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

NEWSLETTER | 6 JUNE 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.

Bert De Graeve

Stefaan Vanhooren

Bart De Smet

Philippe Van Der Donckt

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

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).

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).

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.

China workshop: Doing Business with China for SME's – 28 June 2016 – FIT Exportfair, Brussels

On 28 June, the Flanders-China Chamber of Commerce and Flanders Investment & Trade will organize a China workshop focused on Doing Business with China for SME's. This will take place at the FIT Exportfair from 15h15 - 16h00. This will take place at the FIT Exportfair from 15h15 - 16h00.

Speakers:

15h15	Welcome by Gwenn Sonck, Executive Director Flanders-China Chamber of Commerce
15h20	"What keeps managers awake about banking in Asia?" by Mr Mathias Deferme, Relationship Manager KBC Hong Kong (15 min) As a manager you want to: 1/ eliminate the administrative burden as much as possible; and 2/ obtain stable, long term and cross border financing solutions; and 3/ minimize the trade risk of your business; and 4/ be able to provide and hedge RMB payments. But most of all you want a local banking partner that understands your home market business and understand your real banking needs.
15h35	Testimonial of doing business with China

List of seminars and workshops at the Export Fair:
http://www.exportbeurs.be/exportbeurs/pages/13688-programma

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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AUTOMOTIVE

Parallel car imports booming

China's parallel-import car sales are growing at the fastest pace in the past two years, at 31.5% to more than 150,000 this year. "It has been the best time for the parallel car business," said Tong Shiping, Chairman of Tianjin Binhai International Automobile Mart Co. He said the country's parallel-import car sales were up 7.5% in 2015, of which 85% to 90% came from one of its free trade zones (FTZs) in Tianjin. In the parallel-import business, auto dealers directly purchase vehicles from a foreign production base or auto dealer. Prices for parallel-import cars are normally 10% to 20% lower than the prices offered by authorized dealers. Tianjin Binhai International Automobile Mart, built in 2000, is a 44,000-square-meter national car-display mall. “We interacted with more than 1,200 parallel-import car dealers nationwide and had about 100,000 transactions in 2015, which were valued at CNY70 billion,” said Tong. In October, 30 enterprises and five platforms in the China (Tianjin) Pilot Free Trade Zone were selected as pilot ones for parallel car imports by the Tianjin Commission of Commerce. Last month, Tianjin issued preferential policies to support the pilot enterprises and platforms, which included use of a bonded warehouse and simplification of import procedures.

- Fu Qiang, 50, former President and CEO of Volvo China Sales Co, is joining Zhejiang Aiche Internet Intelligent Electric Vehicle Co, an economy electric carmaker set up by Henan Harmony Automobile Trading Co and Harmony Futeng Internet and Intelligent Electric Vehicle Co. Several Chinese companies have recently unveiled their connected electric car concepts, including LeEco's LeSEE, Pateo's Project N and BAIC's Arcfox-7, though none are being mass produced.

FINANCE

EIB and AIIB agree to cooperate

The European Investment Bank (EIB) and the Asian Infrastructure Investment Bank (AIIB) signed a framework agreement in Beijing and agreed to broaden cooperation, in an accord seeking to jointly finance strategically important projects. “The agreement is crucial to expand our partnership in addressing the monumental infrastructure financing needs around the world,” said Jin Liqun, President of the AIIB. Jin added that the AIIB was created with the goal of promoting regional cooperation and partnership to address development challenges. He said joint efforts between the two banks could be a steadying force in a complex global economic environment and create enduring positive developmental results. Werner Hoyer, President of the EIB, said the two banks shared similar business models. Analysts expect the first investment project on which the banks are going to cooperate will be located in India. The EIB decided to provide a €450 million long-term loan earlier this year to finance the first metro line in Lucknow, the capital of Uttar Pradesh. The EIB and the AIIB have already established a strong track record of cooperation, including sharing technical and financial expertise.

Foreign Chambers of Commerce call to change new insurance regulations

The European Union Chamber of Commerce in China has joined other overseas business associations in signing an open letter calling for changes to Chinese regulations overseeing the insurance industry, which they say unfairly penalize foreign firms. The move came ahead of this week’s 8th China-US Strategic and Economic Dialogue (SED) in Beijing. The regulations say insurance firms should store data within China and prioritize buying “secure and controllable” products, including Chinese encryption technologies, hardware and software. Foreign business groups say the measures are excessive and will make it harder for overseas firms to compete with Chinese insurance companies and technology providers in China. China, like other WTO members, has the right to implement measures necessary for the maintenance of cybersecurity, but we believe that the provisions go far beyond what is necessary, the signatories of the letter say. Twenty-nine industrial associations and business chambers, covering the United States, the European Union, Japan and Canada, have signed the letter. They ask the China Insurance Regulatory Commission (CIRC) and the Ministry of Commerce (MOFCOM) to postpone the adoption of the regulations to allow time for “substantial revision”, the South China Morning Post reports.

- China has launched non-performing loan (NPL) securitization to encourage private capital to participate in the NPL market. Bank of China (BOC) and China Merchants Bank (CMB) have issued their first-ever NPL-backed securities products since China restarted non-performing asset securitization after halting the business in 2009.
- The Asian Infrastructure Investment Bank (AIIB) will issue its first loans for

infrastructure projects by the end of June and will raise its membership from 57 to nearly 100 countries and regions by the end of this year. While the United States and Japan have declined to join the AIIB, AIIB President Jin Liqun said the "door has been open and will remain open". In addition to funding infrastructure projects, the bank will finance sectors including education, healthcare and urban planning and management.

- Quotas of USD81.1 billion had been awarded under the Qualified Foreign Institutional Investors (QFII) program by the end of May, the State Administration of Foreign Exchange (SAFE) said. The outstanding quota under the Renminbi-denominated QFII program totaled CNY502 billion. China introduced the QFII and RQFII in 2003 and 2011. The AIIB will hold its first annual meeting on June 25 and 26 in Beijing.
- The Shanghai-based New Development Bank (NDB) is set to issue its first renminbi-denominated bonds, and is eyeing future funding for infrastructure projects. The bank was founded by the BRICS countries of Brazil, Russia, India, China and South Africa to finance sustainable development in emerging markets and developing countries.
- China's pension funds recorded a net increase in asset value last year despite growth in spending outstripping that of earnings. The funds' asset value came up to as much as CNY3.99 trillion at the end of 2015, according to the Ministry of Human Resources and Social Security. The funds collected an annual revenue of CNY3.22 trillion, far more than its expenditure of CNY2.79 trillion. The asset value increase came as a relief amid growing public concern over China's difficulties in fulfilling its pension payment obligations because of its rapidly ageing population and low investment returns.
- Gao Huiqing, Economist at the State Information Center, expects the yuan to depreciate further against the U.S. dollar in the next two weeks, but worries over its long-term depreciation are unwarranted. "The likelihood of a major change in China's exchange market is highly unlikely," Gao said. "Capital outflows are seeking a new balancing point at a time when China is restructuring, and have yet to hit bottom", said Zhao Yang, Chief China Economist at Nomura.
- The People's Bank of China (PBOC) has tightened the way it calculates reserve requirements for banks dealing in offshore yuan. Participating banks, including Bank of China (Hong Kong), will now have to set aside a fixed sum based on a percentage of their average level of yuan deposits over a previous quarter, replacing the current more relaxed calculation based on a quarter-end figure. The change takes effect from July 15. Australian investment bank ANZ said that the new rules could tighten liquidity in the offshore yuan market.

FOREIGN INVESTMENT

Shanghai Media Group and Silicon Valley-based Jaunt set up JV

Shanghai Media Group (SMG) announced a strategic investment in Silicon Valley-based virtual-reality company Jaunt. SMG and its subsidiary Shanghai Oriental Pearl Media Co will become investors in Jaunt, and SMG, Jaunt and China Media Capital's technology arm Whaley Technology Co will establish a joint venture known as Jaunt China. Around CNY200 million from SMG's CNY1 billion SMG Cultural Innovation and Entrepreneurship Fund will be allocated to VR content production. China's VR market was worth CNY1.54 billion in 2015, and is expected to rise to more than CNY5 billion in 2016.

FOREIGN TRADE

U.S. investigation in Huawei motivated by protectionism

The U.S. investigation into Huawei Technologies over whether the company has exported U.S. technological goods to sanctioned countries might be motivated by trade protectionism, according to some Chinese analysts, but it will have limited impact on the company, they said. The United States has subpoenaed Huawei as part of a probe into whether it has exported such products to Iran, Cuba and other nations on the U.S. sanction list. The investigation comes after the U.S. Commerce Department temporarily sanctioned ZTE Corp this year, and it highlights a growing discord between China and the U.S. on the communication technology trade. Huawei is aiming to beat Samsung Electronics and Apple within the next five years to become the world's biggest smartphone maker, with a market share of more than 25%, Director Yu Chengdong told The Wall Street Journal. Xiang Ligang, Founder of industry website cctime.com, said the probe will have a limited impact due to Huawei's ability to make in-house chips and operating systems. "Compared with ZTE, which chiefly relies on the U.S. semiconductor company Qualcomm for mobile chips, Huawei is using self-developed chips in its smartphones and tablets," Xiang said.

- China's first mandatory national textile standards for children took effect on June 1, International Children's Day. The new standards categorize textiles into two types: materials for infants aged 36 months or below, and for children aged 3 to 14 years. New rules enhance several safety requirements and ban the use of six plasticizers and two heavy metals – lead and cadmium. The new standards will have a two-year transition period for full compliance from June 1, 2016 to May 30, 2018.
- China seized an oil tanker and detained several people last month, including one employee of Swiss trading house Gunvor, as part of a probe into suspected tax evasion on imported oil. China has stepped up efforts to crack down on fuel smuggling, which has increased after authorities raised consumption taxes on oil products in 2014, creating price gaps between prices abroad and at home.

IPR PROTECTION

Xiaomi buys 1,500 patents from Microsoft

Smartphone maker Xiaomi has bought nearly 1,500 patents from Microsoft as part of a "global partnership" that will help the Chinese firm expand outside its home market. The patents cover wireless communications, video, cloud computing and multi-media technologies. Besides the patent transfers, Xiaomi will pre-install Microsoft Office and Skype on its Android-powered smartphones and tablets. Xiaomi sold more than 70 million handsets last year. In May, Microsoft announced the sale of its phone business for USD350 million to a new Finnish company HMD Global and its Taiwanese partner, FIH Mobile of FoxConn Technology Group. "Microsoft is using its IP arsenal as leverage to lure and lock-in vulnerable players such as Xiaomi," Neil Shah, Research Director at Counterpoint Research, said.

- The Shanghai IP joint conference organized a training program last week about Disney-related intellectual properties. Experts were invited to introduce the history of The Walt Disney Co, characters covered by Disney-related IP protection and administrative protection of trademarks. The program involved more than 120 trainees from government agencies, management committees of resorts and industry associations.

MACRO-ECONOMY

China's robot sector fueled by fraudulent subsidies

China's growing robotics sector has boomed due to domestic companies having fraudulently obtained vast amounts of subsidies from various local governments. "The industry is now in a subsidies-driven bubble," Wang Cairong, Executive Director at the China Artificial Intelligence Robot Industry Alliance, told the South China Morning Post. Wang called for a nationwide campaign to investigate these companies. China has been the world's largest market for industrial robots since 2013. Total sales of industrial robots in the country reached 66,000 units last year, up 16% from 2014, according to estimates from the International Federation of Robotics. Chinese regulators have looked to robotics and automation as a way to overcome labor shortages and spur innovation, but generous subsidies sparked a big boom in the domestic robotics sector. The number of robotics companies have swelled to more than 3,400 from hundreds in the past few years. Some of those companies have been set up with the only purpose of receiving one-off subsidies. Local governments, including those in developed provinces like Guangdong, Zhejiang and Jiangsu, each provide annual subsidies of several hundred million yuan to robotics companies, as well as tax deductions. Many companies in the industry either lost money or were barely profitable, the South China Morning Post reports.

- China’s President Xi Jinping has vowed to increase government support for technology companies in an attempt to raise the country’s competitiveness. Beijing has put forward the so-called Internet Plus and Made in China 2025 strategies, which aim to make Chinese firms world technology leaders and calls for progressive increases in domestic components in priority industries such as robotics and aerospace equipment.
- Xu Qin, Mayor of Shenzhen, has challenged claims that a number of top technology firms were ready to move their headquarters out of the booming southern metropolis. He said that Huawei Technologies and ZTE have assured him that their headquarters and research and development centers would stay in the city. However, the firms do intend to transfer some of their manufacturing operations to nearby cities, including Dongguan.
- Hong Kong has reclaimed the title of the world’s most competitive economy, according to the IMD World Competitiveness Center, in its annual survey of 61 countries and territories. In a separate report on competitiveness by the Chinese Academy of Social Sciences (CASS), Hong Kong lost out to Shenzhen for the second year in a row.
- Job hunting university students in China expect an average salary of CNY7,235 a month, 1% lower than last year, according to a survey by Universum China covering over 55,000 undergraduates, masters and PhD students in 110 top universities in China. The survey also found that 49% of the respondents consider life-work balance as a top career goal, followed by job security and stability. Aerospace engineering students have the highest expectations of an average CNY9,010 per month.
- The official purchasing managers’ index (PMI) stood at 50.1 in May, unchanged on the previous month, according to the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP). It was the third month the index has recorded an expansion after seven months of contraction. “The PMI indicates the real economy retains a weak recovery momentum,” said Steven Zhang, Chief Economist at Morgan Stanley Huaxin Securities. The non-manufacturing PMI, a measure of activity in the services sector, was 53.1, down from April’s 53.8. The Markit/Caixin factory PMI, a private and separate gauge of manufacturing activity, fell to 49.2 in May from April’s 49.4.
- China’s logistic activity remained stable in May as the economy showed more signs of stabilizing. The logistics performance index for May was 54.2%, flat from April, according to the China Federation of Logistics and Purchasing (CFLP).
- China will set regional “red line” limits on energy, water consumption and land use for industrial development, according to a document published jointly by nine ministries. The percentage of coal use in total energy consumption is also included. Dai Yande, Deputy Director at the National Development and Reform Commission’s Energy Research Institute, said the aim of the targets was “not to limit energy consumption”, but to improve the efficiency and quality of energy use.
- China’s excess industrial capacity will have a “corrosive” impact on its future growth and efficiency unless it is reduced, U.S. Treasury Secretary Jack Lew said in Beijing, adding that it was also causing distortions in global markets.

MERGERS & ACQUISITIONS

China Minmetals and China Metallurgical Group merge

China Minmetals Co has merged with China Metallurgical Group Co, creating a new conglomerate bigger than the asset value of any of the three biggest global mining companies – BHP Billiton, Rio Tinto Group and Vale. After the merger, China Metallurgical will become a wholly-owned subsidiary of China Minmetals. The new company will have 240,000 employees, 29 national-level research and development (R&D) centers and institutes, and different types of mines in Africa, Australia, Latin America and Asia. It will have mining and mine-related construction projects in more than 60 countries and regions. He Wenbo, Chairman of China Minmetals, said the move would help the new company optimize its business structure and further ensure China's resource security. The company will further develop copper, zinc and nickel mining projects abroad, as well as develop its modern logistics, financial services and equipment manufacturing businesses. The combined sales revenue of the two Chinese companies reached CNY430 billion in 2015. The move is part of the ongoing restructuring of state-owned enterprises (SOEs). The top two high-speed rail makers and two leading shipping companies have already merged since last year. Guo Wenqing, former Chairman of China Metallurgical and now General Manager of China Minmetals, said the merger would help the new company have a more diversified operational model that could take full advantage of the opportunities likely to come from the Belt and Road Initiative, as well as strengthen the company in its competition with established foreign rivals in overseas markets, the China Daily reports.

- Softbank Group Corp said it will sell at least USD7.9 billion of shares in Alibaba Group Holding as it looks to raise capital. Softbank will hold about 28% of Alibaba after the sale. As of March 31, Softbank held a 32.2% stake in Alibaba. Alibaba will buy USD2 billion of its shares from Softbank, and intends to fund the deal with cash on hand. The company's partnership will buy another USD400 million of shares.
- AVIC International said it had successfully completed the acquisition of AIM Altitude, a Britain-based aircraft cabin interior supplier. AVIC International hopes the acquisition will be an opportunity to gradually deepen cooperation with its British counterparts, Lai Weixuan, President of AVIC International said.
- China National Cereals, Oils and Foodstuffs Corp (COFCO), China's largest food trader, is on the hunt for international merger partners and acquisition targets, amid a massive surplus in domestic grain stocks. President Yu Xubo said the company will focus on firms that can help solve food shortages at home, and allow the company to develop a global supply chain. Oilseeds, such as soybean and rapeseed, and animal feeds will be its major focus. Its prime target markets are the South and North Americas, and areas along the Black Sea in Europe.

REAL ESTATE

Home prices rise 1.7% in May from April

Home prices in China continued their rising trend in May, the China Index Academy said. The average cost of a home climbed 1.7% to CNY11,662 per square meter from a month earlier. Prices increased in 74 cities nationwide, fell in 24 cities and were flat in two. Of the gainers, 29 cities saw a month-on-month rise of above 1%, up from 28 cities in April. Xiamen in Fujian province posted the largest gain of 5.85%, followed by Hefei and Wuxi. Shanghai, where home prices rose 1.9% from a month earlier, ranked 21st, or the second-fastest among the four first-tier ones. The average cost of a new home in the country's 10 largest cities added 1.93% to CNY22,113 per square meter. "Looking forward, some second-tier cities still face high risks of overheating as an imbalanced supply-demand situation, coupled with red-hot land markets, will see home prices increase further," the China Index Academy said. On an annual basis, the average price of a new home jumped 10.34% in May, accelerating from a 8.98% growth in April. Home prices rose in 54 cities across the country from a year ago, with Shenzhen leading gainers with an annual surge of 58.8%. In Shanghai, prices of new homes, excluding government-funded affordable housing, rose 12.5% month-on-month to CNY36,700 per sq m in May, according to Shanghai Homelink, the Shanghai Daily reports.

- The Shanghai Office of the China Banking Regulatory Commission (CBRC) has allowed business between commercial banks and six real estate agencies to resume after a one-month suspension in an effort to normalize the property market. The banks can now conduct mortgage business with the agencies as well as online registration of home purchase contracts. The suspension on March 25 was part of efforts to curb rising property prices in Shanghai.
- Rapid growth in home prices in Chinese cities – and particularly in higher-tier ones – could lead to further regulatory tightening, Moody's predicted. The number of cities where prices gained annually rose to 46 in April from 40 in March, and those posting annual price gains of above 5% rose to 17 from 14 in the same period. Rapid price growth in Shenzhen, Shanghai, Nanjing and Wuhan has already seen regulatory tightening in their housing markets in late March.
- China Life Insurance Group Co, the country's largest insurer, has taken a sizable but undisclosed stake in a landmark New York office block, in a deal worth USD1.65

billion. The purchase marks the latest high-profile property move by a Chinese company. Chinese real estate companies have been the most-active investors in the U.S. since the start of the year, buying 47 properties worth USD9.3 billion, according to Real Capital Analytics.

- Property analysts said the rapid recovery in the country's housing market may not be sustainable partly because the credit profile of developers has not improved. The latest record-breaking deal was in Hangzhou with a site sold for CNY12.32 billion on May 27, the highest lump sum figure paid for a site in the city. It is also the first site that has sold for more than CNY10 billion in Hangzhou. The price paid is the equivalent of CNY21,576 per sq m.
- Cinda real Estate Co paid the highest premium so far this year of over CNY5.8 billion for a residential plot in Shanghai's Baoshan District, beating off a challenge from more than 20 rival bidders. The Shanghai-listed company paid a premium of 303% to the reserve price for its successful bid for the 106,400 sq m site in the outlying Gucun area. Cinda's bid was equivalent to about CNY37,000 per sq m of gross floor area (GFA). But the actual GFA price for the saleable area was even higher at around CNY48,000 per sq m.
- A new system to tighten inspection on real estate financing was launched in Shanghai. The system will enable monetary authorities to decide minimum downpayment, interest rates, application of differentiated policies on banks based on risk level, and the release of assessment reports to the public to manage market expectations. The new system seeks to secure financing to the real estate sector that takes a third of the total loans extended by banks in the city. Shanghai is the first in China to launch a macro-prudential management mechanism for the real estate industry.
- China Vanke said it would announce a restructuring plan in mid-June and its shares would resume trading in Shenzhen by the end of the month or early July, as it continues to battle a hostile takeover. The Shenzhen-based developer has signed a preliminary agreement with state-run subway operator Shenzhen Metro in which the latter would become a major shareholder after Vanke acquires up to CNY60 billion worth of property projects owned by the subway operator. The move is seen as a bid to block conglomerate Baoneng's hostile takeover of Vanke.

RETAIL

Alibaba tells vendors to stop selling medicine

E-commerce firm Alibaba Group has told vendors on its Tmall website to stop selling medicine, saying the Hebei Provincial Food and Drug Administration had issued an "urgent" directive halting drug sales via third-party platforms. The OTC market is expected to double by 2025 to almost CNY200 billion, according to BMI research, with online retailers widely expected to play a growing role. Meanwhile, Taobao, an online platform of Alibaba Group, has acquired 1.861 billion shares from Suning Commerce Group for CNY28.2 billion, making it the second-biggest shareholder of the country's largest home appliances retailer with a stake of just under 20%. Suning also said it would invest CNY14 billion to acquire a 1.1% stake in Alibaba.

SCIENCE & TECHNOLOGY

Government to provide more support for tech companies

"To be the world's major scientific and technological power, the state will have to champion first-class institutes, research-oriented universities and innovation-oriented enterprises," Chinese President Xi Jinping said. He added that the country would "provide bigger support for tech companies", especially small and medium-sized firms, and reorganize research institutes and universities. "Our biggest advantage is that we, as a socialist country, can pool resources in a major mission," Xi said. He also vowed to give scientists more power in allocating funding and directing their research, Xinhua reported.

- China launched the high-resolution mapping satellite Ziyuan III 02 from the Taiyuan Satellite Launch Center in Shanxi province on May 30. It was the 228th mission of the

Long March 4B rocket. The satellite is the second in a remote-sensing mapping system China plans to build by 2030. Also on board were two NewSat satellites from Uruguay. By 2020, China should also have launched Ziyuan III 03 and a Gaofen-7 high-resolution remote sensing satellite.

- China is likely to be building and supplying at least 10% of the world's satellites by 2020, according to Yuan Minhui, Director of the Beijing Institute of Space Science and Technology Information. "Remote sensing, communications, and positioning and navigation satellites are our major offers in the global market and they will continue to expand their shares," he said.
- China will launch five new satellites over the next five years as part of its fast-expanding space program, the director of the National Space Science Center said. The satellites, including a Sino-european joint mission known as SMILe, will focus on the observation of solar activity and its impact on the environment, an analysis of the earth's water cycle, and an investigation into black holes.

STOCK MARKETS

Funds raised in IPOs up 85% in May on April

Chinese companies raised nearly 85% more funds from initial public offerings (IPOs) in May, driven by mega deals in machine manufacturing and the financial sector. Last month saw 14 Chinese companies listed, unchanged from April. They raised a total of USD1.26 billion. Year-on-year, the number of deals shrank 70.8% last month while the total deal value fell 64.7% as China's securities regulator tightened approval amid a sluggish stock market. The China Securities Regulatory Commission (CSRC) "has been slowing the approval pace (for IPOs) and tightening supervision by taking into account companies' growth potential" amid a weak market, said Researcher Zhang Jing at Zero2IPO. As of May 27, 643 companies were waiting for approval to go public. Of the IPOs, the machine manufacturing sector topped by both deal volume and value, with five companies raising USD465.7 million, accounting for 37% of the total. The USD357 million IPO of First Capital Securities Co in Shenzhen, the largest last month, elevated the financial sector to second place by the amount of funds raised. Five IPOs listed in Shanghai last month, eight listed in Shenzhen and one company went public in Hong Kong, the Shanghai Daily reports.

- Dalian Wanda Group is offering USD4.4 billion in cash to buy out Hong Kong-listed unit Dalian Wanda Commercial Properties, part of a plan to take it private before re-listing it in Shanghai where it hopes to gain better valuations. Mainland listings trade at an average 34% premium to the same company listed in Hong Kong.
- Hong Kong retail stocks are expected to drop in value due to the continuing decline of tourist arrivals to the city, the delay in Japan's consumption tax hike and the strong Hong Kong dollar, according to Hanna Li, Strategist at UOB Kay Hian (Hong Kong). "I do not see any good news for Hong Kong retail stocks so far," she said. "Their revenue growth cannot get momentum when the number of visitors continues to decline and their consumption ability further weakens."
- BOC Aviation, the aircraft leasing unit of Bank of China (BOC) that raised USD1.1 billion from a share sale last month, rose as much as 4.4% during intraday trading on its debut in Hong Kong. Asian leasing companies are boosting fleets as the region is set to overtake the United States as the world's largest market for aircraft in two decades. BOC Aviation's initial public offering (IPO) attracted 11 cornerstone investors, including Boeing.
- Shanghai stocks closed at the highest in almost a month on June 3. The Shanghai Composite Index added 0.46% to end at 2,938 points. The index posted a weekly gain of 4.2% after speculation that MSCI will include yuan-denominated shares in its global indexes. Jufeng Investment said in a research note that there is still skepticism whether the rebound would continue as economic recovery still faces uncertainty in both internal and external markets.
- Nasdaq Chief Executive Robert Greifeld expects at least 10 initial public offerings (IPOs) of Chinese companies on the Nasdaq this year, mostly from the technology-media-telecommunications sector (TMT). Chinese biotech company BeiGene raised

USD158 million on the Nasdaq in February in one of the first IPOs of this year.

- Around 3,800 Chinese companies reported flat profit growth for the first quarter in 2016, Analysts at Goldman Sachs said in a report. Hong Kong listed firms have reported worse results in the first quarter with net profits declining by 2% year-on-year. Mainland-listed companies saw net profit unmoved while the U.S.-listed companies saw their bottom lines rise 11%. The yuan currency's depreciation remains a big concern, although its impact on Chinese firms' earnings remains small, Goldman Sachs said in the report.

TRAVEL

Beijing planning to introduce road congestion charges

Authorities in Beijing have completed draft plans to impose congestion charges on vehicles entering parts of the capital in a drive to ease congestion. The daily charges of CNY20 to CNY50 could be launched later this year. "The aim of introducing the fees is to make it easier for citizens to travel around the city," Mao Baohua, Executive Director of the Integrated Traffic Research Center of China said. The amount was likely to be tied to where each motorist went and how many times they passed through specific areas, experts said. Congestion charges are already enforced in cities such as London, Stockholm and Singapore. The schemes have generally proved popular, but have attracted some criticism over the added costs to motorists and the impact on businesses in the area. The daily charge in London is GBP10. Shanghai and Shenzhen, which mulled similar rules years ago, might follow suit. Beijing has about 5.6 million vehicles, more than any other city in the country, the South China Morning Post reports.

68% of flights by Chinese airlines on-time in 2015

Chinese airlines' on-time performance remained poor last year. Only about 68% of the 3.37 million flights by domestic carriers in 2015 were on time, meaning nearly one-third of Chinese flights were late last year, according to the 2015 Annual Report on Civil Aviation Industry Development by the Civil Aviation Administration (CAAC). The late flights had an average delay of 21 minutes – 2 minutes more than in 2014. The biggest drag on flights were air traffic control measures, which accounted for 30.7% of flight delays last year, followed by bad weather, which caused 29.5% of postponements. Airlines were responsible for 19.1% of the delays. Flight delays are a significant cause of passenger dissatisfaction with Chinese airlines. Airports and carriers that have poor on-time performance can face punishment by the CAAC, including the reduction of operations or suspension of charter services. The ultimate solution is to open more airspace to civil aviation, according to analysts. China's airspace is tightly controlled by the People's Liberation Army Air Force, and the current airspace designated for commercial flights is far from enough to meet the rising demand from Chinese carriers, the China Daily reports.

- Air travelers departing from Hong Kong will have to pay a fee of up to HKD180 starting from August to fund construction of the airport's third runway. The expansion of Hong Kong International Airport is due to be completed by 2023.
- HNA Group is buying a 13% stake in Virgin Australia, just a week after the Hainan company took a 20% stake in Portuguese airline TAP. Virgin Australia said the tie-up would boost its access to the "rapidly-growing Chinese travel market" and the two companies would consider introducing direct flights between Australia and China. Virgin Australia booked a loss of AUD58.8 million in the first quarter.
- Wealthy travelers from China's so-called Generation Y are more attracted to adventurous places such as the polar regions, Africa and Middle East than Southeast Asia, Japan, South Korea and Hong Kong, according to "The Chinese Luxury Traveller 2016" report by Shanghai-based Hurun Report, which focused on young luxury travelers aged between 18 and 36. Such people spend an average of CNY420,000 on travel per household each year, and CNY220,000 on shopping tourism – mainly on clothing, bags, watches and jewelry.
- Shanghai police launched a mobile platform that allows drivers involved in traffic accidents to settle disputes "within 10 minutes." Instead of ringing up the police and visiting insurance company offices, drivers can now ask officers to determine who is

responsible from afar by uploading pictures from the scene through the platform. The pictures will be forwarded to the motorists' insurance companies in real time, and they will then receive calls from representatives regarding compensation.

- Hong Kong's airlines call for Hong Kong airport's two runways to be kept open for longer each day to pave the way for more flights. They say if the move is approved, they could add dozens of new flights within months, slash airfares and turn around a tourism slump. But at the same time, they warn that without any change, the airport would struggle to add new flights from late this year. The Hong Kong Airport Authority said the airport would "likely" reach its yearly limit of 420,000 flight movements late this year, several years ahead of the original forecast.
- China is developing a next-generation bullet train that can run at 400 kilometers an hour. The train will have wheels that can be adjusted to fit various gauges on other countries' tracks, compared with trains now that need to have their wheels changed before entering foreign rail systems. The train will run on China's rail network as well as on the Moscow-Kazan high-speed line in Russia.
- Shenzhen is looking to build three new airports – one each for commercial planes, seaplanes and helicopters – as part of plans to make it southern China's transport hub. The airports are part of the CNY1.4 trillion Eastward Shift Strategic Action Plan for 2016 to 2020. Shenzhen International Airport handled 39.7 million passengers last year, compared with 68.4 million in Hong Kong.

ONE-LINE NEWS

- Li Yunfeng, 59, Vice Governor of Jiangsu province is under investigation for corruption. He is the third Jiangsu official to be investigated in May.
- Five senior officials have recently been prosecuted for alleged bribery, including Qiu He, Deputy Party Secretary of Yunnan province, Yang Weize, former Party Secretary of Nanjing, capital Jiangsu province, and Wu Changshun, former police chief in Tianjin. All the officials have been expelled from the Chinese Communist Party and sacked from their government positions.
- The 8th U.S.-China Strategic and Economic Dialogue (SED) will be held on June 6 and 7 in Beijing. The SED is a high-level dialogue for the United States and China to discuss a wide range of bilateral, regional, and global economic and strategic issues. It was established in April 2009. This year's SED will be the last one under the Obama administration. It will be chaired by Chinese State Councillor Yang Jiechi and Vice Premier Wang Yang, and U.S. Secretary of State John Kerry and Treasury Secretary Jacob Lew.

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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- SMEs: €385
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