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

NEWSLETTER | 2 MAY 2016

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 at Agfa-Gevaert, Septestraat 27, 2640 Mortsel.

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.

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 13th 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 13th 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).

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Advertisement and sponsorship opportunities 2016

The Flanders-China Chamber of Commerce offers several advertising and sponsorship opportunities in order to give your activities more exposure to potential new clients and collaboration.

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

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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

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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 SUPPORTED BY FCCC

Seminar: 'The Chinese approach to public diplomacy – A clash of ideas?' – 4 May 2016 – Brussels

The VUB China Network is organizing a seminar on 'The Chinese approach to public diplomacy – A clash of ideas?'. It will take place on May 4, 2016 at 13:00 at Campus Etterbeek, Aula Q Room B, Pleinlaan 2, 1050 Brussels.

China's assertion that it can rise peacefully is at times contested in the Western political and scholarly community. China's increasing importance on the global stage coincides with its efforts to project and spread Chinese norms and values around the globe. Based on its international economic and political momentum, China has developed a strategy to expand its cultural influence. The strategy borrows from modern Western concepts such as soft power as well as ancient Chinese statecraft. An important vehicle of China's diplomacy has been Confucius Centers around the world, modeled on long-standing Western equivalents, which offer services ranging from Chinese language lessons, cultural and political information to collaborative Western-Chinese research projects.

The detailed program and registration is available at the website.

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 Bert De Graeve, Chairman of the Flanders-China Chamber of Commerce, facilitated the briefing, which was conducted according to the Chatham House Rules.

MEMBERS' NEWS

Cheung Kong Graduate School of Business (CKGSB) becomes strategic partner of the EU-China Business Association (EUCBA)

The Cheung Kong Graduate School of Business (CKGSB) has become a strategic partner of the EU-China Business Association (EUCBA). CKGSB is China's leading, independent, non-profit business school established in 2002 by the prestigious Li Ka-Shing Foundation. Over the past 14 years, CKGSB has developed into a prominent business school with 45 full-time professors, who have earned their PhDs or held tenured faculty positions at leading business schools such as Harvard, Wharton and Stanford. More than half of the 10,000 CKGSB alumni are at the CEO or Chairman level and, collectively, lead one-fifth of China's most valuable brands. Together, their companies shape over USD1 trillion in annual revenue, 14% of China's GDP, which demonstrates the school's impact and influence.

CKGSB is an internationally recognised brand of quality. In Europe, its focus is to help businesses of all sectors enter China through one of its programs. CKGSB's latest innovative program, entitled China Emersion Program, offers Western companies the opportunity to gain expert China knowledge, enhance China networking and partnership prospects, as well as acquiring potential investment. Boardroom Briefing, Pharmaceutical China Immersion and Understanding China's Next Move are all programs of an elite standard taught by its world class China expert faculty.

AUTOMOTIVE

Beijing auto show highlights new energy cars

Carmakers are expanding their new-energy car lineup in China amid a sales boom driven by the government's supportive measures. Japanese carmaker Nissan plans to introduce both high-spec and low-spec models for Chinese consumers in coming years, although the demand for expensive electric cars is still weak, CEO Carlos Ghosn said at the Beijing auto show. "In order to be a big player in the Chinese market, we need both high-spec and low-spec models as I believe that the support the Chinese government is giving to electric cars is going to continue and to be stronger," Ghosn said at an event to unveil the Venucia, a model produced by the Nissan-backed joint venture, Dongfeng Nissan Passenger Vehicle Co. China has been supporting the use of new energy vehicles (NEVs) by providing subsides and boosting government purchases. The government has also pledged to build more charging piles and support battery technology development. U.S. carmaker Ford plans to offer NEVs, including hybrids, plug-in hybrids and pure electric car models. The C-Max model, a plug-in hybrid car unveiled at the Beijing auto show is the first step to providing more choices for Chinese customers, said John Lawler, Chairman and CEO of Ford Motor China. Volkswagen Group also has plans to locally produce 15 NEVs models in China in the next three to five years as it expects demand for the vehicles to see significant growth. "Our estimate is that the new energy vehicle market in China will support 2 million unit sales each year through 2020. We are now planning for 2020 or later," said Jochem Heizmann, CEO and President of Volkswagen Group China. Chinese carmaker BYD showcased its second all-electric model, the Qin 100. BAIC Group's new energy car unit also showcased its first all-electric supercar concept model at the show, the South China Morning Post reports.

- Chinese new-energy vehicle manufacturer BYD Co is likely to join the ranks of Global Fortune 500 companies in 2017 according to Chairman and CEO Wang Chuanfu. Driven by the electric- and hybrid-car sectors, BYD sales topped CNY80 billion in 2015, a year-on-year increase of 37.8%. Wang predicted the company's sales would surpass CNY100 billion in 2016. China's sales of new-energy cars reached more than 330,000 units in 2015, increasing by 3.4 times over the previous year.
- China has become the second-largest market for U.S. carmaker Tesla's first mass-market car Model 3, which has received over 400,000 orders worldwide in about a month. The figure for Chinese orders was not disclosed. The U.S. carmaker launched Model 3 on April 1. Tesla is hoping the cabin-filtering feature will be a major selling point for its electric cars considering China's air pollution.

FINANCE

Investors expected to pull out USD538 billion in 2016

Global investors are expected to pull USD538 billion out of China's slowing economy in 2016, the Institute of International Finance (IIF) estimated, although the pace of outflows has dropped. That number would be down a fifth from the USD674 billion pulled out last year, but could accelerate again if fears re-emerge of a "disorderly" drop in the yuan. Sustained outflows can trigger more exchange rate volatility, which could then feed a fresh wave of outflows. "A sharp drop in the renminbi would likely spark a renewed sell-off of global risk assets and trigger a flight of portfolio capital from emerging markets," the IIF said in a report. For now outflows are slowing. Roughly USD35 billion was pulled out in March, bringing the total since the start of the year to around USD175 billion, well below the pace seen in the second half of 2015. The IIF cited progress Chinese authorities had made in easing worries about the yuan's direction. They have emphasized there is more focus on its value against a basket of currencies, rather than just the U.S. dollar. One "important unknown", however, is the threshold of currency reserves below which Chinese authorities would start to worry. They might then either allow the yuan to fall again or markedly tighten capital controls. Reserves have already fallen from USD4 trillion in June 2014 to around USD3.2 trillion in February 2016. However, the difference between actual reserves and what could be required has dropped to 15% from 50% just under two years ago. "From this perspective, continued large capital outflows could lower the country's official reserves to a level that is regarded as inadequate without a serious tightening of capital controls," the IIF said, as reported by the South China Morning Post.

China to launch crackdown on illegal fundraising

China will intensify its crackdown on illegal fundraising by enhancing regulation, pushing forward the construction of monitoring and alert systems by local governments, and strengthening inspection of illegal fundraising activities, Yang Yuzhu, Director of the office leading the crackdown on illegal fundraising, said. In 2015, the number of newly occurred illegal fundraising cases in China increased by 71% year-on-year. The money and people involved rose 57% and 120% respectively – both historic highs. Cases involving over CNY100 million increased 44% from a year ago. The authorities would jointly overhaul the sector in the second half of the year to assess risk exposure in private asset management, peer-to-peer (P2P) lending, rural cooperatives, private equity and other financing activities.

- China's second-largest e-commerce platform JD.com has made its global bond market debut. The company secured a Baa3 rating from Moody's and BBB-from Standard & Poor's, the lowest rating in the investment-grade category. The five-year USD500 million tranche was sold at 3.125% and the 10-year USD500 million tranche at 3.875%.
- International Finance Corp (IFC), an arm of the World Bank, has invested USD15 million in China Innovation Works to support entrepreneurship in China. The investment will go toward Sinovation Fund III, a venture capital fund focusing on early and mid-stage internet firms in China. It is the first time that IFC has invested in such programs in China. As of March 2016, China Innovation Works had invested in over 200 projects.
- The China Insurance Regulatory Commission (CIRC) said that life policies bought in Hong Kong would not be protected by mainland law. The regulator also told Chinese citizens to be aware that Hong Kong has no regulations on dividend or cash value. It said China has tighter regulation in these areas. The warning came after mainlanders spent HKD31.6 billion, or 24.2% of the total new premiums of all life policies sold in Hong Kong last year, up from just 6% in 2009.
- Foreign insurers' premium revenues in the first quarter in China stood at CNY65.5 billion, up by 71.68% year-on-year. Their market share expanded by 0.94 percentage point to 5.47%. The regulator estimated that the total profits of the Chinese insurers will drop by 55.29% to CNY38.9 billion in the first quarter from the same period of last year. Life insurers, in particular, will likely suffer a profit decline of as much as 72.56%.
- Ant Financial Service Group, the internet financial services affiliate of Alibaba Group, has raised a record USD4.5 billion in a new round of funding. The company operates China's largest online payment service Alipay. The funding marked the largest ever single private placement by an internet company. The funding will allow it to invest in infrastructure such as cloud computing and risk control.
- China's private equity market's combined deal value jumped 56% year-on-year to USD69 billion in 2015, according to management consulting firm Bain & Co. PE activity in 2016 may cool down and struggle to match the fast growth of 2015 amid slowing economic growth. Institutional investors participated in 14 out of the top 20 deals in China.
- Industrial and Commercial Bank of China (ICBC) launched its first credit card in the United States. It can be used on the UnionPay and Visa networks.
- Industrial and Commercial Bank of China (ICBC), Bank of China (BOC) and Russia's Gazprombank are set to become the key lead managers in a CNY6 billion yuan-denominated Russian government bond that is set to become the yuan bond market's largest foreign sovereign issue. Target customers are Chinese institutional investors.
- Shenzhen-based property developer Fantasia Holdings announced it would issue CNY600 million of senior notes due in 2019, with a coupon of 9.5%. This is the first offshore renminbi bond in Hong Kong, popularly known as a dim sum bond, to be issued by a Chinese company this year. Because of ample liquidity in China, lower cost of raising funds, and the yuan's devaluation, capital-intensive Chinese real estate firms – the main issuers of dim sum bonds as well as offshore dollar bonds – had shifted to the domestic bond market in the second half of last year. As a result, just five dim sum bonds were issued by Chinese developers last year, compared with 15 in

2014.

- Hong Kong has a new app – JETCO Pay P2P Collect – that allows users to transfer money to other individuals over smartphones. Joint Electronic Teller Services (JETCO) launched a peer-to-peer inter-bank platform, a mobile application that enables cardholders of three local banks to transfer money to other individuals for free. A total of 14 banks are expected to join the platform by the end of the first half of 2017.
- Ping An Insurance (Group) reported a net profit growth of 3.7% for the first quarter of 2016 to CNY20.70 billion over the same period last year. New business value (NBV) of life insurance surged by 38.3% to CNY13.08 billion. The China Insurance Regulatory Commission (CIRC) said that it expected first-quarter profit for the whole industry to decline by 55.29% to CNY38.94 billion, mainly due to lower investment returns. But premiums for the whole industry grew 42.18% to CNY1.20 trillion as life insurance policies continue to lead sales.
- The UK, the world's largest single foreign-exchange trading center, has overtaken Singapore as the second-largest offshore clearing center for yuan by March. The value of the UK's yuan payments surged 21% between March 2014 and March 2016, according to SWIFT. The growth pushed the UK to account for 6.3% of all offshore transactions using the yuan, while Singapore has slipped to third place at 4.6%. But both markets still trail Hong Kong, which processes 72.5% of offshore yuan payments.
- Debt-ridden Evergrande Real Estate Group has agreed to buy Shengjing Bank's domestic shares worth CNY10 billion. Evergrande will lift its stake to 27.2%."Becoming a major shareholder of a bank helps Evergrande gain easier access to funding," Ross Lee, Credit Analyst at Bank of China Hong Kong, said. Evergrande agreed earlier last month to pay CNY3.6 billion for a stake in China Calxon Group Co.
- China raised the exchange rate for the yuan against the U.S. dollar by 0.56% on April 29, its biggest increase in almost 11 years. China allows the yuan to rise or fall only 2% on either side of a daily fix, to prevent volatility and maintain control over the currency.

FOREIGN INVESTMENT

Chemical company Clariant to raise investment

Swiss specialty chemicals company Clariant will increase its investment and operations in China in the next two years. The company plans to build an integrated facility, "one Clariant campus," to support innovation, research and development (R&D), sales and marketing. "Our investment in China will account for 40% of the total in 2017," Christian Kohlpaintner, Member of the Executive Committee of Clariant international said. China's green economy has contributed 11% of Clariant's revenue totaling CHF640 million last year. The group also estimated that by 2020, China would be the main engine contributing 60% of global growth in the chemical industry.

HEALTH

Explosion in childhood obesity in China worst ever

Thirty years ago, for every 100 children and adolescents in China, it would have been hard to find even one who was obese. That situation has drastically changed: in 2014, about one in six boys and one in 11 girls were obese, a new study by the Shandong Center for Disease Control and Prevention shows. Researchers say China is paying the price of adopting a Western lifestyle and the findings are a wake-up call for Chinese policymakers to take steps to stem the trend. The 29-year study, published on April 26 in the European Journal of Preventive Cardiology, involved nearly 28,000 rural students from Shandong province. "This is extremely worrying," says Professor Joep Perk, Cardiovascular Prevention Spokesman for the European Society of Cardiology. "It is the worst explosion of childhood and adolescent obesity that I have ever seen. The study is large and well run, and cannot be ignored. China is set for an escalation of cardiovascular disease and diabetes, and the popularity of the Western lifestyle will cost lives." The prevalence of overweight and obesity in boys increased from 0.74% and 0.03% in 1985 to 16.4% and 17.2% in 2014, and in girls increased from 1.5% and 0.12% in 1985 to 13.9% and 9.1% in 2014, respectively.

- China has banned drug wholesalers from selling vaccines after a scandal in which about CNY570 million worth of illegal vaccines were suspected of being sold in dozens of provinces. The rules raise fines for improper handling of vaccines, and prescribe the sacking of government officials guilty of violations. B-class (non-compulsory) vaccines will be distributed in the same way as A-class ones, which are covered by the national compulsory immunization program.
- China's first heavy-ion medical accelerator is expected to be used in cancer radiotherapy by the end of the year. Heavy-ion cancer therapy kills malignant tumors by irradiating them with high-energy beams produced by a large accelerator. Developed by the Modern Physics Institute at the Chinese Academy of Sciences (CAS) and a subsidiary company in Gansu province, the accelerator still has to pass a clinical trial. Each year, more than 3 million people develop cancer in China and about 50% to 70% of patients need radiation therapy.
- The illegal trade in human blood has re-emerged in China. While more people can afford surgery in hospitals, there is a nationwide shortage of blood from donors. The levels of blood donation in China are lower than recommended by the World Health Organization (WHO). Experts said a "blood crisis" had hit 50 out of 70 major cities in China since February, as 80% of operations had to be postponed in some hospitals due to the lack of blood. The commercial sale of blood is banned in China.

IPR PROTECTION

IP disputes involving foreigners on the rise

China has become a major market for foreign enterprises to develop intellectual property innovation. With more frequent economic and trade exchanges, IP disputes involving foreign litigants nationwide rose from 2,840 in 2013 to 5,675 last year, according to Song Xiaoming, Chief Judge of the Civil Tribunal for IP cases under the Supreme People's Court (SPC). "Foreign-related IP cases are a key area for IP tribunals in courts, especially administrative ones," Song told China Daily in an exclusive interview ahead of IP Day on April 26. In 2013, 1,143 foreign IP administrative cases were heard by Chinese courts, with the number rising to 4,383 last year. In such lawsuits, government agencies are usually the defendants accused of improper official rulings. Of the IP administrative cases involving foreigners, most were related to patents and trademarks, Song said, adding that those involving business secrets have also risen rapidly in recent years. A report by IP House, a third-party IP institute that analyzed 5,022 verdicts from 5,432 IP cases heard by the Beijing IP Court recently, found that 1,095 were related to foreign litigants. Of the foreign cases, 395 involved U.S. enterprises, 2.7 times more than those from Germany, which was second on the list, the Institute said. Song said many U.S. companies have applied to Chinese IP authorities for protection of their patents and trademarks, which is why a large number of disputes concern them.

- A total of 2,405 intellectual property infringement cases were accepted in Shanghai between 2011 and 2015. The majority of 93% of the cases were related to trademarks infringements, according to a White Paper by the Shanghai People's Procuratorate. The number of cases accepted last year was 67% lower than in 2012. The White paper cited the example of a British man who was sentenced to 18 months in prison and fined CNY500,000 for buying fake goods in China and selling them overseas.
- The China Intellectual Property Week 2016, which ran from April 20 to 26, held a range of activities to help increase the public's IP awareness and celebrate the 16th World IP Day. The State Intellectual Property Office (SIPO) held an online interview on international IP cooperation; the Ministry of Justice organized a nationwide publicity campaign on IP-related laws; and the National Copyright Administration hosted a conference on China's internet IP protection.
- China is now the third largest filer of international patent applications under the Patent Cooperation Treaty (PCT) and the sixth largest filer of international trademark applications under the Madrid system. China filed nearly 30,000 international patent applications under PCT in 2015, a 16.8% rise from the previous year.

MACRO-ECONOMY

Latest figures show uneven growth

While statistics have pointed to an overall stabilization in the economy this year, and possibly even a pick-up in the past couple of months, fresh provincial data shows a splintering growth. Of the 29 of 31 provinces and municipalities to have published gross domestic product (GDP) reports for the first quarter, 25 reported a slowdown from 2015's full-year pace and 14 are undershooting their expansion targets. Two rust-belt provinces in the northeast – Liaoning and Heilongjiang – haven't released their figures yet. The provincial readings underscore the challenge for policymakers facing multiple and often conflicting goals, such as the need to cut capacity in the steel and coal industries without spurring unemployment; or boosting housing markets in smaller cities while applying the brakes on surging prices in megacities like Beijing, Shanghai and Shenzhen. A turnaround in the property sector led the first-quarter stabilization as investment accelerated 6.2% from a year earlier on stronger sales and surging prices in bigger cities. But the picture is uneven: still soaring investment in some provinces, drops in other areas, where increased infrastructure investment picked up the slack.

China's manufacturing activity expanded for the second month in a row in April but at a slower pace. The purchasing managers' index (PMI) came in at 50.1 in April, down from March's 50.2 and barely above the 50-point line that separates expansion from contraction. Growth in domestic and foreign orders faded slightly, however, which suggests global headwinds might block further improvement in exports. In the first quarter of the year, fixed-asset investment (FAI) rose 10.7% year-on-year, while real-estate spending increased 6.2%.

- Premier Li Keqiang encouraged Chinese engineers to develop integrated innovations by going abroad to absorb advanced technologies. "Engineers should go to developed countries to see applications of new technologies and develop insights from them," Li said during a visit to Sichuan province.
- China's coal-fired power plants may start losing money from next year because of overcapacity, electricity pricing reforms and tighter environmental constraints, according to a Greenpeace study. The government plans to reduce power output from burning coal over the next three years to fight air pollution. Yuan Jiahai, Professor at North China Electric Power University who led the Greenpeace study, said the past year's investment boom in coal-fired power plants had been based on expectations of lucrative returns due to low coal prices and overpriced on-grid tariffs.
- China plans to triple its annual production of robots used in the manufacturing sector to 100,000 in five years. China is also aiming to sell more than CNY30 billion worth of service robots by 2020. China produced fewer than 33,000 manufacturing robots last year. China became the world's largest market for industrial robots in 2013, surpassing Japan.
- China will rejuvenate its Northeast rust-belt region through reform and economic restructuring, according to a new policy document. State-owned enterprises (SOEs) will be restructured and private firms will receive more support. The region's equipment manufacturing sector will be modernized, and high-end industries, the modern service sector and modern agriculture will all be supported. The Northeast's traditional industries are steel, shipbuilding, car and aircraft manufacturing, and petroleum refining.
- By 2020, China will have 90 nuclear plants, Chen Jining, Minister of Environmental Protection, said, adding that China will overtake France as the second largest nuclear power producer in terms of installed capacity behind the U.S. China has 30 nuclear power plants with a total installed capacity of 28.31 gigawatt (GW). It plans to reach a nuclear power capacity of 58 GW by 2020.
- The combined profits of China's non-financial state-owned enterprises (SOEs) in the first quarter fell 13.8% year-on-year to CNY432 billion, according to the Ministry of Finance. Their joint revenue for the period dropped 3% to CNY9.95 trillion. Pharmaceutical and petrochemical companies saw their profits rise; building materials, electronics and tobacco firms saw theirs drop; and coal, steel and non-ferrous metals enterprises extended their losses.
- China's manufacturing companies saw profits grow faster in the first quarter. Net

earnings grew 7.4% from a year earlier to CNY1.34 trillion in the first three months. Revenues of industrial companies expanded 4.6% in March, the fastest monthly pace in three years. In March, investment income surged 20.4% from a year earlier, reversing a 3% drop in the first two months, while non-operating income surged 68.3% year-on-year. Profits from investments and non-operating revenue took up 30.5% of the growth in industrial profit last month.

- The MNI China Business Sentiment Indicator, a privately-conducted poll of Chinese business executives, rose to 50.5 in April from 49.9 in March. Any measure over 50 is considered positive.
- Alibaba Group Chairman Jack Ma overtook Dalian Wanda's Wang Jianlin as Asia's richest man after Alibaba's financial affiliate Ant Financial raised a record amount in its latest round of fundraising. Ma added USD4.3 billion to his fortune, expanding his wealth to USD33.3 billion, according to the Bloomberg Billionaires Index. Jack Ma owns 6.3% of Alibaba and 37.9% of Ant Financial.
- China's grain stocks are at an historic high, but one sixth of the overall total is stored in vulnerable makeshift warehouses – posing a major challenge for food safety, Ren Zhengxiao, Director of the State Administration of Grain said, adding that China would build new warehouses.
- PetroChina posted a net loss of CNY13.78 billion for the three months to March 31, its first ever quarterly loss. That compares with a profit of CNY6.15 billion for the same quarter last year. A CNY37.6 billion fall in oil and gas production operating profit could not be offset by much improved refining, fuel distribution and chemicals profits. By contrast, Sinopec reported a first-quarter net profit of CNY6.66 billion, triple the CNY2.17 billion in the year-earlier quarter. CNOOC said first-quarter revenue fell 30.7% year-on-year to CNY24.64 billion.

MERGERS & ACQUISITIONS

China becomes biggest acquirer of technology assets

China has overtaken the United States for the first time as the world's biggest "acquiring nation" for mergers and acquisitions (M&As) in the technology industry, accounting for a 45% share of the market in the first four months of this year, according to Dealogic. Chinese technology acquisitions reached a new high of USD65.7 billion through 456 transactions, up from the previous record of USD41.6 billion through 434 deals in the same period last year. China's outbound technology-related mergers and acquisitions reached a new annual high of USD17.6 billion for 69 transactions in the first four months of this year, topping the USD14.9 billion recorded for the whole of last year. Chinese aviation and logistics conglomerate HNA Group took over Ingram Micro, a U.S.-based hi-tech products distributor, in a deal worth USD6 billion in February, becoming the biggest China outbound technology acquisition on record. Goldman Sachs leads the China technology M&A advisor rankings so far in 2016, with USD15.5 billion, followed by China International Capital Corp and Morgan Stanley with USD15.2 billion and USD8.4 billion, respectively. There are also a growing number of China outbound mergers and acquisitions in the technology hardware manufacturing industry. In late March, Wanfeng Technology Group, a privately-owned Zhejiang-based robotics maker, had acquired a 100% stake in U.S. industrial robot manufacturer Paslin for USD300 million.

- China is expected to see record outbound mergers and acquisitions this year, PricewaterhouseCoopers (PwC) said. In the first quarter of the year, 115 outbound M&A deals were announced, up 51% from the same period of last year. The total value hit USD82.6 billion in the first quarter, beating all previous annual figures. Private companies were the drivers with 67 deals in the first quarter, against 27 deals by state-owned enterprises (SOE) and 21 for financial buyers. But SOEs topped with an outbound deal value of USD56.4 billion, or 68% of the total, outpacing USD15.1 billion by private firms and USD11.1 billion by financial buyers.

REAL ESTATE

Developers buying up sites in second-tier cities

Cash-rich Chinese property developers are paying top dollars for selected building sites in second-tier cites, in an effort to build up their land banks at a time when Shanghai and other leading cities close the taps on new supply. But analysts warn leveraged bets by developers using borrowed money could backfire if growth in home prices slows or flattens, as more cities unveil measures to cool the market. A land parcel in Xiamen in Fujian province was sold at a record CNY5.4 billion in an auction which attracted about 30 developers, including big names such as China Vanke and China Overseas Land and Investment. State-backed Poly Real Estate won the tender at an average land price of CNY25,838 per square meter, higher than the price of a nearby project. Similarly, developers paid above the norm for land in Suzhou in April. The city sold 13 sites over two days, raising CNY25 billion. Real estate portal SouFun estimated the average premium on the land sales at 195%. “Land supply in first-tier cities has been very limited this year, so cash-rich developers, supported by strong sales turnover, have turned to second-tier cities to replenish their land banks,” said Zhang Hongwei, Research Director at real estate consultancy Tospur. Investment bank Mizuho estimates land prices in 29 second-tier cities increased 77% on year in the first quarter. Meanwhile, competition for building sites in first-tier cities has become extreme owing to a dearth of supply. Beijing, Shanghai and Shenzhen collectively auctioned off 20 land parcels in the first quarter, the lowest activity on record, according to property agency Centaline, as reported in the South China Morning Post.

- The value of property deals in China in the first three months rose 10% year-on-year, but fell 73% quarter-on-quarter to USD2.8 billion, according to real estate services firm JLL.
- Shenzhen-based developer China Vanke posted a 28.1% year-on-year rise in net profit to CNY833.2 million in the first quarter, as revenue jumped 64.3% to CNY14.61 billion. Chinese home sales have been rebounding since last year’s second half following a string of government market support measures. Vanke’s China-listed shares have been suspended from trading since December 18 until at least June 18, pending progress on its restructuring, amid a battle for control of the firm between its top management and property-to-financial conglomerate Baoneng.
- Evergrande Real Estate is actively acquiring stakes in a number of mainland Chinese listed companies, in what may be part of wider strategic shift to move its equity listing to Shanghai from Hong Kong. Evergrande, China’s second-largest home builder, announced it would take over Zhejiang-based state-owned developer Calxon Group, listed in Shenzhen, by purchasing 52.78% of total shares for CNY3.6 billion. Raymond Cheng, Property Analyst at CIMB Securities, said it would be very difficult for Evergrande to go private. As a red-chip firm rather than an H-share company it is technically very complicated to transfer business control from an offshore entity to onshore.

RETAIL

Mobile online transactions expected to triple by 2020

China’s total mobile online retail transactions are expected to more than triple to CNY7.4 trillion by 2020 from around CNY2 trillion last year, according to research firm Mintel. Meanwhile, China’s total e-commerce transaction size is set to hit CNY9.7 trillion by 2020, the “Pocket Power” white paper estimated. Spending on overall online-to-offline (O2O) services in China is expected to more than triple to CNY4.2 trillion from 2015 to 2020. Social media is also gaining as a purchasing platform.

- Chow Tai Fook Enterprises, a major jewelry chain with more than 2,000 shops in China and Hong Kong, is planning to set up its China headquarters in the Qianhai Economic Zone to take advantage of the zone’s special financial status. The Qianhai-Shekou area, covering 28.2 square kilometers, is one of the three bonded zones of the Guangdong Free Trade Zone (FTZ), focusing on finance, modern logistics and technology services industries.

SCIENCE & TECHNOLOGY

China No 2 in scientific research papers

China is now the world's second largest contributor to high-quality scientific research papers, right behind the United States, according to the Nature Index 2016. "Of the top ten countries in the Nature list, only China has shown double digit growth between 2012 and 2015 with some of its universities growing their contribution to the index as fast as 25% annually," Nature said in its press release. Top Chinese scientists are also earning more. The high rise in salaries for the small but growing number of China's elite scientists has been relatively rapid. A global survey by Nature found that the average Chinese scientist earned less than USD40,000 a year. Their counterparts in the United States, meanwhile, made an average of almost USD80,000. Since then, the gap has narrowed. The average annual starting salary for a professor returning from overseas to a major university in China is about CNY800,000 a year, or more than USD120,000, according to the Science and Technology Talent Center under the Ministry of Science and Technology. At some public universities scientists get a CNY700,000 bonus for each paper published by top academic journals. Some Chinese scientists have also become rich by exploiting the commercial potential of their research.

- China, Japan and South Korea held talks in Seoul on the Arctic, including discussing scientific research projects in the region. Japan, South Korea and China all have observer states to the Arctic Council and joined the organization three years ago. China is increasingly active in the polar region, becoming one of the biggest mining investors in Greenland and agreeing to a free trade deal with Iceland.
- Large Chinese listed companies are increasingly choosing external CEOs although most continue to promote from within, according to a survey by PricewaterhouseCoopers (PwC). Outsiders accounted for 17% of all CEOs brought in by these listed companies between 2012 and 2015, up from 14% between 2008 and 2011.

STOCK MARKETS

Billionaire Xu Xiang arrested on insider trading charges

Xu Xiang, known as China's Warren Buffett, and three managers from Citic Securities have been formally arrested on insider trading charges. Xu, Chairman of Shanghai-based Zexi Investment Management, was detained on November 1 during investigations into stock trading after a market rout in which China's A-share market lost USD5 trillion in value between June and August. Police froze more than USD670 million of shares owned by Xu's mother in November after authorities started investigations into Zexi Investment, Xu's private equity company. Zexi Investment managed four of China's top 10-performing hedge funds between June and August. The average return of Zexi's five stock funds has ranked among China's top three every year since the firm was established five years ago, and yielded 249% between January and September, according to Shenzhen Rongzhi Investment Consultant Co. Xu is likely to stand trial in Qingdao, Shandong province. Cheng Boming, General Manager of Citic Securities, one of China's largest brokerages, and Managers Liu Jun and Xu Jun were arrested on similar charges, the China Daily reports.

- BOC Aviation, Asia's biggest aircraft-leasing company by asset value, has begun gauging demand for a Hong Kong initial public offering (IPO) that could raise as much as USD1.5 billion. The Singapore-based company, owned by Bank of China (BOC), expects to start taking investor orders in mid-May and plans to start trading at the end of May. At the end of 2015, BOC Aviation posted a USD343 million profit after tax. The company has a portfolio of 270 owned and managed aircraft leased to 62 airlines in 30 countries.
- The Ministry of Industry and Information Technology (MIIT) is considering granting a basic telecommunications services license to state-owned China Broadcasting Network (CBN). Shares in the other three telecom services suppliers dropped on the news. "We do not think CBN will become a meaningful threat to the Chinese telecommunications network operators in the next few years," Nomura Research Analyst Huang Leping said.

- The launch of the much-anticipated stock trading link between the Shenzhen and Hong Kong exchanges is expected in the second quarter of the year, thereby further opening China's stock market to overseas investors, Gao Ting, Chief China Equities Strategist at UBS Securities said. It would mean that about 70% of market capitalization of the A shares will be available to overseas investors who already gained access to the market through the existing Shanghai-Hong Kong Stock Connect. The announcement of regulatory approval could come in July, but a period of three to four months will be needed to launch the link.
- Hong Kong Exchanges and Clearing will establish a metals-trading platform in Qianhai. It will be the local bourse's first physical expansion to the mainland and is a major step forward for it to further grow its commodities business.

TRAVEL

Introduction of VAT could lead to higher hotel prices

Global hotel chains in China have warned that the introduction of the value-added tax (VAT) system in the services sector might result in customers having to pay extra charges. However, Finance Minister Lou Jiwei said that: "Price adjustments are hotels' business decisions, but attributing the price rise to the VAT reform is absolutely groundless". The reform – China's most ambitious plan to retool its tax regime in 20 years – replaces business tax with VAT. On May 1 it was extended to industries including construction, property development, financial services and accommodation. But the move is expected to bring with it plenty of confusion, as in the case of the hotels. The Ministry said that bigger tax deductions and relief from business tax would see most industries, including hotels, pay lower taxes after the VAT kicks in. But hotels might charge an additional 6.9% VAT charge on top of the existing 15% services charge. According to Minister Lou Jiwei, the VAT system's pilot scheme that covered 5.9 million firms from 2012 to 2015, had already saved businesses some CNY641.2 billion of taxes in all, the South China Morning Post reports. The China National Tourism Administration has warned the hospitality industry against raising prices.

- HNA Tourism Group Co, a unit of HNA Group Co, agreed to buy Carlson Hotels and its 51.3% stake in Rezidor Hotel Group, gaining brands including Radisson and Park Plaza. It may begin a take-over offer for all of Rezidor. Financial terms of the transaction weren't disclosed.Carlson Hotels has 1,400 properties with more than 220,000 rooms under operation and development in 115 countries and territories. In 2015, HNA acquired a 15% stake in Red Lion Hotels Corp, an owner of mid-scale and full-service U.S. hotels.
- The May Day holiday has seen surprisingly strong growth in mainland tourists in Hong Kong, up 14.1% on the first day. Industry insiders said the growth was mainly due to visitors from neighboring Guangdong province, as cheaper hotel rooms and convenient travel had made Hong Kong a bargain choice for the long weekend from April 30 to May 2. There are more individual tourists and less tour groups. Spending by mainland tourists was down however.

ONE-LINE NEWS

- Shanghai is establishing a unified permanent residence system for urban and rural areas, becoming the first provincial region to do so. Shanghai has been making efforts in urban-rural integration for some years and currently urban and rural residents enjoy the same pension, unemployment and medical insurances.
- Lin Zuoming, Chairman of China's biggest defense and aerospace manufacturer Aviation Industry Corporation of China (AVIC), has not been seen at his office for more than a week. AVIC declined repeated requests for comment. Lin, born in Fujian province in 1957, has held the top job at Avic since 2008, having overseen a merger that year between Avic I and Avic II that created one of China's biggest state-owned enterprises. It is unclear whether his disappearance was related to the central government's graft crackdown.
- Hundreds of people employed by the National Bureau of Statistics (NBS) have been

found guilty of using their positions for personal gain, including collecting fees for providing information and other services, the Central Commission for Discipline Inspection (CCDI) said. 313 employees had been asked to return more than CNY3.2 million in fees for the irregular provision of data services. The former Director of the NBS, Wang Bao'an, was sacked in January.

- Apple said its China revenue shrank 26% year-on-year in the first quarter to USD12.5 billion as sales of iPhones and its market share in China both declined. Apple Chief Executive Tim Cook noted that the bulk of the revenue drop for Apple in China was in Hong Kong. At the end of the first quarter, iPhone's market share in China was around 12%, down from 15% a quarter earlier.
- Chinese smartphone vendors, including Huawei, Oppo and Vivo, saw their sales and market shares increase globally in the first quarter in contrast to the flat growth of smartphone sales worldwide, IDC said. Vivo and Oppo each posted an over 120% surge in sales in the first three months while Huawei's sales jumped about 60%.
- The Ministry of Industry and Information Technology (MIIT) is pushing telecom operators to waive domestic roaming charges. China Mobile's first-quarter voice call usage declined by 14 billion minutes year-on-year while data traffic usage jumped by 40%. The changes indicate its 830 million users are abandoning voice call services for internet communication applications such as WeChat.
- President Xi Jinping has paid a highly symbolic visit to Xiaogang village in Fengyang county, Anhui province, considered the birthplace of China's reform policy, promising the policy will continue for 100 years. On November 24, 1978, 18 farmers in Xiaogang village signed a contract dividing community-owned farmland into plots for individual households, which went against the then-existing commune system.
- Chinese Premier Li Keqiang met visiting Japanese Foreign Minister Fumio Kishida over the weekend. Despite some setbacks in the past few years, Sino-Japanese relations are improving, though they are still fragile, the Premier said. Kishida is made his first official visit to China since becoming Foreign Minister more than three years ago.

ANNOUNCEMENTS

Projects in Shandong province

The Flanders-China Chamber of Commerce (FCCC) has received a list of projects in Shandong province for which partners are sought. The projects are in the sectors mechanical manufacturing, IT, new energy materials, bio-pharmaceuticals, logistics and ship manufacturing, modern agriculture, food, and other sectors.

To receive a list of the projects and more details, send an e-mail to info@flanders-china.be

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