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

NEWSLETTER | 10 OCTOBER 2016

FCCC/EUCBA ACTIVITIES

Meeting with high-level business delegation from Weihai, Shandong Province – Experiences from Bekaert and Beaulieu of investing in Weihai – Monday 17 October 2016 – 14h30 – Gent

The Flanders-China Chamber of Commerce and the Weihai EU Office in Ghent are organizing a meeting with a high-level business delegation from Weihai, Shandong Province. This meeting will take place on October 17 at 14h30 at the City Hall, Botermarkt 1, 9000 Gent.

The delegation of Weihai business leaders is led by Mr Xu Lianxin, Deputy Mayor of Weihai Municipal Government. The aim of the visit is to introduce the investment environment of Weihai, Shandong province and to meet potential Flemish business leaders to discuss cooperation. Next to that, two important investors in Weihai, such as Bekaert and Beaulieu Technical Textiles, will share their experiences of building a successful plant in Weihai.

The composition of the delegation and a description of the company's activities can be downloaded here. The delegation members are active in the following sectors: IT, electrical machinery and equipment, electronics, chemicals, textiles, new materials, real estate, automotive, tourism, fisheries, etc…

The City of Weihai and the City of Ghent have a sister city agreement, while the Flanders-China Chamber of Commerce and the City of Weihai have a longstanding cooperation agreement.

The programme is as follows:

14h00	Registration
14h30	Welcome by Mrs Gwenn Sonck, Executive Director FCCC
14h40	Presentation on the Weihai investment environment led by Mr Xu Lianxin, Deputy Mayor of Weihai Municipal Government
15h00	Presentation on the experiences of investing in Weihai by • Mr Stijn Himpe, Vice-President Technology Rubber Reinforcement, Bekaert • Mr Stefan Claeys, General Manager, Beaulieu Technical Textiles
15h30	Question and answer session
15h45	Business-matching with Chinese delegation
17h00	Networking reception

If you are interested in attending this meeting, please register before 13 October via this link.

Participation is free of charge for FCCC Members. The fee for non-members is 75€ (VAT excl.)

"One Belt, One Road: Opportunities for Cooperation between Belgium and China" – 21 October 2016 – 9h00-15h00 – Brussels

The Embassy of the People's Republic in China in Belgium and the Flanders-China Chamber of Commerce are organizing the Forum 'One Belt, One Road: Opportunities for Cooperation between Belgium and China' on Friday 21, October 2016 at the Tangla Hotel, Avenue E. Mounier 5, 1200 Woluwe Saint-Lambert.

One Belt, One Road (OBOR) is a major initiative, launched by President Xi Jinping in 2013 that aims to connect Asia, Europe and Africa passing through over 60 countries. The overall plan consists of two parts: "Silk Road Economic Belt" and "21st Century Maritime Silk Road". OBOR offers immense business opportunities in China and in countries along the Belt and Road. During this forum you will gain a better understanding about this important initiative.

Program:

09:00 – 09:30	Registration
09:30 – 09:50	Opening Remarks by Ambassador QU Xing
09:50 - 10:10	Keynote Speech by Deputy Prime Minister Kris PEETERS
10:10 - 10:15	Introduction by the moderator, Mr Bernard Dewit, Chairman BCECC
10:15 – 10:30	"One Belt One Road Initiative: background, actions and progress" by Professor QIN Yaqing, Dean of China Foreign Affairs University
10:30 – 11:10	Intervention by other panelists • Mr Pierre Defraigne, Executive Director of Madariaga-College of Europe Foundation • Mr Vincent De Saedeleer, Vice President of the Port of Zeebrugge
11:10 – 11:30	**Coffee Break**
11:30 – 11:35	Introduction by the moderator, Mr Stefaan Vanhooren, Chairman Flanders-China Chamber of Commerce
11:35 – 11:50	Presentation by Professor YUAN Peng: what kind of contributions does China expect from Europe towards One Belt One Road Initiative
11:50 – 12:30	• Mr Frank Geerkens, Port Ambassador, Antwerp Port Authority • Mr Philippe Van der Donckt, Director Business Development Recycling Asia, Umicore • Mr Erik Uyttendaele, Senior Director – Material Planning & Logistics at Volvo Cars Gent • Professor Jan Cornelis, VUB
12:30	End of the Forum
12:30 – 14:30	Reception

Register online at www.flanders-china.be before 12 October 2016. The forum is hosted by the Chinese Embassy in Belgium and is free of charge.

EU-China Business and Technology Cooperation Fair China Tour 2016 – 2-8 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 2 to 4 November 2016 in Chengdu (2 to 6 November) and Qingdao (6 to 8 November). This tour is organized with the support of the EU-China Business Association (EUCBA) and the Flanders-China Chamber of Commerce. 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. It is also the initial station of the Chengdu-Europe Express Railway to Lodz, Poland. Forbes listed Chengdu as one of “The Next Decade’s Fastest Growing Cities Globally”.

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.

For more information, go to this link : http://www.eu-china.org.cn
Registration: http://www.eu-china.org.cn/rigester.html (sic)
EU-China Business Association - www.eucba.org - Flanders-China Chamber of Commerce - gwenn.sonck@flanders-china.be

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

ACTIVITIES SUPPORTED BY FCCC

See FCCC website: www.flanders-china.be

PAST EVENTS

Understanding China's Next Move – One day China immersion – 6 October 2016 – Brussels

The Flanders-China Chamber of Commerce (FCCC) and the Cheung Kong Graduate School of Business (CKGSB) organized a one day training session on "Understanding China's Next Move" on 6 October 2016 in Brussels.

By immersing participants into China's contemporary context with a global perspective, CKGSB helps explore the key elements of China's social and business environment. Participants learned from CKGSB's world-class faculty in the classroom and benefited from the rich experience of industry speakers. They investigated various case studies and became involved in team projects, group discussions, company visits and cultural activities. They also learned from and networked with high-profile executives from China and around the world.

Following a word of welcome by Mr. Stefaan Vanhooren, Chairman, Flanders-China Chamber of Commerce, Mr. Bo Ji, Assistant Dean of Global Executive Education, Chief Representative for Europe Cheung Kong Graduate School of Business (CKGSB), delivered presentations on several topics:

- China's 13th Five-year Plan and its business opportunities
- Win in China: Go to China Strategy and Business Models
- E-commerce & Digital Strategy in China
- Cross Cultural Management & Negotiation

The one-day program was concluded by awarding certificates from both CKGSB and Flanders-China Chamber of Commerce.

ABOUT CKGSB
As a world-class business school from China, Cheung Kong Graduate School of Business (CKGSB) aims to develop current and future leaders with a global vision, a humanitarian spirit and an innovative mind-set. Established in Beijing in November 2002 with generous support from the Li KaShing Foundation, CKGSB is China's first faculty-governed, non-profit, independent business school.

Over the past 13 years, CKGSB has developed into a prominent business school with 45 full-time professors, who have earned their PhDs or held tenured faculty positions at leading business schools such as Harvard, Wharton and Stanford. Their research have provided the basis for over 300 case studies of both China-specific and global issues. CKGSB also stands apart for its unmatched alumni network. More than half of the 10,000+ CKGSB alumni are at the CEO or Chairman level and, collectively, lead one-fifth of China's most valuable brands. Together, their companies shape over $1 trillion in annual revenue, demonstrating the school's impact and influence.

In addition to its main campus in the center of Beijing, CKGSB has campuses and teaching facilities in Shanghai, Shenzhen and New York, as well as offices in Hong Kong and London. The school offers innovative MBA, Finance MBA, Executive MBA, Dual-Degree EMBA with IMD, Korean EMBA, Finance EMBA, Doctor of Business Administration and Executive Education programs.

Seminar: ‘Belgian Customs and its activities in China’ – 3 October 2016, 17h00 – Ghent

The Flanders-China Chamber of Commerce and the Province of East Flanders organized a seminar focused on ‘Belgian Customs and its activities in China’. This event took place on 3 October 2016 in Ghent.

Mr Geert Versnick, Vice Governor in charge of European and International cooperation and economic affairs of the Province of East Flanders. Welcomed the participants to the seminar, followed by an introduction by Mrs Gwenn Sonck, Executive Director, FCCC.

Mr Eddy De Cuyper, Counselor, Customs Attaché, Embassy of Belgium in China, gave a presentation on procedures and regulations of the Chinese customs and other institutions, which are related to import or export. The following topics were covered:

Belgian Customs in China, can we help you?

- Chinese customs duties
- Other related governmental services
- New Regulations for import of foodstuffs (planned for next year)
- Practical examples

A question and answer session followed by a networking drink concluded the event.

EU-China Relations: An Update for Business – 19 September 2016, 14:00 – Brussels

BusinessEurope, the European Union Chamber of Commerce in China (EUCCC) and the EU-China Business Association (EUCBA) organized a seminar on EU-China relations. This event was supported by the Flanders-China Chamber of Commerce (FCCC). The EU-China relationship is of significant importance to the European business community, with trade in goods and services totaling over €1 billion per day. China is now the EU’s second largest trading partner while the EU is China’s largest trading partner.

This seminar aimed to provide a holistic overview of the state of EU-China relations for the European business community. Topics include a presentation on the general business environment in China for European companies; the outcomes of the EU-China Summit held in Beijing on 13 July; the EU’s new China strategy released in June; and the state of play on the EU-China Comprehensive Agreement on Investment.

Following a word of welcome by Markus J. Beyrer, Director General, BusinessEurope, Jörg Wuttke, President of the European Union Chamber of Commerce gave a speech, followed by two other speakers. A Q&A session and closing remarks by Mr Stefaan Vanhooren, Vice-Chairman of the EU-China Business Association (EUCBA) concluded the event, which took place on September 19 in Brussels.

The EU-China Business Association is the EU-wide federation of business organizations in the EU promoting business relations with China. The Flanders-China Chamber of Commerce is in charge of the secretariat-general of the EUCBA.

ADVERTISEMENT

MEMBERS' NEWS

China Daily special on the occasion of Prime Minister Charles Michel’s visit to China

On the occasion of the 45th anniversary of establishment of China-Belgium diplomatic relations, Belgian Prime Minister Charles Michel will visit China in late October after a March visit was postponed due to the terrorist attacks in Brussels. In line with the significant event, China Daily proposes to launch a “Belgium Special” during the visit. The special report will highlight the development of the mutual beneficial cooperation between the two countries. Most importantly, the supplement will provide a platform for Chinese and Belgian companies to promote their products and services and exchange information for future partnerships.

For more information, send an e-mail to Hou Yanli.

AUTOMOTIVE

Fears of rising fuel prices put the brakes on Chinese car market sentiment

The possibility of rising fuel prices shook consumer confidence in the Chinese car market last month, with sentiment falling despite plenty of enthusiasm for buying vehicles. MNI’s monthly China Car Purchase Indicator – which gauges overall conditions in the car market – slipped 2.2% in September, ending the third quarter on a slightly weaker note. The fall was due to heightened expectations of fuel price rises, with most consumers anticipating petrol and diesel costs to increase in the coming year. Oil prices have been on the rise since OPEC agreed to cut production for the first time in eight years. Despite the dip, reported car ownership and plans to buy were both up, with 12.1% of respondents saying they planned to buy a car in the next year. The Car Purchase Expectations component, which measures whether consumers thought it was a good or bad time to buy, was largely unchanged at 102.9 in September, compared with 102.7 in August. The survey found 12.1% of respondents planned to buy a car in the next year, the South China Morning Post reports.

- United States electric carmaker Detroit Electric is in talks with Chinese officials about gaining greater market access in exchange for transferring technology. The company recently unveiled its roadster SP:01 in Hong Kong. The SP:01 sports car is assembled in England on a Lotus Elise aluminum chassis with carbon fibre. It has a range of 288 kilometers on a single charge and weighs about 1,100 kilograms, making it the lightest high-performance electric sedan worldwide. The car will sell at a price of over HKD1 million.

FINANCE

Internationalization of China's top banks still limited

China's "big five" banks are close to seeing their total overseas assets reach CNY10 trillion for the first time, but a new study finds that their "performance gap" with foreign global peers is still wide. Renmin University and PricewaterhouseCoopers (PwC) have jointly warned that the incremental increase in the banks' levels of internationalization may be slowing. A Chinese Bank Internationalization Index developed by PwC and Renmin uses various metrics to gauge the banks' international performance. One finding was that while the big international banks on average derive about 60% of their operating profits from outside their home market, China's big five are currently bringing in an average of just 8% internationally. Against the world's top five highest scoring banks, which achieved on average an index score of 73.6%, the researchers said the big five have managed an average of only 8.9% on the internationalization score. Even Bank of China (BOC), the most international of all the Chinese banks, managed a score of only 21.57%, versus Standard Chartered and HSBC's 88.8% and 62.6% respectively. "The over reliance on interest income as a profit model most definitely requires change," Renmin University and PwC said.

Yuan is fifth most important currency for trading

The yuan was the fifth most active currency for global payments by value in July, with a share of 1.9%, an increase from 1.72% in June, according to SWIFT. The People's Bank of China (PBOC) said it would continue to push forward financial reforms and market opening after the yuan's inclusion in the IMF's SDR basket as the third most important currency. Yuan-dominated direct investment saw rapid growth from January to August, when the total reached CNY1.62 trillion, up 61.7% year-on-year. As of April 2016, the yuan had overtaken the Mexican peso to become the most traded emerging market currency. In that month, the yuan's average daily turnover stood at USD202 billion, up from just USD34 billion in 2010; making it the eighth most traded currency in the world. In August this year, the yuan regained its position as the fifth most used currency for payment from the Canadian dollar, according to SWIFT data. At one point – in August 2015 – the Chinese yuan had overtaken the Japanese yen to be the fourth most used currency for payment, but it has since slipped back, partly due to its sudden devaluation last summer.

- Agricultural Bank of China (ABC) has been ordered by the U.S. Federal Reserve (FED) to overhaul its protections against money laundering to address "significant deficiencies". The lender, one of China's biggest banks, will have to come up with a written plan within 60 days to fix the shortcomings in managing risk in its New York branch and get better control over suspicious activity, the FED said.
- The growth ambitions of China's insurers could be hindered by the opaque structures of some of the companies when they pursue acquisitions in international markets. "It is not that straightforward with Chinese companies," Gautam Chawla, co-head of the global insurance group at Citigroup said at a conference in New York held by Reactions magazine. "The level of transparency that we are used to is not the same

level of transparency that they are used to."

- Fred Bergsten, Senior Fellow of the Peterson Institute for International Economics, told a seminar that "there is no Chinese currency manipulation". Several years ago, Bergsten had claimed that the Chinese currency was grossly undervalued and that China manipulated its currency, but he explained that for the last couple of years, China has not intervened to limit the appreciation of its currency. Instead, China sold half a trillion dollars of its foreign currency reserves to keep its currency from weakening further.
- China's foreign exchange reserves shrank for the third consecutive month in September, but capital outflow pressure is still within reasonable range, economists said. The reserves stood at USD3.17 trillion, down by USD18.79 billion from August.
- China will try to rein in excessive bank credit growth, People's Bank of China Governor Zhou Xiaochuan said, after the International Monetary Fund (IMF) said the country's debt-to-GDP ratio was "increasing at a dangerous pace". The comments marked a subtle shift in the priorities of Chinese policymakers. China's central bank is leaning towards debt control as hard-landing risks are deemed to be smaller.
- China has some of the friendliest taxation rules in the world for corporate research activities on paper, but businesses are still finding it a tedious and confusing process to actually gain the benefits, according to corporate executives and tax advisers. The tax regime remains complicated and rigid, often involving a lot of paperwork and red tape. "Sometimes, the money saved from tax may not even be enough to pay off the input," a Financial Manager at a Shanghai firm said. According to Pricewaterhouse-Coopers (PwC), fewer than half of Chinese high and new-technology companies, or 31,000 out of 79,000 such firms, actually enjoyed tax relief last year.

FOREIGN INVESTMENT

Guide books to promote investment and trade along OBOR

Chinese lawyers are seeking partnerships with law firms from the 65 countries included in the One Belt One Road (OBOR) initiative to jointly compile and release guide books to reduce risks in cross-border business and investment. The books will help Chinese investors understand legal practices in those countries related to investment, trade, labor, intellectual property, environmental protection and settlement of disputes, according to He Yong, Secretary General of the All-China Lawyers Association (ACLA). The Ministry of Justice has allocated CNY1.1 million for compiling the guidebooks. More Chinese investors have expanded their business in recent years in the Belt and Road countries or plan to do so, but many of their investments have failed due to a lack of knowledge about foreign laws and cultural differences, according to the ACLA. As a result, the number of disputes has been rising sharply, it said. In the first eight months of the year, China's overseas investment was valued at USD118.06 billion, an increase of 53.3% year-on-year, ranking third in the world. More than 18,500 Chinese enterprises have established 29,700 companies in foreign countries, with total assets of USD3 trillion, the China Daily reports.

- China Fortune Land Development Co (CFLD) has signed a deal to develop and manage 5,700 hectares of Egypt's new administrative capital at a cost of USD20 billion. The development, which will include homes and offices and all relevant infrastructure, will take place in the second phase of construction of the new capital east of Cairo.
- A Chinese delegation will visit Nigeria this month to discuss investment in the West African country's oil and gas industry. In June, state-owned Nigerian National Petroleum Corp (NNPC) said it had signed memorandums of understanding (MOUs) worth USD80 billion with Chinese firms to invest in Nigeria's oil and gas infrastructure but no details were given.
- Lenovo Group, the world's largest personal computer maker, will invest about USD100 million in Israeli startups over the next three years to better tap into local talents and cutting-edge technology. "We will focus on the internet of things, cloud computing, cyber security, image recognition and other areas which Israel excels in," Song Chunyu, Vice President of Lenovo, said. Lenovo already poured up to USD20 million

into at least six Israeli startups and CPI, a local venture capital fund, in the past several years. In 2015, more than 40% of venture capital investment into Israel came from China.

FOREIGN TRADE

China regrets EU import duties on steel

China has expressed concern and regret after the European Union set provisional import duties on two types of Chinese steel, calling the EU's investigation methods "unfair." The substitute country investigation method used by the EU, a practice typically reserved for countries deemed non-market economies, are "unfair and unreasonable" and "seriously damage the interests of Chinese enterprises," the Ministry of Commerce (MOFCOM) said. "Reckless trade protectionism and mistaken methods that limit fair market competition are not the proper ways to develop the European Union steel industry," it said. Chinese steel products represent under 5% of the European market and are not a serious threat to the European industry, the Ministry said. "China hopes the EU will strictly respect relevant World Trade Organization rules and fully guarantee Chinese companies' right to protest," the Ministry said. The EU's duties are set at between 13.2% and 22.6% for hot-rolled flat iron and steel products and at between 65.1% and 73.7% for heavy-plate steel. The provisional duties are in place for up to six months until the European Commission completes its investigation. If upheld, they would be set for five years, the Shanghai Daily reports.

- China's foreign trade still faces big downward pressure despite some improvement in August, Shen Danyang, Spokesman for the Ministry of Commerce (MOFCOM) said. "Difficulties facing China's foreign trade are not short term, the downward pressure on foreign trade is still big, and uncertain and unstable factors are increasing". But he added that China's foreign trade was stabilizing and that the Ministry would work with other government agencies to help cut costs for exporters and importers.

HEALTH

Founder of medical care website dies of heart attack

Zhang Rui, 44, CEO and Founder of one of China's leading digital medical care service providers chunyuyisheng.com, died of a heart attack. The platform, established in 2011, has 92 million registered users and nearly 500,000 registered doctors from major hospitals across China who provide answers to 330,000 questions on medical care online every day. Zhang started his career as a journalist and became an executive of NetEase, an IT company in China that runs one of China's biggest news portals, before setting up chunyuyisheng.com. The death of Zhang has aroused heated public attention. Zhang had been under very heavy work pressure in the past few years, and was under constant tension over fear of the company failing. White collar workers in the IT industry in China on average worked 9.3 extra hours every week, the most among all sectors, according to a survey last year by Zhaopin.com, a major job-hunting website in China.

- China is on track to have the greatest number of overweight children aged 5 to 18 years by 2025, according to the World Obesity Federation. According to a study, an estimated 1.5 million Chinese children would have impaired glucose tolerance while 4.6 million would have fatty liver disease, as well as other obesity-linked conditions like hypertension and diabetes by 2025. The report put China eighth on a list of 20 countries with the fastest increases in the prevalence of overweight children.

MACRO-ECONOMY

Goals for cutting excess capacity in 2015 reached

China has accomplished its goals for cutting excess capacity in 2015. All local governments met their annual goals to reduce excess capacity in 16 sectors, including electricity, coal, steel and cement, according to the Ministry of Industry and Information Technology (MIIT) and the National Energy Administration (NEA). Last year, China cut production by about 5.3 million kilowatts of electricity, 101 million tons of coal and 31 million tons of crude iron and steel, against the annual reduction goals of 4.2 million kilowatts, 78 million tons and 30 million tons respectively. Cutting overcapacity is high on the central government's reform agenda as excess capacity in steel and coal weighed on the country's overall economic performance. China plans to cut steel and coal capacity by about 10%, or as much as 150 million tons of steel and half a billion tons of coal, in the next few years.

- "A property bubble is the biggest risk for China's economy," said Zhou Jingtong, Senior Economist with the Bank of China (BOC). Skyrocketing home prices would "exacerbate the wealth gap and economic woes", he said. "Property speculation becomes common practice and everyone is dreaming about windfall profits overnight, these are very dangerous," he added.
- The landmark merger of Baosteel Group and Wuhan Iron and Steel Group (Wisco) will help quicken consolidation of China's steel sector, bringing important reforms back on track that had fallen behind expectations. But its impact on reducing capacity will be limited, as small steel mills in China do not compete with Baosteel and Wisco, which produce high-end steel products. Smaller mills are not likely to be eliminated without the enforcement of more stringent environmental requirements and prolonged low prices, analysts said.
- China's efforts to shrink its bloated coal industry may have worked too well, too quickly. Prices have surged more than 50% this year after the government ordered mining companies to cut output to ease a glut and help lift the industry out of crisis. Now, as winter looms and fuel demand peaks, China is relaxing some of those controls.
- Consumption contributed 73.4% to China's economic growth in the first half of 2016. The share was up 12.5 percentage points from the end of 2015, the Ministry of Commerce (MOFCOM) said. Compared with investment and exports, consumption has been a less conspicuous growth driver for China in the past few decades, but the latest data showed it is catching up fast as other drivers lose steam.

MERGERS & ACQUISITIONS

China overtakes U.S. as world's largest assets acquirer

China has overtaken the U.S. in outbound mergers and acquisitions (M&As) for the first time, underscoring a global buying spree driven by the Chinese economy's growth over three decades and Beijing's program to encourage companies to buy assets and technology from abroad. In the first nine months of the year, the total value of M&As by Chinese companies jumped 68% year-on-year to USD173.9 billion, according to Dealogic. The U.S. has been the top cross-border acquirer in the first nine-month period since 2008. But some deals failed due to security concerns. The technology sector had the highest number of outbound deals that didn't close, with 10 bidders seeing deals worth USD10.1 billion either withdrawn, rejected by the target company, or had offers expire in the first nine months. A total of 601 announced deals marked the most active first nine month period on record for Chinese acquirers, compared to 441 deals in the same period in 2015. Deal volume was led by ChemChina's USD46.7 billion pending acquisition of Syngenta, announced in February, the largest China outbound M&A deal ever. However, 42 China outbound acquisitions worth a total of USD35.8 billion were withdrawn in the first nine months , already the highest annual level on record. The two largest withdrawals were Unisplendour's plan to buy a USD3.8 billion stake in Western Digital and China Resources & Hua Capital's USD2.5 billion offer for a stake in U.S. chip maker Fairchild Semiconductor, the South China Morning Post reports.

- Lenovo Group is contemplating taking over Fujitsu's personal computer business. A deal could be reached this month. In February, Fujitsu spun off its personal computer and smartphone businesses into two separate companies, Fujitsu Client Computing and Fujitsu Connected Technologies. Bernstein Research Senior Analyst Alberto Moel said one acquisition scenario may involve Fujitsu transferring its personal computer design, development and manufacturing operations to a new Lenovo-led joint venture. Another option involves Lenovo taking a majority stake in Fujitsu's personal computer subsidiary. Lenovo would have a 40% share of Japan's personal computer market if the merger goes through.

REAL ESTATE

Beijing tightens mortgage rules

The Beijing city government has tightened mortgage rules by requiring homebuyers to make a down payment of at least 35% of the property price in a move to cool the housing market. For people who are purchasing a second home, the minimum down payment is increased to half, while buyers of big or luxury flats will have to put up 70%. The amounts are up from 20% for first homebuyers and 30% for second homebuyers. Beijing is following in the footsteps of Nanjing and Hangzhou, where similar policies restricting home purchases have been introduced. Other major cities that are seeing housing prices rise strongly are likely to follow suit. Reducing homebuyers' access to bank credit would help to "reduce leverage and stave off speculation in the home market", said Lu Zhengwei, Chief Economist at Industrial Bank. "But such measures came too late" since prices were already dangerously high, creating significant risks if they started to fall, Lu said. Prices for new flats in Beijing rose 25.8% in August from a year earlier, while prices increased 37.8% in Shanghai and 38.8% in Nanjing. New home prices in Hefei and Xiamen gained more than 40%. In addition to tightening control over mortgage loans, Beijing has also required property developers to cap their sales prices and boost the supply of flats smaller than 70 square meters. Seven Chinese cities – Beijing, Hefei, Jinan, Wuxi, Zhengzhou, Chengdu and Tianjin – have announced new restrictions on property purchases.

Home prices in the China's biggest cities rose for the 17th consecutive month in September. The average price of new homes climbed 2.83% last month, to CNY12,617 per square meter, said the China Index Academy, a research unit with real estate portal SouFun. Prices rose in 81 of the 100 biggest cities, compared to in 68 a month earlier. The survey also showed home prices gained 16.6% in September against a year ago. Shenzhen continues to be the most expensive city for property, with new home prices rising to CNY55,001 per sq m in September. Compared to a year ago, prices in Shenzhen have surged 41.9%. Shanghai rated second, with homes costing 26.8% more than 12 months ago. Some of the biggest increases were seen in more mid and smaller cities. Zhengzhou, the provincial capital of Henan, saw prices jump 6.9% in a month. Wuxi and Changzhou, two third-tier cities in Jiangsu province, recorded an average rise of more than 6%.

A total of 21 cities launched cooling measures during the seven-day National Day holiday, included higher mortgage down payments and home purchase restrictions to curb speculation. "The synonymous actions of so many cities suggested they were not volunteering, but were the result of high pressure from the very top," Zhang Dawei, Chief Analyst with Centaline Property, said. Provincial and municipal officials from cities with strong property-price gains this year were summoned to Beijing for an urgent meeting on September 30, at which they were lectured about the need to tame housing prices. Beijing saw its new home trading fall 74% year-on-year in the first week of October. "The new policy in Beijing will surely curb prices from rising. We'll probably see a long period of a frozen market here," said Si Zhi, Vice President at Soufun Holding.

- As part of its efforts to curb speculation, the Ministry of Housing and Urban-Rural Development issued a list of 45 housing developers and agents accused of hoarding, price rigging and other malpractices.
- China Evergrande Group and China Overseas Land & Investment have been reprimanded by the Ministry of Housing and Urban-Rural Development for engaging in sales tactics and behavior that have caused panic buying in Jinan, capital of Shandong province. The Ministry asked the local authorities to investigate the cases and punish the developers, without giving further details.
- Hong Kong's Land Registry said overall property deals in Hong Kong, including flats, shops, and car parking spaces, rose 27.9% month-on-month to 9,504 in September and recorded 73.8% growth year-on-year. In September, the number of transactions in the primary market totaled 3,461, up 110% from August. The total value of primary transactions reached HKD28.1 billion last month, up 85.9% from August. Derek Chan, head of research at Ricacorp Properties, attributed the surge in sales to an overall

improvement in sentiment and a growing number of investors buying several properties at once.

- Hong Kong home prices are expected to rise 5% next year, supported by a sustained recovery of sales volumes, analysts say. Buyers have been piling back into the market over the last couple of months amid mortgage rate promotions, a slower-than-expected rate hike, and developers' aggressive financing schemes on new launches. "This year, we do not expect prices to fall," said Thomas Lam, head of Valuation and Consultancy at Knight Frank.

RETAIL

Huawei and Lenovo among top 100 brands

Huawei and Lenovo are the only Chinese companies ranked in the top 100 global brands. Shenzhen-based Huawei moved up the Interbrand rankings to No 72 from last year's No 88. Lenovo Group advanced a spot to No 99 from No 100 last year. The highly influential annual list by Interbrand, a New York-based global brand consultancy, ranked Apple as the world's most valuable brand, followed by Google and Coca-Cola. The Interbrand list, now in its 17th year, identifies the 100 best global brands using a unique methodology that analyses the ways a brand benefits an organization, from attracting top talent to driving economic value. Rankings are based on a combination of attributes, including financial performance. Chinese President Xi Jinping in a speech in August 2014 demanded that state-owned enterprises (SOEs) focus on brand building. "We should have our own flagship products and establish our own world-renowned brands, or we will be bullied by others," Xi said.

- China Mengniu Dairy, the country's second largest dairy firm, is likely to make a "big breakthrough" in its partnership with Danone. The new CEO Lu Minfang said that profitability was at the top of his agenda, while he eyed more cooperation with Danone to reinvigorate its ailing infant formula offshoot. Mengniu's interim net profit tumbled 19.5% to CNY1.08 billion from a year earlier – far below the CNY3.2 billion in earnings logged by rival Yili Group for the same period.
- Market watchdogs in Shanghai have fined fast-food chain supplier Shanghai Husi Food and its U.S. parent OSI Group more than CNY24 million for making and selling substandard products during a meat scandal two years ago. It also had its food production license revoked and products and illegal profits confiscated. Husi and those involved in the case would be blacklisted, effectively banning them from operating for five years.
- Walmart Stores has increased its stake in JD.com, China's No 2 e-commerce site, to 10.8% from 5.9%. Walmart operates more than 400 stores in China, but is now bolstering its online business.

SCIENCE & TECHNOLOGY

China exploring seabed mining

China is stepping up activity in exploring remote seabeds kilometers beneath the Indian and Pacific oceans to mine minerals and metals, according to Tao Chunhui, one of the country's leading oceanographers and a Researcher at the State Oceanic Administration. Vast sulphide deposits on the 3,000 meter deep seabed might contribute to China's metal supplies in the long term as it is trying to narrow the technological gap with other maritime powers. The volcanically formed hydrothermal sulphides on the seabed contain copper, zinc and precious metals, including gold and silver. They are formed in hot underground springs seeping through cracks in the seabed. Tao said that to prepare for the future exploitation of seabed minerals, Chinese scientists are developing techniques to mine the ocean floor, extract minerals and bring them to the surface without damaging the environment. China is the world's main importer of metals, growing from less than 10% in 2002 to 46% in 2014.

- China has started conducting trials of 5G telecommunications equipment that will span more than 100 cities. High-speed 5G networks can theoretically transmit data 20 times faster than current 4G speed. The 5G technologies being tested include massive multiple-antenna systems capable of handling more users and increased capacity to support greater mobile data usage, according to Bernstein Research.

- Women will be among the crew on China's space station, which is set to be up and running by 2022, the country's first female astronaut Liu Yang said. Liu became China's first woman in space when she lifted off in the Shenzhou 9 spacecraft in 2012. Lei Fanpei, Chairman of the China Aerospace Science and Technology Corp, said the station's core module is expected to be launched around 2018.

STOCK MARKETS

Nasdaq not competing with Hong Kong for listings

Nasdaq President Adena Friedman has insisted the bourse is not competing for the same companies as Hong Kong, despite a growing number of Chinese companies opting to list in Hong Kong. New York-based Nasdaq is known internationally as the place to be for technology companies. Not only is there no rivalry, but the two companies are working together, with Nasdaq providing surveillance technology for the Shanghai-Hong Kong Stock Connect and the new Shenzhen connect scheme, which is due to be operational by Christmas, Friedman said. Hong Kong is the world's largest IPO market for the second year running. Nasdaq actively seeks companies in Asia to list with them, and offers tools like PR and investor relations intelligence to firms free of charge for two years to help them mature as public companies, Friedman said. It is also the only major U.S. index that allows foreign-owned companies to use their full market capitalization to be eligible for inclusion on the Nasdaq 100. Friedman said she wasn't concerned either about the trend of Chinese companies delisting from U.S. bourses and moving back home. About 80% of technology IPOs in the U.S. this year have listed on Nasdaq. Five Chinese companies are hoping to list on Nasdaq in the remainder of this year, while another 12 to 17 Chinese IPOs are expected to come to the U.S. next year. The majority are expected to list on Nasdaq.

- Index provider FTSE Russell said it would not include domestic Chinese equities in its emerging markets index, aligning with U.S. index maker MSCI's decision in June not to grant A shares designation as emerging market assets. FTSE Russell's Chief Executive Mark Makepeace said it would keep the A shares on its watch list for possible inclusion as a secondary emerging market, saying it was not a matter of "if but when" China would be elevated to emerging market status.
- Hong Kong's richest man Li Ka-shing, together with his son and his three charitable foundations, have accumulated a combined deemed interest of 11.62% of the H-shares, or 2.8% of total issued shares, of the Postal Savings Bank of China (PSBC), which saw a poor debut on the stock market. The Hong Kong Securities and Futures Ordinance requires anyone with a greater than 5% stake in a publicly listed firm to file a statement of their interests.
- China has scrapped restrictions on asset allocation of Qualified Foreign Institutional investors (QFII), no longer requiring overseas investors to put at least 50% of their investment quota into stocks, Deng Ge, Spokesman for the China Securities Regulatory Commission (CSRC) said. China approved USD2.58 billion of quota to QFII investors in September, bringing the total outstanding amount to USD81.74 billion.
- Shanghai International Port (Group), operator of the world's largest container harbor, has had its long-term corporate credit rating cut from "AA-" to "A+" by S&P Global Ratings, due to its debt-funded investment in the initial public offering (IPO) of the Postal Savings Bank of China (PSBC). Debt increased to as much as CNY37 billion from CNY21 billion at the end of 2015.
- The Shanghai Stock Exchange (SSE) is bidding for an up to 40% stake in Pakistan's main stock exchange PSX. It would be the first major overseas investment by a Chinese stock exchange. Pakistani officials have invited interested parties to submit bids by October 21 and the winner is expected to be selected by early November. Pakistan is the No 1 performing market in Asia this year with the benchmark KSE 100 Index soaring almost 24% in the first nine months. The PSX was formed in January by consolidating the Lahore, Karachi and Islamabad stock exchanges.

- China Evergrande Group is planning a backdoor listing of its core property assets on the Chinese stock market, but analysts said the move is likely to face major regulatory challenges. It will become the controlling shareholder of Shenzhen Special Economic Zone Real Estate & Properties (Shenzhen Real Estate), after injecting its property unit into the state-owned developer in return for its shares in Shenzhen. The Hong Kong stock exchange might not allow Evergrande to leave its holding company listed in Hong Kong without any substantial business, JPMorgan analysts said.
- China Shanshui Cement Group has unveiled a long-awaited plan to raise HKD475 million by selling shares to meet its minimum public shareholding requirement as a listed firm. But the proceeds will be far too small to help it meet its obligation to repay CNY17.63 billion of liabilities by June next year. The Shandong province-based company was once China's seventh-largest cement maker. The new shares amount to a 21.94% stake in the firm's enlarged share capital after the placement.

TRAVEL

More Chinese travel during National Day week

Shanghai received an estimated 4.55 million visitors over the first three days of the seven-day National Day holiday, up 7% on last year. However, due to the weather and capacity restrictions, the numbers visiting the city's major scenic spots during China's "Golden Week" remained flat overall, the Shanghai Tourism Administration said. Shanghai Oriental Pearl TV Tower saw 850,000 visitors in the first three days of the holiday, down 7.6% on the same period in 2015. In contrast, Zhujiajiao Water Town had a 175% surge in visitor numbers. Over the October 1 weekend, about 739,000 visitors arrived in the city by train, 12.5% more than last year; another 275,000 came by plane, an increase of nearly 7%; and some 212,000 passengers came on long-distance buses, a 20.3% increase. Throughout China there was a marked increase in tourist numbers and spending this year. On October 2, some 104 million people visited tourist attractions around the country, an increase of 12.5%, according to China National Tourism Administration (CNTA) figures. Tourist spending was up 16.1% year-on-year to CNY84.5 billion on that day alone. The railways carried 14.4 million passengers on October 1, up 15% year-on-year, according to the China Railway Corp.

The weeklong National Day holiday brought 9.27 million tourists to Shanghai, up 5% from last year, bringing in CNY9.1 billion of travel revenue, 13.2% up on the 2015 holiday. The average occupancy rate at local hotels was 62% during the holiday, 7 percentage points higher than last year. Shanghai's two airports reported 394,000 people traveling abroad, up 11.1%. China's civil aviation industry served 9.96 million passengers during the "Golden Week", up 11.6% compared to the same period last year, according to the Civil Aviation Administration of China (CAAC).

- Nasa has signed an agreement with the Chinese Aeronautical Establishment (CAE) to cooperate on research that will help China's airports improve their management of air traffic. China is the world's fastest growing aviation market but passengers often have to cope with long flight delays. In July, Xinhua said China plans to invest as much as CNY50 billion to develop its air traffic management system.
- China's two largest bike-sharing services both landed major investments within days of each other. Beijing-based oFo raised at least USD100 million from global private equity firms in a round that valued the two-year-old company at a USD500 million. Rival Mobike separately raised USD100 million from Asian-focused Hillhouse Capital and other investors. In China, bicycles remain popular among students and urban commuters across the country despite rapidly growing car ownership.
- Uber China's Vice President Liu Zhen has resigned two months after the corporation was acquired by local rival Didi Chuxing in August in a deal that strengthened its market share in China and possibly gives it a toehold to expand abroad.
- The first three days of this year's week-long National Day holiday saw 3.6% more tourists visit Hong Kong than in the same period last year, but retailers and hoteliers have been unable to cash in on the influx because mainland visitors have been spending less and leaving sooner. The number of mainlanders, who accounted for 81% of all tourist arrivals, grew by a moderate 0.9% between September 30 and

October 2. The number of visitors from overseas jumped 17.1% during the same period.

- China's first aviation theme park will open to the public soon. Infrastructure construction work has been completed at the 30-square-kilometer AVIC Airpark in Jingmen in Hubei province. The Jingmen airpark will host a range of general aviation facilities, such as hangars, pilot training schools, aeronautical service facilities, fliers' clubs and an aviation museum. AVIC plans to establish 50 such airparks nationwide to promote aviation culture and accelerate the growth of the general aviation industry, which have long been ignored in China.
- Early visitor numbers to mainland China's first Disneyland in Shanghai have been disappointing since its opening in mid-June, as an estimated 7.3 million annual visitors fell short of expectations. Analysts are blaming the less-than sparkling start on high prices and long queuing times of 3 to 4 hours for an attraction. Barclays Bank had projected the park would attract 12 million visitors in its first year, while Nomura said it would reach 15 million. Shaun Rein, Managing Director of the China Market Research Group said Disney made a "big mistake" in not better handling long queues, which generated negative word of mouth and have forced consumers to adopt a "wait-and-see attitude".
- East Africa's first modern electrified standard gauge railway was inaugurated in Addis Ababa, Ethiopia. The 750-kilometer railway, built by two Chinese companies and mainly financed by a Chinese bank, links Addis Ababa to the Red Sea port city of Djibouti. Designed for a speed of 120 kilometers per hour, it is expected to reduce travel time from seven days by road to about 10 hours, and provide landlocked Ethiopia with faster access to Djibouti port. About 1,500 trucks a day currently lumber along the road between Addis Ababa and Djibouti, which carries 90% of imports and exports from landlocked Ethiopia to the port.
- Hainan Airlines Co, China's largest private airline, has agreed to buy CIT Commercial Air, a U.S. aircraft-leasing company, for USD10 billion. The transaction is expected to close by the first quarter of 2017. HNA's Avolon Holdings will expand its fleet to 910 aircraft valued at more than USD43 billion. Avolon Holding is a wholly-owned subsidiary of Shenzhen-listed Bohai Capital Holding Co, which is itself a subsidiary of HNA Group.
- Three Chinese cities – Beijing, Shanghai and Shenzhen – released drafts of local guidelines to regulate car hailing businesses, but car hailing firm Didi Chuxing hit back saying that they would substantially reduce vehicle supply and increase operating costs. According to the drafts, only drivers holding household residency in their respective cities and vehicles registered with local number plates would qualify for car-hailing services.

VIP VISITS

Portugal's Prime Minister visits China

China and Portugal reinforced their ties as Portuguese Prime Minister Antonio Costa met with Premier Li Keqiang in Beijing during Costa's visit to China. They witnessed the signing of deals in third-party market cooperation and infrastructure, among others. Portugal has already become China's fifth largest investment destination in Europe. Both countries plan to reinforce collaboration in fields including infrastructure construction and agricultural products, and usher in new progress in sectors such as energy, infrastructure and clean energy, Premier Li said. Deals were also signed in finance, telecommunications and culture. As of May, the Chinese investment in Portugal had reached USD6.28 billion, while the Portuguese investment in China had reached USD199 million. Prime Minister Costa will also visit Macao to attend the fifth Ministerial Conference of the Forum for Economic and Trade Cooperation between China and Portuguese-speaking countries. Both Li and Costa will attend the forum's opening ceremony on October 11.

- Liu Yunshan, Member of the Standing Committee of the Communist Party's Political Bureau, met separately with Mongolia's President Tsakhiagiin Elbegdorj and Prime Minister Jargaltulga Erdenebat. Both countries would enhance cooperation on ports, industrial capacity and investment, mineral resources, infrastructure, currency swaps, farm produce processing and cross-border transportation. Mongolia is the first stop of Liu's Asia-Europe tour, which will also take him to Greece and Hungary.

ONE-LINE NEWS

- Dalian Wanda has sacked Leng Chuanjin, former General Manager of Wanda Commercial Properties and Chief Engineer of Dalian Wanda Commercial Property. Eight years ago, he bribed a local official to push through a deal that helped transform the company into a privately-held, joint-stock operation free of government ownership. The bribery only came to light recently in the trial earlier this year of Jin Cheng, former Communist Party Secretary of Xigang district in Dalian.
- Xie Baisan, a leading Chinese Economist and vocal critic of the country's financial market policy, has died after an eight-year battle with cancer. Xie, a Finance Professor at Shanghai's Fudan University, had a reputation for speaking out for retail investors. He was 68.
- On October 1, Beijing began issuing residence certificates to residents without a Beijing hukou, ending its 31-year policy of issuing only temporary certificates. Until now, people without hukou faced inconveniences in obtaining hospital treatment, applying for driver's licenses and benefiting from social security insurance.
- Movie ticket sales in the first three days of the seven-day holiday from October 1 to 7 stood at CNY774 million, 10% behind the same period last year, and the first plunge of holiday ticket sales in five years.
- Bai Enpei, 70, former Party Secretary of Yunnan and Qinghai provinces, has been sentenced to death with a two-year reprieve. He was found guilty of taking a huge amount of bribes and possessing a large amount of income from unidentified sources. He possessed more than CNY247 million in assets. Zhou Benshun, former Party Secretary of Hebei province, and Yang Dongliang, former Director of the State Administration of Work Safety, were also charged with corruption.

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- SMEs: €140
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- SMEs: €385
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