized, while exposure of non-Western leaders, such as Putin, can get extra spin," according to the Global Times. The editorial made no mention of the China connections in the Panama Papers. About 29% of the business of Mossack Fonseca, the law firm at the center of the Panama Papers scandal, came from its offices in Hong Kong and mainland China, reports say.

Swaps of bad debt for equity could be risky

Yang Kaisheng, who led China Huarong Asset Management in conducting China's first swaps of bad debt to equity in the 1990s, has issued a warning on government plans to revive the exchanges, describing them as a "painful" process that should only be used when there is no other choice. The aims of converting debt into equity could be contradictory, Yang said. While the swaps might lower bad-loan ratios, lenders might need to set aside more capital to account for the resulting equity holdings, compromising their financial strength, said Yang, who is an Adviser to the China Banking Regulatory Commission (CBRC). Debtors gave up their control of the company, while creditors lost their rights to debt claims and there was no guarantee on the return of equity. The discussion of debt-equity swaps comes as policymakers scramble for ways to cut the highest levels of bad loans held by banks in a decade. Premier Li Keqiang floated the idea at last month's National People's Congress (NPC), and a source said the government might approve as soon as this month a plan allowing banks to convert up to CNY1

trillion of soured debt into equity. The four asset managers in the past swapped 580 companies' debt worth CNY405 billion into equity. Huarong alone converted 281 state-owned enterprises' debt into equity in 1999, and still held stakes in 196 of them by the end of June 2015.

- Huadian Fuxin Energy, the renewable energy unit of one of China's biggest state-owned power generators China Huadian Group, will slow wind-farm installations due to ongoing power-grid bottlenecks. The company will also seek to 'swap' power allocations with coal-fired producers. The aim would be to pump more wind-generated energy into the grid and sell it in central and eastern China.
- Service activity in private firms improved in March following that of the manufacturing sector. The Caixin Business Activity Index, a gauge of operating conditions in private service companies, was 52.2 last month, up from February's 51.2 but still below January's six-month high of 52.4. The official non-manufacturing PMI rose by 1 point month-on-month to 53.8.
- China is to pump more money into its robotics industry, but industry experts say this alone will not bring the industry up to par with overseas competitors. The government aims to make significant progress by 2020 in the production capacity, creativity and competitiveness of the industry. Breakthroughs were expected in core components of robots including sensors and servomotors. The government also called for building up competitive advantage in 10 types of industrial robots.
- Chinese steel producers experienced their worst year in 2015, with combined losses in primary business soaring 24-fold from 2014 to over CNY100 billion. Overcapacity and tumbling steel prices squeezed profit margins, Liu Zhenjiang, Secretary General of the China Iron and Steel Association (CISA), said. Steel mills saw a total loss of CNY64.5 billion in 2015, after a combined profit of CNY22.6 billion in 2014. The steel price index plunged 55.6% from October 2011 to mid-December 2015.
- China's economic indicators showed signs of improvement in the first quarter but a sluggish world economy and volatile markets deprive the changes of a solid basis, Premier Li Keqiang said. He added that the overall economic situation was better than expected and he was confident the government would be able to maintain medium- to high-speed economic growth, despite the difficulties.

MERGERS & ACQUISITIONS

China's M&A activity in Q1 reaches new heights

Chinese companies' appetite for investing overseas and diversifying their business has not been impaired, but rather encouraged, despite the economic slowdown and volatile international market. The latest Thomson Reuters data show that China's outbound cross-border merger and acquisition (M&A) activity hit a record high of USD101.1 billion in the first quarter. That accounts for one-sixth of the global total and nearly surpasses China's full-year record of USD109.5 billion, set last year. The global total in the first quarter was USD669 billion, down 14% year-on-year. "Although domestic economic growth has been slower than before, China's growth momentum continues and is much stronger than that of a lot of its foreign counterparts. As a result, Chinese companies are not short of cash or the willingness to march into global competition," said Zhao Zhongxiu, Vice President of the University of International Business and Economics (UIBE). Ma Weihua, Director General of the China Entrepreneur Club, said Chinese companies' determination for outbound M&As will only be strengthened and won't be impeded by the domestic economic slowdown. Gabriel Wong, PricewaterhouseCoopers' China Corporate Finance Leader, predicted that such outbound M&A activity will continue to grow by 20% this year, with M&As in the technology sector taking the lead. He added that cultural differences, and those in consumer habits and companies' backgrounds would pose major risks, the China Daily reports.

- Chinese technology start-up Xiaomi has made its first investment in an Indian company, leading a USD25-million funding round in Hungama Digital Media Entertainment. Other investors include Intel Capital, Bessemer Venture Partners, and Indian billionaire Rakesh Jhunjhunwala. Xiaomi is the world's fifth-largest supplier of

smartphones.

- Textile company Yong Sheng, a Hangzhou-based privately-owned enterprise, has acquired French lace producer Desseilles Laces, one of the oldest lace producers in the country, for €300,000, proving it with a production base in Europe. Last year, Desseilles saw its sales revenue reach €5.4 million, declining 35% from 2014. The acquisition will enable Desseilles to survive on the verge of bankruptcy.
- HNA Group Co has agreed to buy a 66% controlling stake in Hong Kong-based construction and real estate company Tysan Holdings for HKD2.62 billion. The transaction is subject to a definitive sale and purchase agreement and there is no certainty the deal will proceed, Tysan said.
- Investments by venture capital and private equity funds in China recovered in March due to the number of deals in the service industry, the Zero2IPO Research Center said. The number of completed deals soared 120.9% month-on-month to 338 in March, recovering from a 38% decline in February. The 295 deals about which transaction figures had been disclosed, were worth USD5.8 billion, a 37% rise from February.
- The Piraeus Port Authority (PPA) signed an agreement to sell a 67% stake to China's Cosco group. Greece will retain a 7% stake in PPA and private investors will hold the remainder. Cosco's €368.5 million offer was approved in January. The deal still needs to be approved by Greece's competition commission and Parliament. Cosco already has a major presence in Greece following a 2008 concession agreement to manage container terminals at Piraeus.

REAL ESTATE

Net profits of half of listed developers decline

Half of China's listed property developers saw their net profits decline last year as the country's real estate market cooled. So far, 59 real estate firms have disclosed their annual results. Thirty posted a drop in net profits and, of those, eight saw losses, the Centaline Property Agency said. The 59 firms reported total revenues of CNY510 billion, up 24.8% year-on-year. Their net income rose 9.4% on average, down from 10.5% a year ago, it said. Zhang Dawei, Chief Analyst at Centaline, said that although many others have yet to disclose the results, they are expected to report profit declines, too. CIFI Holdings (Group) Co, one of the better performers, saw its revenue grow 43% to CNY30.2 billion, with core net profit rising 12.1% last year. Lin Feng, President of CIFI Holdings, said the strong performance was due to the company's strategy focusing on first and second-tier cities. Many developers are also trying to seek new growth drivers. Wanda, Greenland and Evergrande have launched financial services, the Shanghai Daily reports.

Home sales slump in Shanghai, Shenzhen

Following a series of tightening measures, residential markets in Shanghai and Shenzhen have slumped for the first time after a year-long boom. Some 283,600 square meters of residential space was sold in Shanghai in the week from March 28 – a drop of 60% from the previous week – according to Shanghai-based Uwin Real Estate Research Center. Prices also fell by 3.4%. Shanghai on March 25 announced new curbs for non-Shanghai buyers, requiring them to show proof of payment of taxes or social insurance for five consecutive years, up from two of the preceding three years. The new rules also raised the minimum down payment for second homes from 40% to 50% or 70%, depending on the size of the units. Prices of new homes in Shanghai rose 25.1% year-on-year last month. Shenzhen saw the biggest growth among 70 cities, with a rise of 57.8%, according to the National Bureau of Statistics (NBS). In Shenzhen, sales volumes in both new and second-hand markets also fell. According to Collier International, these tighter measures are expected to slow down the number of transactions in both the primary and secondary markets in the short term. Prices would continue to grow in the medium and long term. The property consultancy also says the new set of measures will check property speculation.

- A total of CNY2.68 trillion, or 79.6% of last year's land sale fund spending, went to

compensation and preliminary land development, leaving only a marginal sum to be used for other expenditures, such as to build urban infrastructure, social housing and rural development, according to the Finance Ministry. Compensation-related fees have surged in recent years and have reduced the funds local governments earned through land sales. National land sale revenue last year was CNY3.37 trillion, a year-on-year decline of 21.6%.

- Shanghai-based Greenland Group, one of China's three largest property developers, aims to become a frontrunner in cross-border e-commerce. It has set up four procurement centers in the United States, South Korea, Australia and Britain, and has signed preliminary agreements with partners from France, Hungary, Canada and Japan to bolster cross-border trading. The company has made many overseas investments in recent years. Greenland now has a presence in 12 cities in nine countries. Greenland ranked 258th in the Fortune Global 500 ranking in 2015.
- Beijing Homelink Real Estate Brokerage Co is seeking to raise about USD1 billion and has attracted funding from Tencent Holdings and Baidu. Homelink, which opened its first physical store in Beijing in 2001, had expanded to 5,000 outlets across 24 cities in the country by October. It has moved online to build a database that includes information on 56 million property units and expects transactions initiated on its platform to rise 67% to at least CNY1 trillion by 2017 from last year.
- Sales of pre-owned houses in Shanghai rose by 112.2% in March from February to around 57,000 units. The increase marked a notable surge of 170.8% year-on-year. March is a month when the pace of buying usually recovers. Speculation that the government would unveil tightening policies also sparked panic buying among home seekers. The pre-owned houses were sold for an average CNY26,622.
- Hong Kong home prices are expected to fall a further 19% through the second quarter of 2017, but the decline could go even deeper in the event of a yuan devaluation or an uptick in interest rates, according to Nomura. Together with a 11% decline from September's peak, Nomura's prediction amounts to a cumulative 30% correction in home prices.
- Tightened housing market policies in Shanghai and Shenzhen have had the unintended consequence of spurring Beijing's housing market, as secondary market transactions surged to a three-year high in March. Sales of previously lived-in homes for the month rose to 32,000, a 111% gain from February and a 175% jump from a year ago, according to BA Consulting & 515J Group. The market continues heating up in Beijing, as new homes sold during the Qingming festival – a three-day public holiday from April 2 – was the highest for six years.

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RETAIL

Walmart to open 60 new stores in China by 2017

Walmart China is opening 60 new stores in the country by 2017 as part of its efforts to integrate its hypermarkets, membership stores and online platform. Greg Penner, Chairman of the Walmart Board of Directors, said that the company has already opened more than 50 new stores since a plan to add 115 stores in three years was announced in 2015. "China has amazing growth opportunities which in the next five years will surpass the U.S. market in retail potential," Penner said. He also emphasized the increasing importance of online shopping convenience to customers, who can have their orders placed online and delivered at home. Penner said, in 20 years in China, Walmart has built three brands – Walmart hypermarket, the Sam's Club membership store and Yihaodian, the retailer's Chinese online platform. Walmart China operates 432 stores in 174 cities and municipalities, while the number of registered users of Yihaodian has reached 130 million.

- Pork prices rose by as much as 35.2% year-on-year in March, leading to inflated prices for a range of other food items. The average price of wholesale pork was CNY25.34 per kilogram across 36 large cities during the first week of April, the highest it had been since October 2011, according to the Ministry of Commerce. The pork price rise is due to a shortage in the supply of domestically-produced pork caused, in part, by water pollution control initiatives in 10 provinces.
- There are more than 5,000 cross-border e-commerce firms in China, according to the Ministry of Commerce (MOFCOM). It estimated the cross-border e-commerce trade would reach CNY6.5 trillion in 2016 and grow at an annual pace of 30% in coming years.

SCIENCE & TECHNOLOGY

DuPont Pioneer and Origin Agritech to develop new seed technologies

DuPont Pioneer, the seed improvement and genetics unit of DuPont, has struck a deal with Chinese crop seed technology firm Origin Agritech to develop new seeds to meet the needs of Chinese farmers. The two firms said they have come to a "commercial licensing agreement" to develop new seed technologies for the Chinese market. "This combined effort will contribute to the modernization of China's agricultural system and improved food security, which the government has set as priorities," DuPont Pioneer said in a statement. The deal came two months after state-owned China National Chemical Corporation (ChemChina) agreed to buy DuPont's rival Swiss crop seeds and pesticides firm Syngenta for USD43 billion, in what would be China's largest overseas acquisition deal if completed. It is pending regulatory approvals. The acquisition followed close on the heels of DuPont's USD130 billion all-stock merger with U.S. rival Dow Chemical in December, which is also pending regulatory approval.

China has more than 20% of the world's population but less than 10% of its arable land. Hence food security is at the forefront of government policy priorities. The Chinese government has not generally allowed the cultivation of genetically-modified crops except for cotton and papaya, and many Chinese consumers are suspicious of foreign crop technology. But China imports a large amount of genetically-modified soya beans, mainly from the United States, the South China Morning Post reports. "Once approved by the Chinese government, these products will help our country's farmers fight the insects and weeds that prevent their crops from reaching their yield potential, said Han Gengcheng, Chairman of nine-year-old Beijing-based Origin Agritech. The firm said its "transgenic" corn was the first to receive the "bio-safety certificate" from the Ministry of Agriculture.

- Of nearly 1 million international students enrolled in public and private institutions in the United States in 2014 and 2015, about 304,000 (31.2%) were from China, according to the Washington-based Institute of International Education. About 30,000 of those students attended secondary schools, compared with fewer than 1,000 a decade ago.
- In the future, everybody, including company Chairmen and CEOs, will have to pass national entrance exams if they want to enroll in a domestic Executive Master of Business Administration (EMBA) program, according to the Ministry of Education.

Places in EMBA programs used to be sought after by businessmen, senior government officials and others, and some were offered as a bribe. Senior officials were told to quit EMBA as part of President Xi Jinping's anti-corruption drive. The Ministry last month banned 42 schools from offering EMBA.

- In 1949 when the People's Republic of China was founded, only 117,000 students were attending colleges or universities. But the number meanwhile soared to 37 million in 2015 – the world's largest student population. Now, one in every five college students is in China. The number of colleges and universities in the country now stands at almost 2,900, and is second only to the United States.
- The Guangzhou Electromechanical Technician College is establishing a new specialty: drone operator. About 50 students are expected in the first class. Drones are being used in an increasing range of industries in the Pearl River Delta cities. In Shenzhen alone, more than 700 drone manufacturers are registered. Unmanned aircraft are widely used in fighting crime, fire control, rescues and agricultural industries. Students will be able to design, manufacture and operate drones when they graduate.
- China is to carry out an experiment on burning coal in space, which scientists say may help lead to cleaner power stations and reduced air pollution. The experiment will be carried out aboard an unmanned research probe – the Shijian 10 – that was launched from the Gobi Desert last week. The probe will orbit earth for 12 days before returning to Inner Mongolia with most of its scientific payload.

STOCK MARKETS

Quality of Hong Kong IPOs could be better

Hong Kong should improve the quality of new listings and better regulate crowdfunding, according to Secretary for Financial Services and the Treasury Chan Ka-keung. He also believes there was no need for a proposed third board. He rejected calls to abolish the stamp duty to encourage high frequency trading. Hong Kong has maintained its leading role in IPOs globally. The city's stock market ranked No 1 last year in terms of funds raised, a role which it is on track to maintain this year. "The amount of funds raised is only one aspect to assess the IPO market. We should also look at the quality and performance of these companies post IPO," he said, adding that the Securities and Futures Commission (SFC) and stock exchange are working on a consultation paper on how to improve the listing regime. SFC Chairman Carlson Tong last year said the Commission would review the Growth Enterprise Market (GEM) with an eye to improving oversight of the market and address concerns regarding unusual share price movements and back door listings, the South China Morning Post reports. Hong Kong currently bans equity crowdfunding while the U.S. and UK have recently introduced regulatory oversight of these activities. Crowdfunding refers to the use of social media or other internet platforms to enable individuals or companies to raise funds.

- Guangdong and Zhejiang are home to the most listed companies in China, according to a new report that suggests a shift in economic gravity towards China's coastal regions. Guangdong province had 424 companies listed by the end of 2015, or 15% of the national total. Zhejiang followed with 299 listed companies, then Jiangsu with 276. About two thirds of China's listed companies came from the top six provinces. Beijing had 265 listed companies, while Shanghai had 224.
- Huatai Securities Co is seeking to acquire U.S. asset management software maker AssetMark for as much as USD800 million. A winner in the bidding process is expected as early as this month. AssetMark, based in Concord, California, provides asset management software to investment managers, broker dealers and investors, which collectively manage more than USD28.5 billion on its platforms.
- The Shanghai Composite Index surpassed its crucial 3,000-point level as investor sentiment warmed. It traded at 3,056.77 on April 6, almost 15% up from a recent low in late February of 2,673.11. The A-share market rebound might last another one or two months, as global equity markets pick up and the appetite for risk rises.
- Telecom company ZTE appointed Zhao Xianming as its new Chairman and President, while its shares resumed trading on the Hong Kong Stock Exchange (HKSE). The company also reported a 22% increase in net profit last year to CNY3.21 billion.

Trading was halted from March 7 after the U.S. government slapped ZTE with export restrictions for allegedly violating longstanding trade sanctions on Iran. The company is seeking a final solution to the sanctions.

- Fears that a selling ban imposed on major shareholders of listed companies will expire soon are unfounded, Jiang Jinfeng, Analyst at Essence Securities Co, said as the Chinese stock market declined for a third day on April 8. The ban stipulated that major shareholders of listed companies can sell no more than 1% of the company's total shares within three months. Jiang said the three-month requirement only refers to a time frame and it did not mean that the ban would expire in three months.

TRAVEL

Three major airlines report declining yields on international routes

China's three main airline groups saw declining yields on international routes last year. The aggressive expansion of capacity in overseas markets and rising competition on routes to regions such as Japan, South Korea and Southeast Asia have resulted in sharp declines in their yields. Last year, China Southern Airlines saw its available seat miles (ASM) climb by 30% over the previous year. China Eastern Airlines and Air China each had its ASM grow by nearly 25% and 20% year-on-year, according to their latest earnings reports. But they saw declining yields, or passenger revenue per available seat mile, on the international routes. Air China, China Eastern and China Southern, each had its yields declined by 19%, 4.7% and 10.3% year-on-year, respectively. Li Xiaojin, Professor at the Civil Aviation University, said: "Currently, the supply of domestic air routes exceeded the demand, due to the growth of high-speed trains. Airlines can only expand their international air routes, as a result of the growing demand for overseas travel and the frequent flow of domestic and foreign personnel." The three airlines reported their best performance in three years thanks to record-low oil prices. China Southern's profit more than doubled to CNY3.85 billion last year, while China Eastern's profit grew 33% to CNY4.54 billion and Air China's profit surged 77% to CNY6.77 billion, the China Daily reports.

VIP VISITS

Swiss President visits China

President Xi Jinping and Premier Li Keqiang met with Swiss President Johann Schneider-Ammann, vowing to strengthen bilateral cooperation with Switzerland. China and Switzerland signed five documents to boost cooperation in areas including work safety, science, innovation and low-carbon city construction as the two countries declared the establishment of their innovative strategic partnership. Switzerland is China's seventh-largest trade partner in Europe, and the trade volume between the two reached USD44.3 billion last year. Xi spoke highly of the Sino-Swiss free trade agreement (FTA). Enacted in July 2014, it was China's first free trade pact with a country on the European continent. Xi said it has "set an example for Sino-European cooperation".

- Chinese Foreign Minister Wang Yi met in Naypyitaw, Myanmar, with his counterpart Aung San Suu Kyi. He said that the two nations should "reinforce high-level exchanges as soon as possible" and "properly tackle issues facing their cooperation". His visit came days after the new Myanmar government took office. "China-Myanmar relations are now at a new historical starting point," Foreign Minister Wang said. China is Myanmar's largest trade partner and investment source. Beijing is keen for the resumption of various projects, including the USD3.6 billion Myitsone Dam, the Letpadaung Copper Mine and a proposed USD20 billion railway line linking Yunnan with Myanmar's Rakhine state.
- China will work together with Sri Lanka to push forward resumption of the delayed construction of the Hambantota Port City project in Colombo, Premier Li Keqiang said while meeting with Sri Lankan Prime Minister Ranil Wickremesinghe, who paid his first visit to China since he took office last year. China will also push forward the negotiation of a free trade agreement (FTA) with Sri Lanka, aiming for an outcome this year.

- China and Germany will give impetus to further cooperation in upgrading the manufacturing sector by embracing the latest automation, data exchange and manufacturing technologies, Premier Li Keqiang said while meeting with visiting German Foreign Minister Frank-Walter Steinmeier in Beijing. Germany aims to increase its cooperation with China on high-speed trains and infrastructure.

ONE-LINE NEWS

- Sotheby's set a new record for the sale of a Chinese painting. Zhang Daqian's 1982 hanging scroll, Peach Blossom Spring, sold for a record HKD271 million in Hong Kong. After more than 100 bids, the painting was bought by Shanghai's private Long Museum.
- Yang Luyu, Mayor of Jinan, capital of Shandong province, has been placed under investigation for corruption, shortly after he was named in a lawsuit in a Hong Kong court.
- The amount of discarded packaging from online sales is becoming a problem. Last year, with a total of 20.67 billion delivered parcels, the industry left behind 11 billion plastic bags, 9.9 billion cardboard boxes and 17 billion meters of adhesive tape, said Zhu Lei, Deputy Director of the Qingdao Research Center of the Beijing Institute of Graphic Communication.

ANNOUNCEMENTS

EU Survey on new anti-dumping rules for China

The European Commission invites companies to open public consultation regarding the possible change in the methodology to establish dumping/subsidisation in trade defence investigations concerning the People's Republic of China. If your company is interested, please complete the survey via this link.

[https://ec.europa.eu/eusurvey/runner/chinaantidumping?
ed2f26df2d9c416fbddddd2330a778c6=tukjikel-tkuljlll](https://ec.europa.eu/eusurvey/runner/chinaantidumping?ed2f26df2d9c416fbddddd2330a778c6=tukjikel-tkuljlll)

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