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

NEWSLETTER | 30 MAY 2016

NOTICE

New Chairman and Vice-Chairmen FCCC

After 11 years of personal efforts, Bert De Graeve (Chairman Bekaert) stepped down as Chairman of the Flanders-China Chamber of Commerce. It was decided at the General Assembly of the FCCC on May 27, 2016, that Stefaan Vanhooren would take over as Chairman. Stefaan is the President of Agfa-Graphics and Member of the Executive Committee of the Agfa-Gevaert Group. Since the establishment of the FCCC, Stefaan has been Vice-Chairman of the FCCC and he has accumulated many years of experience doing business in China.

Stefaan wishes to thank the departing Chairman for his efforts over many years. Bert De Graeve's efficiency and vision made the FCCC a powerful voice for Flanders-China relations.

"I am ready to devote myself totally to further strengthening the networking and dialogue between the business and scientific communities of Flanders and China. I look forward to working with new partners in many areas," Stefaan Vanhooren.

Mr. Bart De Smet, CEO, AGEAS and Mr. Philippe Van Der Donckt, Business Development Director, UMICORE, will both take up the Vice-Chairmanship of the FCCC.

Mr. Philip Eyskens, General Counsel and Vice-President Mergers & Acquisitions at Bekaert has joined the Board of Directors.

FCCC/EUCBA ACTIVITIES

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).

Meeting and Reception with the future Consuls-General from Belgium in Shanghai and Guangzhou – 20 June 2016, 18h00 – Brussels

The Flanders-China Chamber of Commerce (FCCC) is organizing a meeting with the future Consuls-General from Belgium to Shanghai and Guangzhou. This event will take place on Monday 20 June 2016 at 18h00 at BNP Paribas Fortis, Koningsstraat 20, Brussels.

This event is an excellent opportunity to introduce your companies' activities in China with Mr Paul Lambert, future Consul-General of Belgium in Shanghai and Mr Joris Salden, future Consul-General of Belgium in Guangzhou.

Programme:

18h00-18h30	Registration
18h30-18h45	Speeches by: Mr Stefaan Vanhooren, Chairman, FCCC Mr Paul Lambert, future Consul-General in Shanghai Mr Joris Salden, future Consul-General in Guangzhou
18h45-20h00	Exchange of views and networking

Register online at www.flanders-china.be before 16 June 2016. Participation fee for FCCC members: 55 € (excl. 21% VAT), non-members: 85 € (excl. 21% VAT).

De Exportbeurs 2016 – 27-29 June 2016 – Brussels

The Export Fair, organized by Flanders Investment & Trade (FIT) will take place from 27 till 29 June 2016 at Tour & Taxis in Brussels. The Flanders-China Chamber of Commerce (FCCC) will have a booth at the Fair. The Fair will answer all your questions about international entrepreneurship. You will also be able to meet all relevant players in Flanders' export world.

What?
Three days of inspiring experiences, talks and activities:
- B2B/business meetings with country experts from FIT
- B2B and networking with booth owners – experts in international entrepreneurship
- networking with FIT-experts in international entrepreneurship
- networking with Fair visitors at the Export café
- seminars & workshops

Workshop : Doing Business with China for SME's, organized by the Flanders-China Chamber of Commerce and Flanders Investment & Trade
Time : 28 June - 15h15
Location : Export Fair

Where and when?
The Export Fair takes place from 27 till 29 June 2016 at Tour & Taxis, Brussels.

- Monday 27/06 9h-17h
- Tuesday 28/06 9h-17h
- Wednesday 29/06 9h-16h

For whom?

- Flanders' companies with international activities and/or ambitions
- Those interested may register as private persons

Price?
€50 per person per day

How to participate?

1. Register as a Flemish company or private person and make your profile. Your profile is not visible to other participants. You will receive an e-mail confirmation about your registration.
2. You will only be cleared when your full profile is made. You will receive confirmation, after which you can fill in your programme.
3. You will receive an invoice by post.
4. You will receive your final programme by e-mail

Further questions?
Mail to exportbeurs@fitagency.be or contact the FIT office in your province.

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
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

Your logo will be displayed on the FCCC home page with click through to your own website or to your own page on the FCCC-website

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

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

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.

EU-China Business and Technology Cooperation Fair China Tour 2016 – 28 October – 4 November 2016 – Chengdu, Qingdao

The European Commission, the Enterprise Europe Network and EUPIC are organizing a tour to the EU-China Business and Technology Cooperation Fair China from 28 October to 4 November 2016 in Chengdu and Qingdao. This tour is organized with the support of the EU-China Business Association (EUCBA).

As an important platform for building ever closer relationship between 28 EU member states and China, the 11th EU-China Business and Technology Cooperation Fair, in the context of the importance of the land and marine Silk Roads linking China and Europe, will take place in Chengdu and Qingdao, two vital strategic cities of west and north China, the first phase in Chengdu from 28 October till 1 November, 2016 and the second phase in Qingdao from 2 to 4 November, 2016. The fair will gather 1,500 participants of companies, state/regional governments, clusters, business associations, EU-China Cooperation experts, universities, R&D institutions from west and north China, the European Commission, EEN partners, and European countries who are seeking potential collaboration and partnerships with their counterparts.

Chengdu is the centre of West China and hometown to the giant pandas. It is also the i nitial station of the Chengdu-Europe Express Railway to Lodz, Poland. Forbes listed Chengdu as one of "The Next Decade's Fastest Growing Cities Globally". Chengdu Shuangliu International Airport is ranked first in Mid & West China, with direct flights to Amsterdam, London, Paris, Frankfurt, Moscow, etc. There are 14 Consulates General in Chengdu. Leading industries are ICT, environment, renewable energy, new materials, life sciences, bio-pharmaceuticals, aviation, and modern agriculture.

Qingdao is located at the intersection of two Silk Roads, both through the continent and over the sea. It is the converging point for Asia-Pacific economic integration. 70% of China's academicians and 30% of senior researchers on maritime sciences and technologies are based in Qingdao. The EU Is now the No 1 trading partner for Qingdao. Leading industries are maritime equipment, maritime bio-pharmaceuticals, renewable energy, new materials, maritime environment, ICT, home appliances, and rolling stock.

PAST EVENTS

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

The Flanders-China Chamber of Commerce and the EU SME Centre in Beijing organized a seminar focused on '*How to Tackle a Changing China*'. The seminar covered two sessions. The first was delivered by the EU SME Centre's Director Chris Cheung, who provided 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, then discussed the increasing trend of Chinese overseas direct investment to the EU and what this means for EU SMEs. "Winning in China" was introduced by Ji Bo, Chief Representative, Cheung Kong Graduate School of Business Europe, and Assistant Dean, Global Executive Education.

The seminar was organized on 18 May at Agfa-Gevaert in Mortsel. It was concluded by a Q&A session followed by networking. The briefing was organized with the support of Flanders Investment & Trade and the EU-China Business Association.

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.

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MEMBERS' NEWS

AIIB first annual meeting

The Asian Infrastructure Investment Bank’s first annual meeting will be held in Beijing on 25-26 June, at the China World Hotel. The first day is the formal business and a short seminar programme will take place on 26 June. There is open registration for the seminar programme, and any business or other organisation can apply for registration as guests to attend the seminars at http://aiib.eventbank.cn/event/5464/.

AIIB welcomes business representatives to take part, and it may be a useful way for them to find out more about the Bank. The registration deadline is May 30.

AUTOMOTIVE

Car-rental business expected to boom

Car-rental firms have their eyes on China's 327.37 million drivers that were licensed as of the end of 2015. That compares with about 124 million cars in private hands, according to the Ministry of Public Security. The bigger the gap, the greater could be the demand for rentals. The country's biggest car-rental company, CAR, has a fleet of 88,853 vehicles. Its first-quarter net profit soared 55%, compared with a year earlier, to CNY274 million. Sales rose 56% to CNY1.63 billion, while car-rental revenue climbed 36%, according to a report by Leon Chik, a J.P. Morgan Analyst. Its fleet utilization increased two percentage points to a record 64.2% in the first quarter. Some of the reasons behind the surge in demand for rental cars also include measures to control the chronic air pollution in major cities as well as congestion, which are making it less appealing for people to own cars. In addition, those living in cities but who lack a hukou, or household registration, that grants them full rights to healthcare and other benefits, cannot buy cars, even though they may have driving licenses. So the gap between the number of qualified drivers and actual car owners will continue to expand. Among the biggest threats to the car rental business is the rise of online car hailing services like Didi and Uber, whose aggressive pricing has lowered demand for rental cars.

- CAAM statistics show that 3.3 million passenger cars bearing Chinese brands were sold in the first four months of 2016, accounting for a 44.3% market share, and Chinese SUVs made up 57.9% of the total SUVs sold in the country.

FINANCE

China still confident in government debt level

China said that its overall government debt level remains controllable and there is still room for further increasing debt. The Ministry of Finance said that by the end of 2015, the central government debts "subject to budgetary management" totaled CNY10.66 trillion, while such debts of local governments were CNY16 trillion. Combined, they account for 39.4% of China's GDP, it said. China's overall government debt ratio was about 41.5% in 2015, lower than the warning line of the EU, which is 60%, the Ministry said. The ratio was also lower than that of major and emerging market economies. Last year, the local government debt ratio was 89.2%, which is also lower than the generally accepted warning line of the international community. China's local government debts are backed by high-quality assets, so their repayment is not considered to be a big problem. The repayment will also be supported by China's expected medium to high economic growth, the Ministry of Finance said.

- Local governments across China will likely see improved fiscal revenue this year due to the stabilization of the property market and macro-economy, global ratings agency Moody's said. The tax and non-tax revenue of local governments rose 11% year-on-year in the first quarter, and is expected to continue rising throughout the year. In the first quarter, 22 of the 31 province-level regions reported rises in residential and commercial real estate construction on a year-on-year basis.
- The Industrial and Commercial Bank of China (ICBC) has issued its first renminbi-denominated certificate of deposit (CD), allowing institutions to issue and clear financial products denominated in the Chinese currency in the U.S. The CD, valued at CNY500 million, has a 31-day maturity and allows U.S. borrowers to issue renminbi-denominated securities for trading and settlement purposes. The renminbi is now the fifth-most active currency used for global payments.
- Efforts to reform China's struggling state-owned enterprises (SOEs) have led to a higher risk of companies missing debt payments, but that hasn't dampened investors'

appetite in China's bond market. "We're seeing new defaults across all instruments, from private companies to state-owned enterprises," said Christopher Lee, Managing Director at S&P Global Ratings. More than 10 bond issuers in China, including SOEs and private companies, have defaulted on bond payments this year, according to S&P.

- Sally Chen, Resident Representative at the IMF's office in Hong Kong, said the average time Chinese companies take to pay bills has risen from an average of the already-long 53 days five years ago to 72 days now – even up to a year in some industries – pushing the country to the absolute longest cash flow cycle in the world. This problem is burdening even more companies in the Chinese economy with distressed balance sheets because they do not generate sufficient income between pay cycles to cover interest on their debt. She said 14% of Chinese corporate debt is now "at risk", equivalent to 7% of China's GDP.
- Retail investors are increasingly buying into private equity (PE) and venture capital funds even as institutional investors are retreating from new tech companies with exceptionally high valuations, in a trend analysts say is fraught with danger. Some investment options, which used to be open only to institutions, have been made affordable for retail investors, said Wang Yansong, Managing Director of investment bank and advisory firm China First Capital.
- The China Securities Regulatory Commission (CSRC) announced that it will tighten its oversight of commodity futures trading in a bid to clamp down on speculation, and it also will open up the commodity-derivatives market to offshore investors. A speculative frenzy in March and April sparked a surge in the prices of China's steel, rebar, coking coal and iron ore futures.
- A new wave of anti-commercial-bribery investigations is expected next year once an amendment to the Anti-Unfair Competition Law is passed, according to the "China Anti-Commercial Bribery Blue Paper" jointly released by the China Institute of Corporate Legal Affairs and Fangda Partners, and based on a survey of 277 companies in March and April. China released a draft of the amended law, which covers business-related bribery, for public feedback in February.
- The Chinese yuan tumbled to its lowest level against the U.S. dollar since February 15 after the country's central bank set its weakest fixing in five years at 6.5693 on May 24. "We are likely to see renewed speculation on currency policy in the run up to U.S.-China Strategic & Economic Dialogue (S&ED), to be held in Beijing, in early June," Heng Koon-how, Singapore-based Senior Investment Strategist at Credit Suisse, said.
- The Hong Kong Monetary Authority (HKMA) received reports from banks about unauthorized stock trading activities in at least 22 online bank accounts in at least four banks. The sum involved was HKD45.97 million. None of the cases reported resulted in any fund transfers to unregistered third parties thanks to a double authentication process, but the Authority said there were nine cases that resulted in financial losses of HKD1.56 million. The affected banks have already paid full compensation.
- China's foreign exchange market turnover fell to CNY9.79 trillion in April, from CNY10.71 trillion in March, the State Administration of Foreign Exchange (SAFE) said. China last year opened its interbank forex market to foreign central banks and 14 of them have been allowed to trade on the interbank forex market. China's foreign exchange market turnover in 2015 was CNY110.9 trillion.
- Germany edged out China as the world's second-largest supplier of external credit for the first time in at least a decade last year. China's net foreign assets fell to USD1.6 trillion at the end of last year, while Germany's rose to USD1.62 trillion, according to calculations by Bloomberg using Japan's Ministry of Finance data. Japan, the top creditor since 1991, remained in first place with USD2.82 trillion.

FOREIGN INVESTMENT

China pushing for global investment guidelines

The Chinese government is pushing for a set of guiding principles for global investment to be adopted at the G20 summit in Hangzhou in September. Foreign Minister Wang Yi announced the goal as he laid out the agenda for the summit. With 100 days to go until the summit, Wang said Beijing's other goals for the gathering included stepping up joint efforts against corruption and deepening reform of the International Monetary Fund (IMF). Wang said there were roughly 3,200 bilateral agreements on international investment and China would push for the G20 to define guiding principles for a global investment policy of its own. “This would be the world’s first multilateral investment framework,” Wang said. “Multilateral investment rules will not be realized at a stroke, but starting the process is significant in its own right,” Foreign Minister Wang Yi said.

- Chinese and British companies are closely and successfully engaging in projects linked to the Belt and Road Initiative, demonstrating the complementarity of Chinese and UK expertise across the globe. A total of 21 examples of UK-China cooperation, in 10 countries with projects worth more than USD27 billion, feature in a report jointly released in Beijing by the China-Britain Business Council and Tsinghua University.

FOREIGN TRADE

China remains the top market for the U.S.

China remains the top market for U.S. exporters and represents huge potential for future opportunities for U.S. businesses, according to the latest report from the U.S. Department of Commerce. The 19 Top Markets Report showed that China ranked highly among top U.S. export markets in sectors from automotive parts, civil nuclear, building materials, construction equipment to education, financial technology, manufacturing technology and franchising. In the country analysis for the aircraft industry, the report said China is expected to be the world's largest single-country market for civil aircraft sales over the next 20 years. Boeing Co estimated that China will need to add more than 6,000 aircraft to its commercial fleet to meet traffic demand. In the building materials sector, the report said that although the Chinese economy is experiencing a slowdown, it is the world's largest construction market and will continue to provide a strong opportunity for U.S. building-products exporters. The report also described civil nuclear sector growth in the next decade in China will ensure commercial opportunities for U.S. civil nuclear exporters. China was also the top market for U.S. education. In 2014-15, China sent 304,040 students to the U.S., up 10.8% from 2013-14. Chinese students make up 31% of all international students in the U.S., the China Daily reports.

- Cargos from 47 Chinese cities and regions will be exported to Russia and to other countries in middle and eastern Europe through the newly opened Chifeng-Manzhouli-Europe railway route. The first train on the route set off from the Chifeng Bonded Logistics Center, Inner Mongolia Autonomous Region, on May 17, bound for Russia. It carried 1,100 tons of lysine, widely used as feed supplement for livestock. Traveling time will be cut by 15 days compared with sea transportation.
- China isn’t seeking to boost its steel exports, the China Iron and Steel Association (CISA) said in a report. Exports have been rising, however. Last year, Chinese firms sold 112 million tons on overseas markets, a rise of 20% from 2014. “The government has adopted a series of measures to curb the trend,” CISA said, citing export duties and lower tax rebate rates for some products.
- Chinese exports to the U.S. fell 8.9% in the first four months from a year earlier in U.S. dollar terms, while Chinese imports from the U.S. plunged 13.5% in the same period.
- China's Ministry of Commerce (MOFCOM) slammed a new final ruling from the United States against imports of Chinese steel. The U.S. Commerce Department announced anti-dumping duties of 209.97% and anti-subsidy duties of 39.05% on corrosion-resistant steel from China. “China will take all necessary measures to gain fair treatment and safeguard the interests of enterprises,” MOFCOM said.
- The deficit in China’s foreign service trade narrowed in April to USD21.9 billion last month. China’s service trade volume grew from USD362.4 billion in 2010 to USD713 billion last year. The country hopes to increase the total beyond USD1 trillion by 2020.

HEALTH

China set to launch drug pricing inspections

China will carry out wide-ranging pricing inspections on drug firms, hospitals and procurement bodies from June 1 till the end of October, the National Development and Reform Commission (NDRC) said. Drug prices have become a hot issue for patients and politicians in China, forcing drug companies to rethink their pricing strategy. Britain’s GlaxoSmithKline (GSK) and AstraZenca, along with China’s Betta Pharmaceuticals, recently agreed to cut prices on specific drugs by as much as 67%. The Commission said the investigations would include drug makers, medical institutions, disease prevention and control centers, blood banks, drug bidding platforms, procurement bodies and industry associations. “The focus will be on abnormal price fluctuations of bulk medicines and various types of drugs,” the NDRC said. China is pursuing an ambitious program of health-care reforms to improve the public health system and to reduce its reliance on drugs from overseas.

- More than 700 people are killed in road accidents across China every day, or about 260,000 deaths each year, according to the World Health Organization (WHO). About 60% of the casualties are vulnerable road users such as pedestrians, cyclists, and motorcyclists. The increasing use of electric bikes in urban areas in China for courier delivering has become a new concern for road safety.

IPR PROTECTION

German Lind Bakery accused of infringing trademark

German Lind Bakery’s Shanghai branch has been forced to change its signs because they infringed on Swiss chocolatier Lindt’s trademark, the Pudong New Area People’s Court said. It was earlier ordered by the court to change its signs and pay compensation of CNY120,000 to Lindt & Sprüngli, but it refused to do so. The court has forced the company to comply by freezing its bank accounts and barring the owner from leaving the country. The two companies used different Chinese names.

- China's centrally-administered state-owned enterprises (SOEs) owned about 100,000 invention patents by 2014, with the number of annual applications increasing 30% on average since 2011, according to the State-owned Assets Supervision and Administration Commission (SASAC). Over the same period, their total research and development (R&D) investment increased from CNY270 billion to CNY350 billion.
- The first IP protection center in Liaoning province has been set up in the Dalian High-tech Zone. Operated by prosecutors in the zone, the center will handle IP lawsuits and complaints, and offer legal services and consultations.
- Huawei Technologies is suing South Korea’s Samsung in California, U.S., and Shenzhen, for alleged infringement of its patents on cellular communications technology and software. Huawei currently holds more than 50,000 patents around the world covering 4G, operating systems and user interfaces for smartphones.

MACRO-ECONOMY

Government concerned about slow growth of private investment

The Chinese government is concerned about the slow growth of private investment. Official figures show private investment rose only 5.2% in the first four months, in sharp contrast with a 23.5% rise from state-owned enterprises (SOEs). The central government has sent nine teams to 18 regions, including Guangdong, Zhejiang, Jiangsu and the northeastern provinces from May 20 to check on the implementation of policies to support private investment. President Xi Jinping toured the northeastern province of Heilongjiang while Premier Li Keqiang visited Hubei on fact-finding trips to expedite reforms in state-owned firms and revive regional growth. Executives at private firms mentioned several problems, such as market access restrictions, hurdles to obtaining bank loans, unfair competition from state rivals and tedious red tape. China’s leaders are preparing to hold a key policy meeting in the seaside resort of Beidaihe in Hebei province, the South China Morning Post reports.

- Premier Li Keqiang has urged state-owned enterprises to remove excess production capacity and increase quality during a visit to Hubei province. Li appointed the Wuhan Iron & Steel Group Co as a pilot SOE to reduce excess capacity and transfer redundant workers to other posts. The company has four subsidiaries with an annual production capacity of nearly 40 million metric tons of iron and steel, ranking fourth in the world. Redundant workers must be transferred to other jobs instead of being laid off, Li said. Wuhan Iron & Steel had 51,000 employees by the end of last month.
- A new development plan for the Yangtze River Delta urban cluster focuses on regional integration, transportation and economic coordination. The cluster has expanded to 30 cities in Shanghai and Jiangsu, Zhejiang and Anhui provinces. The region accounts for just 3.69% of China's land area, but generates more than 20% of the country's GDP. The cluster will focus on high-end manufacturing and modern services.
- The Westpac MNI China Consumer Sentiment Indicator for May fell 3.1 points from April to 114.2, its compiler Market News International said. Sub-indicators for personal finances also fell in May, after upbeat readings in February and March, as did people's assessment of their household finances, and outlook for business conditions.
- Premier Li Keqiang called for enterprises to upgrade traditional manufacturing by using big data and cloud computing. He made the remarks to entrepreneurs attending the China Big Data Industry Summit in Guiyang, the capital of Guizhou province. Li said, "China is now integrating information technologies with production to increase the quality and quantity of goods and cultivate new momentum for a new economy."
- The combined profits of China's non-financial state-owned enterprises in the first four months fell 8.4% year on year to CNY652.3 billion, the Ministry of Finance said. Revenue for the period dropped 1.7% to CNY13.5 trillion. Companies in the oil, chemicals and building materials sectors recorded the biggest dips in profit in the period, while transport, petrochemical and pharmaceutical companies saw the biggest gains.
- The government of Hebei province, which produces a quarter of the nation's steel, has raised its targets for cutting iron and steel production this year. Iron production will be reduced by 17.3 million tons, up from a previous target of 10 million tons set in January. About 14.2 million tons of steel manufacturing will be phased out, up from an earlier target of 8 million tons, Governor Zhang Qingwei said.
- The profit growth rate of China's manufacturing companies slowed in April. Combined net profit rose 4.2% year-on-year to CNY502.1 billion, slowing from an 11.1% rise in March. Profit for the first four months grew 6.5% from last year to CNY1.8 trillion. The inventory of industrial products at the end of April fell 1.2% year-on-year, its first decline in recent years, the National Bureau of Statistics (NBS) said.

MERGERS & ACQUISITIONS

Chinese firms attract 49% of global venture capital

Chinese firms attracted 49% of the global venture capital investment in financial technology companies in the first quarter, with JD Finance and Lu.com both securing USD1 billion deals, according to KPMG International and CB In-sights in a new report. Of the USD4.9 billion invested around the world in the period, Asia picked up USD2.6 billion, of which USD2.4 billion went to China. The number of VC-backed fintech deals completed in the first three months of this year rose to a new quarterly high of 218, the report said. "Global VC investment in the technology sector may be experiencing a bit of a pause, but fintech, propelled by some very large mega-rounds, has proven to be an exception," said Warren Mead at KPMG International. Funding in the second quarter of the year is expected to remain high given the already announced USD4.5 billion funding round involving Alibaba's financial affiliate Ant Financial, which closed in April.

- The outbound mergers and acquisitions by Chinese companies are set to continue after the record-breaking growth in the first quarter of the year, Executives of U.S. investment bank Goldman Sachs Group said. However, transactions have been harder to complete, in particular in the United States and Europe, where some big transactions have been blocked by the regulators for antitrust and tax reasons.

REAL ESTATE

Land prices continue to increase

Land prices in the biggest Chinese cities continue to skyrocket, with 118 sites sold at huge premiums so far this year, new data show. By May 19, 118 land parcels had been sold at steep premiums in the 22 top cities tracked by the China Real Estate Information Corp (CREIC). Developers paid a more than 100% premium for nearly 60 of them, while the premium reached 400% for some. Mid- and small-sized developers were the most aggressive in their bids, CREIC said. As competition intensifies and the industry consolidates, smaller real estate firms have no alternative but to expand faster to avoid being knocked out of the market, it said. Land prices have also jumped in first- and second-tier cities in the past year as new players have swarmed in to take advantage of a market divergence in which property prices in bigger cities have shot up while oversupply plagues smaller cities. In April, the municipal government of Suzhou sold 13 sites for CNY25 billion. The two-day land auction saw the emergence of several new “land kings”, or high-priced plots, as they are called in China. Mid-sized developer Jingrui Holdings purchased a plot in Gaoxin district at CNY19,699 a square meter, even more expensive than the district’s current average selling price for new flats. There could be some speculative investment as developers are betting on a steady rise in home prices, said David Hong, Research Director at CREIC. “It would very hard to make profit out of ‘land kings’ as the market is expected to enter a period of adjustment in the second half,” said Tospur Research Director Zhang Hongwei. The apartments built on such premium land target high-end customers, many of whom have been shut out of the market as a result of the recent cooling measures, the South China Morning Post reports.

Exorbitant home prices lead to brain drain

Shenzhen, the southern city known as China’s Silicon Valley, could be losing its lustre due to a housing affordability crisis. Led by Huawei, talent, resources and money have been flowing out of Shenzhen to cheaper locations, in particularly Dongguan, about an hour’s drive north. Home prices in Shenzhen rose 508% in a decade. Nanshan, in southwestern Shenzhen, has been the breeding ground for its hundreds of hi-tech start-ups and listed companies, housing China’s top innovation companies such as Tencent and ZTE. However, its prohibitive property prices are scaring off talent and causing a headache for young hi-tech firms looking to expand their operations. Start-up have to offer ever higher salaries to try to attract talent. One company raised salaries by 20% last year, in large part to help its employees deal with rapidly rising rents. The cost of renting a home in Shenzhen climbed 23% last year, according to Homelink, with those in Nanshan district jumping 46.2% year-on-year to top the list. Shenzhen made headlines last year for having the world’s fastest-rising house prices according to real estate firm Knight Frank. They surged almost 50% last year to an average of CNY31,425 a square meter, more than double the average in Guangzhou, the capital of Guangdong province, but the average monthly salary in Shenzhen – CNY7,631 according job168.com – is only 10% higher than the average in Guangzhou. Dongguan is now home to 7,638 newly registered hi-tech businesses, almost double the number in 2012 when the local government launched an all-out effort to cultivate high-value-added industry. Some analysts fear Shenzhen may share a similar fate to Hong Kong, as soaring costs hollow out the city’s real economy and leave it over-reliant on the finance sector – already the second ranked driver of Shenzhen’s economy, the South China Morning Post reports.

- Anbang Insurance Group Co is expected to gain full ownership of Vancouver's largest office complex. It is believed to be buying a 33% stake in the Bentall Center from GWL Realty Advisors. The Beijing-based insurer earlier bought 66% of the property owned by Ivanhoe Cambridge, a unit of Canada's second-largest pension fund, valuing the complex at more than CAD1 billion.
- The rising number of affluent Chinese – those with annual after-tax income from CNY125,000 to CNY1 million – still prefer to invest in real estate and keep cash, a survey of 450 Chinese by Charles Schwab and the Shanghai Advanced Institute of Finance showed. The research was conducted at the end of last year. “There is increased fear around volatility after the A share crash in June last year”, Charles Schwab Executive Vice President Lisa Hunt said. 70% of those questioned cited market volatility as their biggest investment concern, the survey showed.

RETAIL

Value Retail opens a second Village in China

The long awaited Shanghai Village, the second Village in China by Value Retail, opened its doors on 19 May 2016. Home to a unique blend of luxury brands, with boutiques offering exceptional savings, this luxury shopping experience is enhanced by a suite of first-class hospitality services and a selection of restaurants and cafés attentively positioned along the boulevards. Shanghai Village will give guests the opportunity to unwind in a spectacular open-air 'village' setting that offers a choice of restaurants specializing in fine cuisine and regional delicacies. A perfectly pitched ambience will convey a fusion of European and Asian cultures for discerning international and Chinese guests.

E-commerce rules relaxed temporarily

E-commerce companies have been given a one-year buffer period to rethink their cross-border strategies, after the government released new regulations, which ease controls introduced in April on certain imported goods sold online. The country's customs authority said it will continue to allow the direct import of cosmetics, baby formula, medical equipment and healthcare-related food in 10 pilot cities, without permission, or the filing of special applications. Companies have been told they have until May 11, 2017 to bring imported goods into bonded warehouses in the cities – including Shanghai, Hangzhou, Ningbo, Zhengzhou, Guangzhou and Shenzhen – without having to complete customs clearance forms originally required from early April on cross-border e-commerce activities. The April regulation required e-commerce companies to obtain certificates first in order to get their goods through customs, which had already led to a fall in import volumes.

- ZTE Corp said it plans to open about 20 new stores this year, including three overseas, as it seeks to achieve a 25% rise in smartphone sales. The company aims to improve brand awareness and boost sales to 60 million or 70 million units in a flat market.
- Starbucks is expected to have more outlets in China than in the U.S. In the future, according to CEO Howard Schultz. Starbucks announced it would open its first international Starbucks Reserve Roastery & Tasting Room in Shanghai in 2017. China is the Seattle-based company's largest international market, with more than 2,100 stores across more than 100 cities. There over 300 locations in Shanghai alone. Starbucks plans to open 500 locations a year in China over the next five years.

SCIENCE & TECHNOLOGY

China pushes innovation-driven development

The business sector is encouraged to invest in high technology under a new blueprint on the nation's innovation strategy, Minister of Science and Technology Wan Gang said. The central government, in the Outline of the National Strategy of Innovation-Driven Development, defined the goals for China's scientific power through 2050. Minister Wan said companies are taking an increasingly active part in research and development. Last year, the private sector contributed 77% of the country's overall CNY1.4 trillion in R&D investment, and 80% of the technology market's trading volume. “Companies have become the driving force for the country's innovation development,” Wan said. The new outline will provide a more favorable environment for boosting scientific innovation. Minister Wan also encouraged scientific research personnel to transfer technology. Earlier this year, China granted researchers at public research institutes a greater share of the benefits from commercializing the technologies they developed.

Chinese develop world’s first graphene paper

In a major technological breakthrough, Guangzhou OED Technologies in Guangdong province, in collaboration with Chongqing Graphene Tech Co, has developed a new type of electronic paper that industry experts have dubbed “the world's first graphene e-paper”. The new e-paper uses graphene and is expected to not only boost the use of the material worldwide, but help expand the commercial scale of the e-paper industry. “Compared with traditional e-papers, graphene e-paper is more pliable and has more intensity. Its high light transmittance means optical displays will be much brighter,” said Chen Yu, CEO of Guangzhou OED Technologies, which sources the material from its Chongqing-based partner. E-papers, which are bendable, energy-efficient and thinner than liquid crystal displays, are used in a wide range of product displays like e-book readers, electronic shelf labels, digital signs, information billboards, watches and mobile devices. According to Chen, both companies will start commercial production of graphene e-paper within a year, the China Daily reports.

The China International Graphene Industry Union will be set up in September. The non-governmental organization (NGO) will be a platform for international and domestic cooperation among businesses, researchers and financial institutions in the industry, Director General-designate Zhang Jingan said.

- Zhongguancun Science Park is spearheading Beijing's technological innovation. Established in 1988, it is the first national innovation demonstration zone. The park hosts more than 9,300 national-level high-tech enterprises, whose total revenue last year reached CNY4.08 trillion, a 13.2% increase year-on-year, about 2.6 times the 2010 figure. Its contribution to the capital's economic growth has increased from 17.9% in 2010 to 36.8% in 2015. The number of so-called unicorn companies – tech startups valued at more than USD1 billion each – has reached more than 40, second only to Silicon Valley in the United States.

STOCK MARKETS

NEEQ to be split into two segments

The National Equities Exchange and Quotations (NEEQ), China's national over-the-counter share trading market, will soon adopt a new policy that will divide listed companies into two segments: the innovative market and the basic market. The division will be based on a set of indicators of financial performance and shareholding structure of the listed companies. It will allow the board to meet the different financing needs of companies, improve regulatory efficiency and reduce the cost of information collection for investors. The NEEQ had attracted 7,357 companies as of last week with a total market capitalization of CNY2.9 trillion. The number of listed companies was more than the combined number on the Shanghai and Shenzhen stock exchanges. The final rules are expected to be officially adopted in early June, but details about the revision of the draft rules remain unclear.

- Chinese courier company SF Holdings (Group) reached a CNY43.3 billion deal with little-known metals company Maanshan Dingtai Rare Earth & New Materials that effectively gives the firm a backdoor route to a stock market listing. SF’s “backdoor listing” is the latest in a series of moves by big, privately-held Chinese firms seeking a quicker route to the stock market than a time-consuming traditional initial public offering (IPO).
- Hong Kong Exchanges & Clearing (HKEx), operator of Hong Kong’s stock exchange, said it will “probably work very quickly” on a plan to link bond markets in China’s mainland with those in the city, giving global investors more access to yuan-related assets. The concept would be similar to a landmark program that connected the Hong Kong and Shanghai stock markets in 2014, said HKEx CEO Charles Li.
- The U.S. Securities and Exchange Commission (SEC) has launched an investigation into Chinese e-commerce firm Alibaba’s unorthodox business structure and accounting practices. U.S.-traded shares in Alibaba tumbled in heavy trading after news of the SEC probe. Alibaba stock is down 20% in the past year. The company said it is cooperating with the investigation.
- The Securities Association of China said the net profit of securities companies in China plunged 43% year-on-year in the first quarter, mainly due to the high base effect from last year.
- Applications by three companies for initial public offerings (IPOs) in Shanghai and Shenzhen have been rejected by the China Securities Regulatory Commission

(CSRC) since the beginning of May. This brings the total number of rejected applications to five so far this year. More rejections are likely as the regulator may consider removing more companies from the IPO application list due to their shrinking profit margins. Smaller enterprises with thin profit margins and little proven performance and growth potential may face challenges when applying for an IPO.

- The Shanghai Stock Exchange has appointed Wu Qing, a regulator known for his zero-tolerance toward market irregularities, as its new Chairman. Wu, 51, replaces Gui Minjie. He will have the rank of Vice Minister. It remains to be seen whether Wu will be granted more power in conducting reforms.
- China Tower Corp, a joint venture between China's three state-owned telecom companies, plans to launch an IPO next year in China, according to Sha Yuejia, Vice President of China Mobile. China Tower Corp is an infrastructure-sharing joint venture set up to handle the construction, maintenance and operation of telecommunications network towers and auxiliary infrastructure across the country.
- China's two stock exchanges announced stricter rules on trading suspensions by listed companies. Listed firms planning major asset restructuring cannot suspend trading for more than three months, while trading suspension of firms preparing for non-public offerings must not exceed one month. Companies are also required to improve information disclosure during trading suspension. During China's stock market meltdown last year, more than half of the 2,800 listed companies suspended trading to prevent share prices plunging.
- Shanghai shares ended lower for a sixth straight week on May 27 as investors showed little appetite for trading amid weak industrial data and a lack of policy support. The Shanghai Composite Index closed at 2,821.05 points, taking the weekly loss to 0.16% and the six-week decline to 8.4%.

TRAVEL

Innovative bus design unveiled

Plans for an electric bus on rails, which lets cars drive underneath it, were unveiled at a recent high-tech expo in Beijing. Designers say it will not only save road space but also help to reduce air pollution. The concept is the brainchild of Beijing-based Transit Explore Bus (TEB). The passenger compartment spans two traffic lanes and sits high above the road surface, allowing other traffic to pass by underneath, regardless of whether the bus is moving or not. The bus's cost is about 16% that of a subway. A Transit Elevated Bus (TEB) can hold 1,200 to 1,400 passengers.

- Chinese billionaire Wang Jianlin, whose Dalian Wanda Group is launching a chain of theme parks and entertainment complexes around China, has taken aim at rival Walt Disney ahead of the Magic Kingdom's opening next month in Shanghai. Disney "should not have come to China," and Wanda aims to surpass it as the world's largest tourism company by 2020, Wang told China Central Television (CCTV).
- Construction on a second airport in Chengdu has started at an estimated cost of more than CNY70 billion. The first phase is expected to be completed in 2019. Once fully operational, Chengdu will be only the third Chinese city, after Beijing and Shanghai, with two airports. The new facility will include six runways and six terminals, and is expected to welcome 90 million passengers a year.
- China's largest train manufacturer has developed the country's first monorail train powered by permanent magnet synchronous motors. CRRC Qingdao Sifang Co, a subsidiary of train maker China Railway Rolling Stock Corp, said the monorail had successfully completed a test run. More than 95% of its parts are made in China. The cost of constructing a monorail is one-third that of building a subway system.

ONE-LINE NEWS

- China's Lenovo Group, the world's biggest PC maker, reported its first loss in six years, hit by exceptional acquisition and restructuring costs as well as weak sales for its smartphones business. Lenovo booked a net loss of USD128 million for the year ended on March 31, which compared with a profit of USD829 million the previous year. Revenue fell 3% to USD44.9 billion, although at constant currency exchange rates it rose 3%.

- Premier Li Keqiang said the government should open up more data and information to the public. The government still holds 80% of the information, but except those related to national security, business secrets and personal privacy, the rest should be opened to the public to make governance more efficient, he noted.

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.

In addition, cooperation partners are being sought for three new projects:

- Technology request: A local VR (Visual Reality) company wants to find a business partner for cooperation.
- Business Offer: A local company wants to find a cage and box distributor in Europe.
- Business Offer: A local company wants to find a steel pipes distributor in Europe.

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

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