



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

# NEWSLETTER | 25 APRIL 2016

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## FCCC/EUCBA ACTIVITIES

### Seminar: How to Tackle a Changing China – 18 May 2016 – Antwerp

The Flanders-China Chamber of Commerce and the EU SME Centre in Beijing are organizing a seminar focused on '*How to Tackle a Changing China*'. The seminar will cover two sessions. The first will be delivered by the EU SME Centre's Director, Chris Cheung who will provide an overview of the recent changes in the Chinese business environment and the opportunities and challenges that arise as a result. The Centre's Business Development Advisor, Rafael Jimenez, will then discuss the increasing trend of Chinese overseas direct investment to the EU and what this means for EU SMEs.

The seminar will be organized on 18 May at 14h00 in Antwerp (exact location to be confirmed).

The programme is as follows :

14h00-14h05	Introduction by Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
14h05-15h00 (includes Q&A)	How to Tackle a Changing China, Chris Cheung, Director EU SME Centre
15h00-16h00 (includes Q&A)	How to service Chinese Overseas Direct Investment, Rafael Jimenez, EU SME Centre Business Development Advisor
16h00 to 16h30	Networking

[Register online](#) before 12 May 2016. Participation fee for FCCC members: 80,5 € (incl. 21% VAT), non-members: 108,9 € (incl. 21% VAT).

The briefing is organized with the support of Flanders Investment & Trade and the EU-China Business Association.

### 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 21<sup>st</sup> 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](mailto: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](http://www.dcw-ev.de/hannovermesse)

## Sino-European Entrepreneurs Summit – 13-14 June 2016 – London

Sino-European Entrepreneurs Summit, annual grand meeting between Chinese and European entrepreneurs

The Sino-European Entrepreneurs Summit (SEES) was created with the objective of promoting international business cooperation between China and the EU, two of the world's most important business partners. SEES has been organizing business oriented conferences and intensive one-to-one meetings since 2008, attracting over 150 leading Chinese entrepreneurs to Europe each year. SEES has proven itself to be one of the major annual meetings for both Chinese and European entrepreneurs. Holding the annual meeting in London in 2016 is important because the delivery of the 13<sup>th</sup> Five Year Programme and the implementation of the ‘one belt one road’ (OBOR) strategy will give new momentum to the internationalization of Chinese business. Entrepreneurs are actively seeking international direction, projects, talents and funding. SEES 2016 will take the 13<sup>th</sup> Five Year Programme as its starting point and address issues that include the search for new growth in finance/financial services, real industry, and China's internationalization strategy and innovation among other areas.

For more information, visit the [SEES website](#).

The Summit is organized with the support of the EU-China Business Association (EUCBA).

## 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](mailto:gwenn.sonck@flanders-china.be)  
[www.flanders-china.be](http://www.flanders-china.be)

The sponsoring opportunities are the following:

### **1. SPONSORING OF ACTIVITIES**

During FCCC activities, you can put a banner of your company at the event and distribute documentation of your company and obtain free invitations.

Invitations are distributed via E-mail and the FCCC website and newsletters. The events are announced in different media channels.

The fee is according to each different event.

### **2. SPONSORING AT THE FCCC WEBSITE**

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GOLDEN SPONSOR (12 months): 1.950 €

SILVER SPONSOR (6 months): 1.450 €

### **3. SPONSORING IN THE FCCC WEEKLY NEWSLETTER**

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 €

SILVER SPONSOR (6 months): 1.550 €

SPONSOR (3 months): 895 €

### **4. SPONSORING IN THE QUARTERLY E-NEWSLETTER IN CHINESE AND ENGLISH LANGUAGE: "NEWS FROM THE HEART OF EUROPE: FLANDERS"**

- 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

Amounts are excl. VAT.

### **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](http://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](mailto:gwenn.sonck@flanders-china.be)

## ACTIVITIES SUPPORTED BY FCCC

### Info session agricultural sector mission – 2 May 2016 – Antwerp

On May 2, the Province of Antwerp will organize an info session on the agricultural sector mission which will visit Beijing, Yangling and Shanghai from September 3 to 10, 2016, and is organized by the Province and Flanders Investment & Trade. For more information about the mission, see below "Agricultural sector mission".

14.30 Welcome (coffee, thee or water)

15.00-17.00 Info session

Welcome by Ludwig Caluwé, Vice Governor

Introduction by the Province of Antwerp about Shaanxi

Introduction by FIT about Beijing and Shanghai

Practical details

Introduction about doing business in Shaanxi and Yangling by Mr Bart Horsten, external expert.

Monday, May 2, 14.30 to 17 h. at Provinciehuis (Singel), Desguinlei 100, 2018 Antwerpen, Zaal Antigoon (6<sup>th</sup> floor).

Registration for this info session is free of charge by e-mail to [alice.cooman@provincieantwerpen.be](mailto:alice.cooman@provincieantwerpen.be) or at the [website of the Province of Antwerp](#) before 28 April 2016.

### 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.

### Agricultural sector mission – 3 to 10 September 2016 – Beijing, Yangling, Shanghai

Flanders Investment & Trade and the Province of Antwerp are organizing an agricultural sector mission to China from 3 to 10 September 2016. It offers companies active in the agro-business the opportunity to prospect the Chinese market. The mission will visit Beijing, Yangling in Shaanxi province, and Shanghai.

In Beijing, individual B2B meetings, a networking reception and a visit to the agro expo VIV China will be organized. The Province of Antwerp will also host a seminar.

In Yangling, individual B2B meetings will also be organized, as well as a visit to the Yangling Agricultural High-tech Industries Demonstration Zone, a cluster of universities, schools, research centers, and an industrial park with Chinese and joint venture companies in the

agricultural sector. The Province of Antwerp will organize a networking dinner. B2B meetings will also be held in Xian.

In Shanghai, the mission will visit a Flemish company in the agro sector, and participate in B2B meetings and a networking event.

More information on the mission is available on the [website of Flanders Investment & Trade](#). Register before June 10, 2016.

## PAST EVENTS

### 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 organized an interesting briefing focused on 'China's New Normal: What are the challenges and opportunities for businesses?'. This briefing took place on 18 April at The Conference Board in 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, delivered a special briefing to help companies 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 also provided 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 Stefaan Vanhooren, Vice-Chairman Flanders-China Chamber of Commerce facilitated the briefing and Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce facilitated the CEO Roundtable Dinner. The event was conducted according to the Chatham House Rules.

## ADVERTISEMENT

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## AUTOMOTIVE

### SUVs to be star of the Beijing auto show

Sales of SUVs soared 52% last year. That helped the overall market grow 7.3% even though car and minivan sales fell. "Ten years ago, no one wanted an SUV because it was considered to be a bulky truck for peasants," said Michael Dunne, Consultant on Chinese auto market strategy. "Now the cool factor has kicked in and SUVs are super-hot in the China market." Scrambling for a piece of that action, automakers from General Motors and Volkswagen to local players Great Wall and BYD are making SUVs the star of this week's Beijing auto show, the biggest of the year in the world's biggest auto market. The show "will highlight the growing tension between international and local brands as they fight to outshine each other with new products," said Namrita Chow of IHS Automotive in a report. Overall auto sales growth is likely to fall further this year to 6%, though total volume might reach 25 million vehicles. Total profit for Chinese brands fell last year despite a 10% sales growth, said Robin Zhu of Bernstein Research. Chinese brands account for 65% of SUVs sold, dominating the market's lowest tiers, where profits are slim. This month, BYD Auto unveiled the Yuan compact SUV, starting at CNY59,000 for the gasoline version and CNY209,900 for a gas-electric hybrid. Also ahead of the Beijing show, Geely debuted the Boyue SUV, starting at CNY98,800. Fiat Chrysler Automobiles' Jeep is due to debut its China-manufactured Renegade, while Honda Motor Co plans to unveil two SUVs designed for China, the Shanghai Daily reports.

- Future Mobility, a Chinese electric-vehicle company backed by Tencent Holdings and Foxconn Technology Group has hired a team of managers from BMW's i sub-brand. Dirk Abendroth, Benoit Jacob and Henrik Wenders will join Future Mobility Corp as Vice Presidents of software and connectivity, design, and marketing, respectively. The executives will join Carsten Breiffeld, the former Project Manager for BMW's i8 plug-in sport car, hired to be Future Mobility's CEO.
- Pirelli, one of the world's top five tire makers, is looking for opportunities to work with Chinese automotive manufacturers to provide tailored products, said Gregorio Borgo, Director of General Operations of Pirelli. It plans to focus on the booming SUV and electric-vehicle sectors in China, to provide better tires for those vehicles. "We are still expecting rapid growth in the Chinese tire market due to the growing demand for luxury cars," said Borgo.
- 6.59 million cars were sold in China in the first quarter of 2016, a 6.2% growth year-on-year, in line with the China Association of Automobile Manufacturers' annual prediction. The new-energy vehicle (NEV) market is growing rapidly in China. Sales of NEVs in the first three months of the year totaled 58,125 units, a 100% rise year-on-year. At the Beijing motor show, which opened on April 25 for VIPs and the press, 147 of 1,179 vehicles displayed are new-energy models.

## FINANCE

### Yuan depreciation of 3% considered as "stable"

A depreciation of nearly 3% in the yuan against a basket of foreign currencies is considered a "stable" performance, the State Administration of Foreign Exchange (SAFE) said. SAFE is taking a tolerant attitude, with the yuan being allowed to fluctuate within an acceptable range. The yuan has weakened by 2.8% against the basket, which comprises 13 currencies referenced by the central bank. In the first quarter, the yuan appreciated against the U.S. dollar but fell against the basket. Its nominal effective exchange rate fell by 2.3% against 40 currencies defined by the Bank for International Settlement (BIS). The People's Bank of China (PBOC) in recent months has moved between depegging the yuan to the dollar and repegging it to the U.S. currency when market confidence in the yuan slumped. Tom Orlik, Economist at Bloomberg said: "The worst fears of a cascading capital flight have come to pass. There appears to have been a repegging of the yuan against the dollar since mid-January, which reduces the incentive for households to shift funds out of China's currency," the China Daily reports.

### More approvals needed to register finance companies

Chinese authorities are suspending new registrations of finance companies. Applicants with finance-related names or businesses would not be able to register via local branches of the State Administration for Industry and Commerce (SAIC). The companies first need to get approvals from financial regulators. The Administration has also started targeting "financial" companies involved in illegal activities such as illicit public fundraising, loan sharking schemes and defrauding investors via online peer-to-peer platforms. Law enforcement authorities, including police, have already teamed up with business-registration authorities to raid some of the illegal operations. The decision to suspend approvals comes after a string of failures of P2P operators and asset management firms since late last year. The firms were alleged to have illegally taken deposits or defrauded investors. Victims of the biggest scam so far, run by a P2P platform called Ezubao, took to the streets and protested, saying the authorities turned a blind eye to the schemes until state financial regulators and law enforcement authorities became aware of the risks from the business failures. Police are expecting a large number of defaults from the illegal private lending and wealth management sector in the middle of this year as due dates for payments fall.

- The Shanghai Gold Exchange launched a new contract to set a "benchmark" price for gold in order to raise its influence in the pricing of the precious metal. The benchmark price was set at CNY257.97 per gram. Eighteen banks and bullion traders have been chosen as initial market makers for the fix, including 10 Chinese lenders. As the world's biggest physical bullion exchange, SGE traded 17,033 tons of gold bullion and derivatives last year, a rise of 84% from 2014.

- The U.S. needs to recognize that it and China are mutually dependent on each other and their economic cycles are intertwined, according to Finance Minister Lou Jiwei. “We have more in common than sets us apart,” Lou said in an interview with The Wall Street Journal. But he rejected the proposal by Republican presidential candidate Donald Trump to increase tariffs on Chinese imports to 45% to force China to change its trade policies.
- 18 major Chinese listed banks suffered a sharp growth in overdue loans in 2015, which increased 45.67% to CNY1.51 trillion at the end of last year, pushing the overdue loan ratio to 2.7%, PricewaterhouseCoopers (PwC) China said. The average bad loan ratio in 2015 was 1.65%.
- China’s government fiscal revenues rose 7.1% in 2016’s first quarter to CNY1.15 trillion compared with the same period in 2015, while the nation’s gross domestic product (GDP) expanded during this year’s first quarter by 6.7%, compared with January to March last year.
- Russia and China may sign an agreement as early as next month allowing development of an offshore Chinese currency center in Moscow. Russian President Vladimir Putin is expected to visit Beijing by the end of June. Sergei Shvetsov, Deputy Governor of the Bank of Russia, said his discussions with the People’s Bank of China (PBOC) and finance-sector regulators were “very productive” and the process was “close to being fulfilled”.
- Chinese banks sold a net USD36.4 billion in foreign exchange in March, up from USD33.9 billion in February, but sharply below USD54.4 billion in January and USD89.4 billion in December. The figure marked the ninth straight month of deficit. China still faced capital outflow but the pressure had been easing compared with previous months, Wang Chunying, Spokeswoman for the State Administration of Foreign Exchange (SAFE) said.

## FOREIGN INVESTMENT

### FDI expected to maintain steady growth

Foreign direct investment (FDI) in China is expected to maintain steady growth this year due to robust inflows in western regions, according to the Ministry of Commerce (MOFCOM). “It may not increase very fast but will maintain the growth momentum seen last year and in the first quarter of this year,” said Ministry Spokesman Shen Danyang. Investment in western regions rose 42.5% year-on-year to CNY21.3 billion, a higher growth than the national average. For China as a whole, FDI in the first three months rose 4.5% from a year earlier to CNY224.2 billion, while the figure for March alone was 7.8%. Foreign direct investment in the form of M&As increased by 32.6% year-on-year in the quarter to USD7.8 billion, or 22.7% of the total figure, up from 17.9% a year earlier, he said. The total number of foreign-invested M&A deals in 2015 rose 14.4% year-on-year to 1,466, with realized investment soaring 137% to USD17.8 billion.

- China’s central bank has issued detailed regulations on expanding the cross-border use of the yuan in the China (Fujian) Pilot Free Trade Zone (FTZ). Under the new rules, individuals who work or live in the FTZ will be allowed to make overseas direct investments, but it is still unlikely they would be allowed to invest directly in stocks and real estate in another country.

## FOREIGN TRADE

### Cargo ships to try Arctic passage north of Canada

China announced plans for its cargo ships to take the Arctic Northwest Passage route to the north of Canada that will be 30% shorter than the ocean passages traditionally used to connect the northern Atlantic and Pacific oceans through the Panama Canal. Global warming has made the northwest route more navigable. Only one cargo ship, the Canadian vessel Nunavik, has so far made a solo voyage through the Northwest Passage.

- China hit back at its critics over allegations that it is dumping steel products on world markets, threatening the European steel industry and causing job losses. Shen Danyang, Spokesman for the Ministry of Commerce (MOFCOM), told reporters at a news conference in Beijing: “Steel is the food of industry, the food of economic development. At present, the major problem is that countries that need food have a poor appetite, so it looks like there's too much food.”
- A survey by the Ministry of Commerce found nearly 60% of 3,000 trade enterprises saw the outlook for exports as more severe this year and “dared not be optimistic”.
- The port of Gwadar in Pakistan, which forms an important part of the China-Pakistan Economic Corridor, will be operating fully by the end of this year. “We expect to see its traffic reach 1 million tons by the end of this year, and a significant increase in the following years,” according to Zhang Baozhong, Chairman of the China Overseas Ports Holding Co. The company took over management of the deep-sea port from the Port of Singapore Authority in 2013. It also runs a free trade zone (FTZ) near the port.

## HEALTH

### Alibaba joins JV for health insurance

Alibaba Health Information Technology has reached an agreement with six other parties to establish a joint venture for internet health insurance related operations in China. The joint venture has a registered capital of CNY1 billion. It is awaiting approval from the China Insurance Regulatory Commission (CIRC). China Taiping Insurance Holdings Co is the largest shareholder with a 21% stake.

- A new alloy developed by local scientists can be made into degradable cardiovascular stents, allowing patients to regain blood vessel health without adverse reactions. The stents will go into clinical trials later, said Ding Wenjiang, Professor at the Materials Science and Engineering School of Shanghai Jiao Tong University. The new coronary stent is made of a magnesium alloy developed by Ding.
- 28 chemical factories at an industrial park in Haian county, Jiangsu province, have been ordered to close following claims that pupils at a nearby primary school fell sick after breathing in noxious fumes.
- Those who contaminate soil in Shanghai now face a million-yuan fine, the toughest measure yet to combat polluters, according to a new amendment to the environmental protection law. The soil at former industrial sites must be properly evaluated and fully rehabilitated before it can be used for residential or commercial purposes.
- Roughly three-quarters of the water sources tapped by China's 30 biggest cities are polluted, affecting tens of millions of people, The Nature Conservancy said in its “China Urban Water Blueprint”. Overall, 73% of the catchments had medium to high levels of pollution.
- Minsheng Securities said the market for soil rehabilitation could be worth about CNY6 trillion once the relevant laws were passed to formally recognize the industry. By 2013, there were about 300 companies that specialized in such projects, but few of them were up to standard.

## IPR PROTECTION

### Judges call for revision of competition law

Chinese judges have called on legislators to revise a law on unfair competition. Last year alone, Chinese courts accepted 2,181 civil disputes involving unfair competition, a year-on-year increase of 53%, according to Song Xiaoming, Chief Judge of the Supreme People's Court's Intellectual Property Tribunal. Such disputes arising from the internet have increased rapidly, Song said. “New and complicated problems are emerging online that the current law, established in the 1990s, cannot solve,” he added. To keep the online market in order and protect online intellectual property rights, he suggested that legislators update the law on unfair competition. Further clarification is also needed on ways to reduce the cost of protecting IP rights and the online evidence that needs to be collected. Last year, the number of IP cases

heard by Chinese courts rose by 11.73% year-on-year, with most of them taking place in Beijing and Shanghai, and in Jiangsu, Guangdong and Zhejiang provinces.

- China will increase its efforts in fighting intellectual property violations, especially those that affect people's livelihoods and the e-commerce sector, after a boom in such cases in recent years, said Shen Changyu, Director of the State Intellectual Property Office (SIPO). Focus areas would be food, medicine and the environment.
- Courts in Shanghai handled 10,095 IP lawsuits last year, an increase of 29% from 2014 and surpassing 10,000 for the first time, according to the Shanghai Intellectual Property Office. The number included 324 criminal cases that involved 568 suspects. The courts concluded 9,353 IP cases over the same year.
- More trademark applications are made in China than in any other country in the world, the State Administration for Industry and Commerce (SAIC) claimed. The total for last year was more than 2.8 million, or four times the number made in 2008.

## MACRO-ECONOMY

### Uptick in economy could be only temporary

The China Center for International Economic Exchanges has warned that recent better-than-expected economic data might reflect only a short-term rebound, rather than a long-term reversal of slowing growth. The Center said an expected imminent cut in the central bank's reserve requirement would help stabilize the economy, but that there was little room to cut benchmark interest rates this year. Economists are concerned over the sustainability of recent growth. They say it has been driven the old-fashioned way – through property investment and infrastructure construction – and that the increase of credit will add to an already heavy corporate debt load. Zhang Xiaoqiang, Executive Vice Director with the think tank, said some big companies were putting the banks loans into their deposit accounts, instead of investing it in the real economy. China's banks extended CNY4.61 trillion in new loans in the first quarter of the year, up CNY930 billion from a year earlier.

- Spouses and children of senior officials in Beijing will soon face strict controls over their involvement in private businesses, following their counterparts in Shanghai, as the central authorities expanded a pilot anti-corruption program to end nepotism and regulate the behavior of officials' family members.
- China's fixed investment in highways in the first quarter rose 8.5% year-on-year to CNY228.9 billion, the Transport Ministry said. The cargo-handling capacity of the country's major ports rose 1.7% in the period to 2.76 billion tons, while container throughput increased 1.9% to 50 million TEU.
- China had a population of 1.373 billion last year, an increase of 33.77 million people over the census taken in 2010, meaning the annual growth rate was 0.5%. The figure does not include the populations of Hong Kong, Macao and Taiwan. The number of people holding degrees from colleges or universities reached 170.9 million, which means there were 12,445 people with an advanced education per 100,000 people in 2015, up from 8,930 in 2010.
- Corporate contributions to China's state pension, unemployment and health care funds will be lowered marginally from May 1 onwards to help cut some of the costs facing businesses. The social welfare payment requirements imposed on employers, which jointly make up about 40% of all labor costs, are viewed as a key factor in eroding China's traditional labor cost advantages.
- China is the world's largest purchaser of robots, but it still has only 36 robots per 10,000 workers, compared with 164 in the U.S. and 478 in Korea.
- The overall employment situation in China during the first quarter was stable, despite downward pressure on the economy. The registered unemployment rate in urban areas stood at 4.04% at the end of March, down from 4.05% at the end of 2015, according to the Ministry of Human Resources and Social Security. An additional 3.18 million urban jobs were created in the first three months of 2016.

## MERGERS & ACQUISITIONS

### Chinese robotics maker acquires Paslin

Chinese robotics maker Zhejiang Wanfeng Technology Development Co has acquired Paslin, a U.S. robotics firm focused on the automotive sector, for USD302 million. Wu Jinhua, Wanfeng's Chairman and CEO, said: "Paslin has accumulated advanced technologies and client groups in the field of automated welding in North America, and this acquisition could not only help Paslin realize its globalization, but also enhance Wanfeng's competitiveness in industrial robot system integration technology." The company's robotics business could exceed USD10 billion in the future, considering the huge demand for robots in the Asian market. Established in 1937, Paslin is the world's leading provider of welding robot application systems to the global automotive and heavy industries market. Founded in 1994, Wanfeng's parent, Wanfeng Auto Holding Group, has interests in auto parts manufacturing, industrial robots, intelligent equipment, aviation and financial services. In 2013, the group purchased Canada's MLTH Holding, the world's leading manufacturer of magnesium alloy auto parts for CNY1.1 billion. Statistics from the International Federation of Robotics show that sales of industrial robots reached 57,000 units in 2014 in China, accounting for one-fourth of global sales. China has become the largest industrial robots market for the three consecutive years since 2013, the China Daily reports.

- Investment in Chinese companies backed by venture capital declined in the first quarter of 2016, according to a report by accounting firm KPMG and consulting firm CB Insights. The number of deals in China rose slightly from 78 in the last three months of 2015 to 85 in the first quarter, but investment fell 45% to USD4 billion, around 40% of the record USD10.2 billion set in the third quarter of 2015.
- Chinese companies sealed 142 big-ticket acquisition deals abroad in the first quarter of the year, the Ministry of Commerce (MOFCOM) said. The total value was USD16.56 billion, up 13.4% year-on-year. Chinese enterprises acquired foreign companies in 15 industries including infrastructure, construction machinery and service businesses in 36 countries and regions. The largest acquisition deal during the first quarter was sealed by China's Three Gorges Corp, the world's largest hydropower producer. It gained 30-year concession rights to operate two major hydro-electric projects in Brazil, with a total investment of \$3.7 billion.
- The Ministry of Commerce (MOFCOM) dismissed claims that Chinese companies are on a global buying spree, saying the speed of their overseas mergers and acquisitions was "appropriate and normal." The value of cross-border M&As in the first quarter rose 14% year-on-year to USD324 billion, while the number of deals fell 10% to 1,202, according to Baker & McKenzie.
- Printer maker Lexmark International has agreed to be taken private by a group of investors led by China-based Apex Technology Co and PAG Asia Capital in a deal valued at USD3.6 billion, the company said. The deal, which is expected to close in the second half of 2016, is subject to regulatory approvals in the United States, including by the Committee on Foreign Investment in the United States (CFIUS). Lexmark will remain headquartered in Lexington, Kentucky, and Chairman and Chief Executive Paul Rooke is expected to continue to lead the company.
- The Australian government is deferring until after the July 2 federal election a politically sensitive decision on whether to allow the sale of cattle company S. Kidman & Co to a Chinese-led consortium. The company owns agricultural lands equivalent in size to South Korea. The AUD371 million offer, led by China's Hunan Dakang Pasture Farming Company and Shanghai CRED Real Estate Stock Co, would be subject to an extensive independent review taking up to 90 days.

## REAL ESTATE

### Uncertainty about land-use leases

Public concern over land-use rights in Wenzhou, Zhejiang province, has prompted official media to call for a clear legal framework concerning home ownership. Hundreds of homeowners in Wenzhou face uncertainty as their 20-year land-use leases approach expiration. Local authorities have reportedly asked them to pay hundreds of thousands of yuan

to renew each 20-year land lease on 70-year terms or risk losing ownership. In China, the government retains ownership of the land on which all houses are built. Individuals may own a house, but must lease the land itself from the government. Since the commercialization of the property market in the 1990s, residential properties have been built based on land-use leases ranging from 20 to 70 years. The shortest leases, such as those in Wenzhou, are now coming up for renewal. The issue has arisen at a time that property prices in major cities such as Shanghai are surging, with some homeowners paying up to CNY5 million for a two-bedroom home. Millions of homeowners are watching what happens in Wenzhou fearing that their own property investments could be questioned when their leases expire. The official Xinhua News Agency said that a blurry definition of home ownership could potentially cause social unrest. "It doesn't make sense if homeowners or their offspring are required to pay further millions of yuan to continue to own their houses," said Shen Ye, 42, a Shanghai homeowner. "The question could be answered when China officially starts imposing property tax," said Joe Zhou, JLL's Director of Research in China. "With the property tax, homeowners can continue to own their houses and automatically renew the land-use agreement after 70 years as long as they continue to pay the tax," the South China Morning Post reports.

- Commercial banks in Shanghai on April 25 stopped cooperating with six major property firms for one month while branches of seven commercial banks will suspend home loan services for two months as punishment for violating home loan policies. The measure aims to fight gray-market mortgages, the Shanghai Office of the China Banking Regulatory Commission said.
- The Shanghai Tower, which looms 632 meters above the Lujiazui Central Business District in Shanghai, has started trial operations. It is China's tallest skyscraper – and the world's second tallest. Its three super-fast lifts travel at 18 m per second to observation decks on the 119<sup>th</sup> floor in only 55 seconds. The three are among a total of 154 lifts in the tower. The Shanghai Tower will generate 1.2 gigawatt-hours of power from 270 wind turbines mounted about 580 m above ground. Hong Kong has the highest number of skyscrapers taller than 150 m.

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## RETAIL

No Chinese companies in global Top 10 brands list

Financial brands including the Bank of China (BOC) and China Merchants Bank (CMB) as well as technology brands including Huawei, Alibaba and Baidu appear in the China Top 100 list of valued brands by communications agency Cohn & Wolfe. Globally, no Chinese company made the Top 10. Nearly 12,000 consumers in 14 markets were surveyed in the 2016 study. The

survey showed that Chinese consumers are the least cynical toward brands as 36% of them said that brands and companies are “open and honest”, while the number is 23% in the U.S., 13 in Singapore, and a mere 5% in Sweden. “Despite many issues of fraud, fake brands and scandals, the Chinese culture still has a lot of respect for the larger and global brands. I think there is a natural affinity, whereas in Europe and the U.S., consumers are a little bit jaded against the brands,” said Jim Joseph, Chief Marketing Officer at Cohn & Wolfe. While financial institutions and technology brands achieved the highest scores on the authenticity index, the industries of consumer goods, education and real estate were ranked the lowest by Chinese consumers.

- The Chinese government has called for better-quality consumer products to be manufactured, including rice cookers and toilet seats. Many Chinese consumer products are still of an inferior quality, and the government wants the quality of those products to be upgraded to boost consumption.
- Sales at Yum Brands’ China restaurants open at least one year rose 6% in the first quarter. KFC restaurants in China, the majority of the 7,205 stores of Yum China, posted a 12% rise in same-store sales while the smaller Pizza Hut Casual Dining posted a 12% decline. Analysts had expected a 5.5% gain in KFC China and a 3.7% drop at Pizza Hut China. The China unit is Yum’s top profit-driver.

## SCIENCE & TECHNOLOGY

### China to launch core space station module in 2018

China announced that it would launch the core module Tianhe-1 of its first space station around 2018, which is expected to be the only one in service after it is completely assembled in 2020. The announcement came ahead of the first China Astronautics Day on April 24. The International Space Station has extended its service but is still expected to be abandoned by 2024. “International cooperation might be promoted then,” said Pang Zhihao, Research Fellow at the Chinese Academy of Space Technology, adding that China’s space station might be open to foreign astronauts. The 13<sup>th</sup> Five Year Plan (2016-20) also includes lunar and Mars exploration programs. Sharing the same orbit with the space station, a space telescope similar to the Hubble Space Telescope will also be launched after the space station is in operation. With a field of view 300 times larger than Hubble, the telescope will orbit at a distance to the space station and dock with it in case of malfunction or maintenance requirements. China will launch lunar probes Chang’e-5 and Chang’e-4 in 2017 and 2018, respectively, while China’s BeiDou Navigation Satellite System will be ready to provide global navigation services around 2020. Last month, China launched the system’s 22<sup>nd</sup> satellite, the Global Times reports.

- Liang Sili, one of China’s top space scientists, has died at age 91. President Xi Jinping said Liang had dedicated his life to China’s space program and contributed greatly to making the country a strong space power. Liang was the youngest son of Liang Qichao, a famous reformer during the late Qing Dynasty (1644-1911).
- The returning capsule from the SJ-10, China’s first microgravity satellite, landed in the Inner Mongolia. The satellite carried 19 experiments on microgravity and bioscience. High-resolution images sent back from the satellite enabled scientists to prove that early-stage mouse embryos could develop fully into blastocysts in space.
- China is planning to build its first floating nuclear plant in Huludao, Liaoning province. It will be built by Bohai Shipbuilding Heavy Industry Co, a unit of China Shipbuilding Industry Corp (CSIC). The CSIC 719 Research Institute was established in 2014 to develop a maritime nuclear power platform and core technologies in the field. The China General Nuclear Power Group will provide the 200-megawatt ACPR50S nuclear reactor. The floating power plant would be able to provide electricity to facilities such as seawater desalination plants and offshore oilfield exploration rigs.

## STOCK MARKETS

### Shares of steel and cement companies expected to rebound

Shares of Chinese cement and steel companies may pick up in the second half, thanks to steady infrastructure and property investments in smaller cities, said Mandy Chan, Director of China and Hong Kong equities at HSBC Global Asset Management. "China's approved new home building projects in January jumped 40% year-on-year. As it takes time for developers to get bank loans and start construction, the demand for raw materials will soar in the second half."

- Last week, 223 enterprises debuted on the National Equities Exchange and Quotations (NEEQ). The figure more than doubled on a weekly basis. The transaction volume on the NEEQ rose over 11% from the previous week to CNY4.64 billion. As of April 23, there were 6,806 companies listed on NEEQ, with total market capitalization of nearly CNY3 trillion.

## TRAVEL

### Airlines' capacity expands faster than demand

Cathay Pacific and subsidiary Dragonair's planes were 83.9% filled in March, down 3.4 percentage points compared with last March. It recorded a modest traffic increase of 2.6% in the month, compared to the Hong Kong International Airport's 4.8% passenger growth that was driven by a 19% surge in trips by Hong Kong residents. The growth in passenger numbers was not able to keep pace with the growth in capacity, leading to a drop in load factor. Cathay's passenger traffic grew 5.5% in the first quarter while capacity grew 6.5%. Air China reported a 3.1 percentage point drop in load factor to 78.5% in March, even though it carried 4.3% more passengers overall. China Southern Airlines saw a 2.94% drop in load factor that month while China Eastern's slid 1.4%. All of them have increased their international capacity in the first quarter by around 30% compared to last year. "Chinese outbound travel fervor, especially to Europe, has cooled slightly since the last quarter of 2015, with terrorist attacks in Paris and elsewhere dampening travel interest. With the economy slowing, people are more prudent with their travel expenditures. The tightening of the Schengen visa has also made it more difficult for mainland groups to travel," said Chan Cheong Eu, Hong Kong-based Country Manager for Greater China South at Qatar Airways. Bocom International's Asia head of transportation research Geoffrey Cheng agreed the drop in load factor is a result of overcapacity, the South China Morning Post reports.

### China Eastern Airlines and Ctrip in partnership deal

State-owned China Eastern Airlines and China's largest online travel booking platform, Ctrip, are joining forces. China Eastern introduced Ctrip as a possible 10% stakeholder, after the latter promised to invest CNY3 billion in the airline's upcoming private placement. Ctrip would thus replace Delta Airlines as China Eastern's largest external shareholder. Delta has a 3.55% stake since a USD450 million deal concluded in September. China Eastern currently has a market value of CNY70 billion and a CNY15 billion private placement plan. Nasdaq-listed Ctrip is China's dominant website for booking flights, train tickets and hotels with 250 million members. Ctrip and China Eastern said they would collaborate on a broad range of products and services such as low-cost transportation solutions, international air travel, IT, travel insurance, and e-commerce. Chinese airlines are trying to increase direct sales, cutting out online and offline agents. Only a few weeks ago, China Eastern was among the big airlines that announced terminating their relationship with online travel agency Qunar, controlled by Ctrip, which they claimed was hosting too many unauthorized ticket agents duping customers. China Eastern might get more out of the deal than Ctrip, which is losing its independence, the South China Morning Post reports.

- Boeing forecasts China will need 400 narrow-body freighters in the next 20 years, and express delivery firms will account for the vast majority of that demand, as online shopping is booming. There are only 80 narrow-body freighters in operation in China now, but many courier companies plan to establish their own fleet of cargo aircraft.

## ONE-LINE NEWS

- Officials who commit severe corruption may face life imprisonment without parole, according to a new interpretation of the law issued by the Supreme People's Court and the Supreme People's Procuratorate. Life in prison without parole will be handed down to those who received a death sentence with a two-year reprieve, and it will not be possible for their sentence to be commuted further. The new interpretation also raises the threshold of corruption cases to CNY30,000, up from the CNY5,000 standard in the 1997 version.
- Liu Zhigeng, former Vice Governor of Guangdong province, has been expelled from the Communist Party of China and dismissed from public posts for multiple violations, including graft and “engaging in superstitious activities”.
- Chinese people, on average, read eight books in 2015 of which three in digital form, a small increase over previous years that may be attributed in part to mobile technology, according to a survey by the Chinese Academy of Press and Publication that was first conducted in 1999.
- WeChat, China's major social networking application owned by Tencent Holdings has rolled out a separate app targeting enterprise users. The app, which is named Qiye Weixin or Enterprise WeChat in English, also provides professional features including clocking-in and -out functions as well as other office-related functions to boost work efficiency.
- President Xi Jinping called for “more tolerance and patience” toward netizens and welcomed online criticism, “whether mild or fierce”, as long as it arises from goodwill. The President also urged speeding up legislation of a cyber-law.
- Spending by the central government on overseas visits, car purchases and public receptions last year was CNY943 million less than budgeted at the start of the year. Ministries and affiliated public agencies spent CNY5.37 billion on the three items compared with a budgeted CNY6.31 billion. The expenditure has been under strict scrutiny since 2009.
- Urumqi, capital of Xinjiang, had the country's worst air quality in the first quarter, according to the Ministry of Environmental Protection. It suffered from air pollution on more than half the days in the first quarter. Six of China's 10 most polluted cities were in Xinjiang. Urumqi was followed by Baoding and Xingtai in Hebei province, and Zhengzhou in Henan province.
- China COSCO Shipping Corp and three partners, including France's CMA CGM, announced a new shipping partnership, OCEAN Alliance, formed to challenge 2M, the world's largest container carrier alliance. Other members of the new COSCO alliance are Taiwan-based Evergreen Line and Hong Kong's Orient Overseas Container Line. Alphaliner estimated the OCEAN Alliance will have around a 30% share of the global container shipping market.
- China has launched the second round of its international manhunt Operation Skynet, with the multi-agency effort continuing to target offshore companies, underground banks and fugitive corrupt officials. “Skynet 2016” is an extension of the Skynet operation launched in March last year. As part of Skynet, 26 of the country's 100 most-wanted fugitives listed with Interpol have been brought back to China.
- China plans to ratify the Paris agreement to slow climate change by September, Chinese Vice Premier Zhang Gaoli said.
- China and New Zealand will increase agricultural cooperation and upgrade their free trade agreement to further cut tariffs, it was announced after Premier Li Keqiang met with New Zealand Prime Minister John Key. In 2004, New Zealand was the first developed country to recognize China's full market economy status, and the country signed a free trade agreement (FTA) with China in April 2008.

## QUOTES OF THE WEEK

“China has been growing at a high speed for more than 30 years. There is no reason to expect an economy of such size to maintain such a growth rate indefinitely, nor is it good for China to continue to grow at such speed. It is not sustainable and will have a harmful impact on China's

environment. We should be more worried if China's economy today continues to expand at double digits."

"To do business in China, you have to take the long view. There are still plenty of opportunities in China. There are immense opportunities in the rural area. China is also shifting focus to services industries, the IT sector and domestic consumption. If you stick to traditional industries like steel and oil, you have to be selective."

Jack Ma, Chairman of Alibaba Group, quoted in the South China Morning Post, April 21, 2016.

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