



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

NEWSLETTER | 12 JUNE 2017

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FCCC/EUCBA ACTIVITIES

Meeting with the future Belgian Ambassador to China – Monday 19 June 2017 – Brussels

The Flanders-China Chamber of Commerce (FCCC) is organizing a meeting with the future Ambassador of Belgium in China. This event will take place on Monday 19 June 2017 at 18h00 in Brussels.

This event is an excellent opportunity to introduce your companies' activities in China with the future Ambassador of Belgium in China, Mr Marc Vinck.

Agenda

18h00 – 18h30 Registration

18h30 – 18h45 Speeches by

Mr Stefaan Vanhooren, Chairman, Flanders-China Chamber of Commerce

Mr Marc Vinck, future Ambassador of Belgium in the People's Republic of China

18h45 – 20h00 Exchange of views and networking with the future Ambassador

Practical information

Date: Monday, 19 June 2017

Location: Brussels

Participation fee:

- Members: € 55 (Excl. VAT)
- Non-Members: € 90 (Excl. VAT)

Registration

If you are interested to participate in this meeting, please register before June 15, 2017. You can register by visiting the following website: goo.gl/0fzXQF

ADVERTISEMENT AND SPONSORSHIP

Advertisement and sponsorship opportunities 2017

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

PAST EVENTS

Meeting with the China Circular Economy Delegation – 9 June 2017 – Berchem



The Flanders-China Chamber of Commerce, the Flanders Cleantech Association and Flanders Investment & Trade organized a meeting with the China Circular Economy Delegation on 9 June at the Flanders Cleantech Association in Berchem.

The delegation had been invited by the European Commission, DG Environment and the EU-China Business Association as a result of the Circular Economy Mission to Beijing organized by DG Environment in November last year.

The delegation was led by the China Association of Circular Economy (CACE), and co-organized by the Green Development League of National Economic and Technological Development Zones (Green Development League of NETDZs).

The purpose of this seminar was to bring together business leaders from both sides to discuss business cooperation on circular economy and to promote the EU clean-tech investment in Chinese industrial parks.

Following a welcome speech by Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce, Carine Van Hove, Managing Director, Flanders Cleantech, introduced the Flanders Cleantech Association. Zhao Kai, Deputy President and Secretary-General, CACE, talked about the circular economy in China. There was also a speech by Zhang Yuejian, Counsel, Department of Commerce of Shanxi Province. The Circular Economy in Flanders and the link to the European policy was introduced by Karl Vrancken, Research Manager Sustainable Materials and Ke Wang, VITO. Following the introduction of participating Flemish and Chinese companies, a business matchmaking session and a walking dinner concluded the event.

ADVERTISEMENT

Hainan Airlines, your direct link from Belgium to China



Hainan Airlines launched brand new Prime Wings Lounge located in Terminal 2, Beijing Capital International Airport. This flagship lounge of Hainan Airlines is able to accommodate 148 air passengers. Covering 726 square meters, it is home to more than 10 function areas, such as the tea area, lounge area, reading room, VIP room, sleeping area, bath room, audio and video area, etc. The brand new Prime Wings Lounge will provide passengers a space to rest and refresh in this extremely busy hub.

Designed by Dr. Liang Jinghua, a well-known architecture designer in Hong Kong, this ingenuity work is inspired by the natural harmony of Hainan Island. Facilitated with wood furniture and decoration of Oriental Style, and accompanied by the premium mental and stone material, this lounge marks the wisdom of both modern western and classical oriental aesthetics. With power and texture in elegance, it further presents the oriental beauty in a creative way. [READ MORE](#)

Special offers from ONLY €450

Hainan Airlines ' promotion return fare from Brussels to China main cities: Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Ningbo, Xiamen, Fuzhou, Chengdu, etc starts from only €450.

Terms and Conditions:

1. Fares shown includes taxes and fuel surcharges. (Route origin PEK is not available).
2. Ticketing Date: 30.04.2017-31.08.2017
3. Travel Dates: 30.04.2017-31.08.2017
4. Fare is subject to seat availability.
5. Special fare restrictions may apply.

[More details](#)



Summer Adventure

A premium, seamless travel experience

Starting with our brand new Beijing Airport Lounge and up to 10% off on all Business Class tickets

Enjoy a premium, seamless travel experience with Hainan Airlines with upgraded travel services ranging from priority check-in and boarding to exclusive onboard catering provided by Michelin star Chefs. In addition, we have recently completed high-end renovations on our

premium HNA Club Lounge at Beijing Capital Airport and are welcoming all Business Class Passengers to enjoy our new luxury lounge space.

From May 16th and May 23th, passengers can enjoy an 8% discount when booking Business Class tickets on this page. Fortune Wings Club members can enjoy a 10% discount. This offer applies to all Hainan Airlines operated flight routes, including Shanghai, Tokyo, Bangkok and many, many more!

[Promotion Details]

Cabin	Discount	Discount for Fortune Wings Club Members	Sales Period	Departure Period
Business Class	8% off	10% off	16-23/05/2017	19/05/2017 - 31/12/2017

[Terms & Conditions]

1. The offer is applicable for all HU international flights, except for chartered airplane flights and code sharing flights.
2. Fortune Wings Club Members need to sign in on this page before booking tickets to take advantage of 10% discount. Two or more people travel together with Fortune Wings Club member are subject to enjoy same discount.
3. Fortune Wings Club member will enjoy up to 20,000 Bonus Points by registering on page of "Earn Bonus Points". Bonus points will be credited to your account no later than 2 weeks after the departure of your flight.
4. The discount of this offer is based on ticket price only, taxes fees and carrier charges not included.
5. In case of rebooking/reissue, a booking service charge and the price differences that may occur will be charged to you. The discount you got in this offer will also be applied.
6. Child fare is 75% of the adult fare; infant fare is 10% of the adult fare. No more discount applies.
7. For flights from European to Chinese mainland, passengers will enjoy an extra free baggage allowance.
8. Hainan Airlines reserves the right to modify or renew the above Terms and Conditions regarding the use of this website.

Coastair: We Fly Cargo



AUTOMOTIVE

China to stop issuing permits to manufacture electric cars

China plans to halt issuing permits to produce electric vehicles because of concerns additional approvals may lead to a glut in the market. The National Development and Reform Commission (NDRC), which oversees new investments in the auto industry, wants to evaluate the program after handing out 15 production licenses since March 2016. A suspension of new permits may delay plans by companies such as NIO and LeEco, that have said they intend to apply. China has identified new-energy vehicles (NEVs) as a strategic emerging industry and aims to boost annual sales of plug-in hybrids and fully electric cars 10-fold in the next decade. Besides giving generous subsidies to both consumers and manufacturers, the government created a class of permits allowing companies including Wanxiang Group and a Volkswagen

joint venture to produce only electric vehicles, while imposing a moratorium on new capacity for the manufacture of conventional gasoline-run vehicles. State support helped China surpass the U.S. in 2015 to become the world's biggest market for new-energy vehicles -- comprising electric vehicles, plug-in hybrids and fuel-cell cars. A total of 507,000 such vehicles were sold last year in the country, according to the China Association of Automobile Manufacturers (CAAM). A suspension of the issuance of new licenses may help incumbent electric-car manufacturers, including BYD and BAIC Motor, by limiting the number of competitors in the industry. Volkswagen's joint venture with Anhui Jianghuai Automobile Group received the 15th permit to produce Evs. To date, newly set up companies in China have announced at least CNY98 billion of investments to build electric car factories with a total annual capacity of 2.9 million units a year, the South China Morning Post reports.

FINANCE

Chinese government to further cut business fees

Business fees across China will be cut, the Chinese government has decided. Among the measures was a reduction in construction assurance deposit requirements and the cancellation of an industry restructuring charge that is ultimately levied via power bills. An industry oversight charge levied on banks and other financial institutions will also be scrapped. The Chinese government promised to slash business costs by CNY1 trillion this year. The Ministry of Finance is expected to publish a list of the administrative charges levied by central and local governments on its website before July.

- Li Ruohong, a former Chairman of the Guangdong Development Bank – now China Guangfa Bank – and former Deputy Director of the Guangdong Financial Affairs Office, had his life sentence upheld. He was convicted of taking bribes totaling more than CNY50 million and illegal possession of firearms. His mistress and two brothers were also sentenced to between 6 and 11 years in prison for taking bribes.
- Fugitive tycoon Guo Wengui instructed his staff to produce fake business documents to apply for a CNY3.2 billion loan from the Agricultural Bank of China (ABC) in 2010, three former executives told a court in Dalian. Guo, who has close ties to disgraced former State Security Vice Minister Ma Jian, now lives in New York. He is wanted by Beijing for alleged corruption and is subject to an Interpol “red notice”.
- The China Insurance Regulatory Commission (CIRC) is set to tighten standards on the management of liability, investment, and liquidity risks, as it assesses solvency requirements for a second year, PricewaterhouseCoopers (PwC) said.
- China will expand the use of the renminbi in countries and regions involved in the Belt and Road Initiative by improving cross-border payment and settlement facilities for the currency, Yin Yong, Deputy Governor of the People's Bank of China (PBOC), said at the CIC Forum 2017 in Beijing. The China Investment Corp (CIC), a sovereign wealth fund, manages part of China's foreign exchange reserves.
- China's foreign exchange reserves jumped to a seven-month high at the end of May on curbed capital outflows and a weakened U.S. dollar. The reserves hit USD3.05 trillion at the end of May, up USD24 billion from a month earlier, the People's Bank of China (PBOC) said. It was the fourth straight month of increase, giving the central bank ammunition to defend the yuan.
- The People's Bank of China (PBOC) set the yuan mid-point at 6.7858 against the U.S.dollar on June 7, its strongest level since November 9, 2016. The interest rate was only one element pushing up the yuan recently, especially in the offshore market, while the new factor added to the pricing model of the yuan by the central bank played a more significant role, Xie Yaxuan, Chief Economist with China Merchants Securities Co said.
- U.S. investment bank Goldman Sachs will continue to invest in its China business as it expects greater liberalization of the Chinese financial services industry, Lloyd Blankfein, Chief Executive of the bank, said. He added that the investment banking industry in China “should be given more freedom” as it is the basis for the success of other industries by providing financing, risk management and advice on business reorganization.

- China Rapid Finance (CRF), the Chinese financial technology business that recently listed in New York, expects to add up to three million users on its lending platform this year despite the government's push to tighten restrictions on the online lending sector. One of China's largest online consumer lending platforms in terms of number of loans transacted, CRF raised USD69 million on the New York Stock Exchange (NYSE) in late April, putting it on a fast track to tap China's underdeveloped consumer finance businesses.

FOREIGN TRADE

Dispute between Arab powers and Qatar complicates China's trade with the Middle East

The shock decision by major Arab powers to isolate Qatar will complicate China's efforts to reach a free-trade deal with the region, analysts said. Saudi Arabia is China's third-largest source of oil, while Qatar is its second-largest source of liquefied natural gas (LNG), and third-largest source of liquefied petroleum gas (LPG). Chinese analysts said that while the energy trade with the Middle East was unlikely to be affected, the region's internal disputes could stall progress on China's new Silk Road project and free-trade talks between Beijing and the Gulf Cooperation Council (GCC), of which Saudi Arabia and Qatar are both members. "The disputes will make it very difficult for China to deal with the region as we don't know who can represent the whole organization," Li Weijian from the Shanghai Institutes for International Studies said. China and the GCC started discussing a free-trade deal in 2004, and agreed to speed up talks. At the China-Arab States Cooperation Forum in Doha last year, Chinese Foreign Minister Wang Yi said Qatar could be a key partner in the Belt and Road plan. But Li said the severing of diplomatic ties and transport links between Qatar and the rest of the region could complicate China's infrastructure plans. "The Chinese side hopes the relevant countries can properly resolve their disputes through dialogue, to jointly maintain unity and to promote peace and stability in the region," Foreign Ministry Spokeswoman Hua Chunying said.

- China and the U.S. should build on their initial consensus, and come up with a long-term plan to settle their trade disputes, U.S. Treasury Secretary Steven Mnuchin said. He added that instead of the 100 days originally agreed, the two sides had to enter a "one-year cycle of negotiations" to ensure the outcomes of talks were put into practice. The two nations announced some initial results of their trade talks on May 12, including China agreeing to let in U.S. beef, natural gas and financial services by mid-July, when the two sides are scheduled to wrap up a 100-day action plan to improve trade ties during high-level talks in Washington.
- China's foreign trade grew 18.3% in May year-on-year to CNY2.35 trillion. China's exports increased by 15.5% to CNY1.32 trillion and imports rose 22.1% year-on-year to CNY1.03 trillion, according to the General Administration of Customs. It produced a trade balance of CNY281.6 billion. The monthly trade surplus widened from April's CNY281.6 billion but was 3.4% lower than in May last year. In dollar-dominated terms, exports rose almost 9% year-on-year, while imports jumped nearly 15%.
- China has condemned the European Commission (EC) for imposing new anti-dumping duties on its steel products. The Commission said it would levy duties of up to 35.9% on Chinese hot-rolled flat steel in a bid to create a level playing field with China. The EC said Chinese producers gain from preferential lending, tax rebates and other financial help that allow exports to the EU at artificially-low prices.

HEALTH

IHH Healthcare to invest in private hospitals in China

Malaysian hospital operator IHH Healthcare, an investor in Hong Kong's private Gleneagles Hospital, will take a proactive approach to further expand its presence in China, seeking to tap the growing appetite for private health care among the rising middle class. Tan See Leng, Chief Executive of IHH, said the company would focus on the Yangtze River Delta, Pearl River Delta, Bohai Bay and central and western parts of China. "We have enough reserves to continue to fund our expansions in China," Tan told reporters during a conference in Shanghai. "We believe this is a huge growth market." He wouldn't disclose the size of the potential investments in China, but added that IHH would consider merging with existing operators or

buying them outright to reinforce its foray into the market. China will become IHH's fifth market after Malaysia, Singapore, Turkey and India, Tan said. The company aims to become a market leader in China's foreign-funded private hospital sector, and has already broken ground on a CNY1.36 billion hospital in the Hongqiao area of Shanghai. The 450-bed Gleneagles Shanghai Hospital, expected to open in 2020, will focus on several key specialties including cardiology, cardiac surgery, gastroenterology, urology, minimally invasive surgery, general surgery and internal medicine. China relaxed rules on foreign investment in health care in 2014 allowing the establishment of private hospitals with 100% foreign ownership. About 200 of China's private hospitals have foreign shareholders, the South China Morning Post reports.

IPR PROTECTION

Patent war on robotic vacuum cleaners expected

A recent Section 337 investigation application filed with the United States International Trade Commission (USITC) marks the start of a "patent war" concerning robotic vacuum cleaners that is expected to affect the industry worldwide, industrial insiders said. Leading manufacturer of consumer robots iRobot, headquartered in the U.S., filed the complaint against 11 rivals – including three from the Chinese mainland – in April, claiming they had infringed its six patents and requesting the Commission to issue a limited exclusion order and cease and desist orders. As the largest robotic vacuum cleaner provider in the U.S., iRobot has roughly 300 U.S. patents and more than 900 worldwide patents. The patents include technologies for obstacle detection, autonomous floor cleaning and remote control scheduling for autonomous robotic devices. "We encourage the Chinese companies to actively respond to the investigation," Zhou Nan, Secretary General of the Consumer Electronics Branch at the China Chamber of Commerce for Import and Export of Machinery and Electronic Products said. "Otherwise, they might be prevented from entering the U.S., a huge market with enormous potential." The three Chinese companies are Shenzhen Ilife Technology, Shenzhen Silver Star Intelligent Appliances and Suzhou Realpower Electrical Appliance. According to the company, iRobot has captured approximately 60% of the global robot vacuum cleaner market and generated USD660 million in business revenue last year. Yet its market leadership is challenged in China, where domestic manufacturer Ecovacs has held the No 1 position in recent years, with a market share of nearly 70%. To date, Ecovacs has filed more than 1,000 patent applications, including 120 international filings via the Patent Cooperation Treaty (PCT), the China Daily reports.

- The recently closed 2017 China Beijing International Fair for Trade in Services introduced auctions for the first time. Among the 107 auctioned items there were 35 intellectual properties, including the rights to cartoon characters, copyright of written works, and broadcast and adaptation rights to videos.
- The Liaoning provincial IP authority and the leadership office of the Liaoning pilot free trade area recently unveiled guidelines for IP work in the area. The guidelines suggested borrowing international common practices and experience of the existing domestic free trade zones in Shanghai and Fujian, and start reforms in the administration and enforcement of patents, trademarks, copyrights, integrated circuit designs and trade secrets.

MACRO-ECONOMY

Four Chinese firms join elite list of top-performing, rapidly growing large companies

Alibaba Group Holding and NetEase have entered the list of the 2017 top "super-accelerators", or rapidly growing, highly profitable firms, among the world's largest 500 companies in terms of market capitalization as of March 31, according to a study by executive recruiting firm Heidrick & Struggles. Globally, 25 firms made the list this year compared with 23 in 2016. Four Chinese companies joined the list this year, up from two last year. Hangzhou-based Alibaba is in third place, behind Apple and Alphabet. NetEase was ranked No 21. Shenzhen-based Tencent Holdings took the fourth position, while Ping An Insurance (Group) ranked No 9. These two companies were also on last year's list. Property developer Sun Hung Kai Properties, ranked No 19, is the only Hong Kong company on the list. To qualify for inclusion on the list, the companies also need to be in the top 20% of the top 500 companies for revenue growth for the past seven years, and have generated no more than 20% of their growth through acquisitions,

in order to demonstrate their organic growth capabilities, and received no more than 20% of their revenue from their home governments, to eliminate state-supported enterprises. There are also criteria on profitability to reflect their ability to maintain certain profit margins. “These 25 ‘super-accelerator’ companies consistently achieve top-tier revenue growth with impressive, sustained profitability,” said Colin Price, Executive Vice President of Heidrick & Struggles. This year’s list included 11 new entries along with 14 that also made the list in 2016, the South China Morning Post, which is owned by Alibaba, reports.

- China’s services industries grew at the fastest pace in four months in May. The Caixin General Services Purchasing Managers’ Index (PMI) rose to 52.8 in May from April’s 51.5. It was the highest reading since January’s 53.1 points. A reading above 50 indicates expansion.
- China National Building Material Group (CNBMG), the world’s largest construction material maker and the nation’s sixth largest glass maker, aims to turn Hong Kong-listed China Glass into a platform for overhauling China’s fragmented and troubled glass industry. China Glass also aims to pursue overseas expansion through acquisitions and building new plants in western developed markets and emerging markets along the new Silk Road initiative. China Glass wants to become one of the world’s top three glass makers by capacity in three years. China’s debt-laden glass industry’s low industry concentration – with the largest player commanding only around 10% of industry output – is a main reason for its poor profitability.

MERGERS & ACQUISITIONS

Coal miner and power plant operator to merge

China’s largest coal miner, China Shenhua Energy Co, and Guodian Technology and Environment Group, a coal-fired power firm, are reported to be in merger discussions. Their listed units halted share trading ahead of the announcement of a “significant event”. China is also considering merging two of its nuclear power giants, China National Nuclear Corp and China Nuclear Engineering Corp Group. Lin Boqiang, Dean of the China Institute for Energy Policy Studies at Xiamen University, warned that in addition to increased competitiveness in the international market as a result of the mergers, there might also be excessive concentration that damages domestic market competition. Shenhua had CNY1.04 trillion in total assets as of the end of April, including 83 gigawatt (GW) of power generating capacity. Guodian owned assets of CNY803 billion at the end of 2016. Coal still makes up 70% of the 1,800 GW of power producing capacity in China. Emissions obligations under global treaties are compelling the Chinese government to reduce coal’s maximum share to 1,100 GW by 2020, or 55% of the country’s total power capacity. A merged entity between Shenhua and Guodian will potentially facilitate the closures of certain unprofitable coal plants.

- China National Chemical Corp (ChemChina) has completed the second settlement of its tender offer for Basel-based Syngenta, increasing its stake to 94.7%. ChemChina plans to delist Syngenta’s shares on the Zurich-based SIX Swiss Exchange and the New York Stock Exchange (NYSE) as soon as permitted by law and applicable regulations. Syngenta is the largest European producer of hybrid seeds and crop protection products.
- Chinese companies have less appetite for mergers and acquisitions this year as the government tightened scrutiny on cross-border investment flows, Ernst & Young said. The firm found 44% of Chinese companies said they have five or more M&A projects in the pipeline, down from 90% in last year’s survey, EY said in the China portion of its Global Capital Confidence Barometer report. The report surveyed over 2,300 executives globally, with 154 from China. In the first five months, exports increased by 14.8% from a year ago and imports jumped 26.5%. The gains reversed a 1.8% year-on-year decline in exports and 3% fall in imports during the same period last year.
- In a letter, 27 U.S. lawmakers have urged U.S. Treasury Secretary Steven Mnuchin to reject the proposed USD2.33 billion sale of U.S. aluminum products maker Aleris to China Zhongwang Holdings to protect U.S. security interests. The lawmakers said Aleris was involved in the production and testing of specialized alloys used by the defense industry, and the company’s research and technology were critical to U.S.

REAL ESTATE

Rising mortgage interest rates result in declining property sales

The rising mortgage interest rate for first-home buyers has intensified the decline in Beijing property sales, but housing prices are not likely to fall sharply, said real estate insiders. The Bank of Beijing has raised its benchmark mortgage rate for first-time buyers from 4.9% to 5.39%. China Minsheng Bank also hiked the benchmark by 10 percentage points. Early in May, major banks, including Industrial and Commercial Bank of China (ICBC), Bank of China (BOC), China Construction Bank (CCB) and China CITIC Bank introduced a 4.9% benchmark mortgage rate and hiked the benchmark for second properties. "The increasing mortgage rate has lowered the expectations of many first-time buyers. It means the cost of buying property will keep going up," said Guo Yi, Marketing Director of real estate consultancy Yahao. Take a CNY1 million loan for example. With the benchmark interest rate, buyers need to pay CNY5,788 per month while after the interest rate rise, the monthly payment will increase to CNY6,075. According to the Beijing Municipal Commission of Housing and Urban-Rural Development, May saw a dramatic 70% drop in second-hand property sales compared with April. Real estate agency 5i5j said its online sales of second-hand property in Beijing had slipped by 39.3%, marking a new low since 2015.

Liquidity pressure has forced some banks in Shanghai to stop offering housing loans by raising interest rates for first home buyers. Some branches of CITIC Bank have halted mortgages after the bank hiked the rate for first home buyers to 1.2 times the official lending rate of 4.9%. China Minsheng Bank also raised the rate to 1.1 times the official rate, but most banks in Shanghai kept mortgages for first home buyers unchanged.

- China Vanke said its second-largest shareholder, Shenzhen Metro Group, is considering raising its stake in the property developer. Trading of its yuan-denominated A shares was halted on the Shenzhen exchange, after they fell 1% to CNY20.87. The company's Hong Kong-listed stock jumped as much as 5.2% to a one-month high of HKD21.3. Analysts say the surge in the share price reflects investors' high expectations that the state-owned subway operator, an ally of Vanke's management, will replace raider Baoneng Group as the largest shareholder after the transaction.
- China Evergrande Group shares hit another all-time high as the developer vows to repay all of its perpetual bonds by the end of June. China's most-indebted developer said it had already redeemed 70% of its outstanding perpetual bonds. By the end of 2016, the developer owed more than CNY100 billion in perpetual bonds at an interest cost of CNY10.6 billion last year. Its contracted property sales in the first five months reached CNY183 billion, a 66% year-on-year rise.
- As many as 25 Chinese property developers have engaged in fierce bidding for six plots of land in Zhengding, Hebei province, now a district of the provincial capital Shijiazhuang, in which Chinese President Xi Jinping had worked in the 1980s. Local land prices have risen more than 800% since last December. The most expensive plot is now priced at CNY20,900 per square meter. The six plots sold for a total CNY4.2 billion, all going to local developers.
- China was the top country of origin in both the buying and selling of U.S. commercial real estate last year, according to the 2017 Commercial Real Estate International Business Trends report by the U.S. National Association of Realtors (NAR).
- Many Hong Kong apartment investors are taking a wait-and-see attitude as Deutsche Bank forecast collapsing property prices and an interest rate increase in the United States is expected. A mere 80 units were transacted so far out of the 206 offered in the third batch of apartments at Victoria Skye, developed by K&K Properties at the old Kai Tak airport site in Kowloon, even though 2,300 buyers had registered their interest. The first lots to sell were the smallest units that involved the least upfront payment. Hong Kong's residential property prices, already the world's highest by square footage, will likely decline by nearly half over the next 10 years as a rapidly ageing population combines with a rising supply of new apartments to dent demand,

according to Deutsche Bank.

RETAIL

New World Department Store to be privatized

New World Development will buy out retail unit New World Department Store in a HKD934.5 million privatization plan. The retailer's stock price has fallen by more than 65% since its initial public offering (IPO) in 2007. The retailer, which owns New World stores in 22 Chinese cities and is 72.3% owned by New World Development, debuted on the Hong Kong bourse in 2007. New World Development was established by the late Cheng Yu-tong in 1970, and has businesses in infrastructure, hotels, property and transport. Jonas Kan, head of property research at Daiwa Capital Markets, said the privatization of the company could offer greater flexibility for the majority shareholder to revamp its business. If New World Development "wants to retreat from the mainland retail market, it should sell down its stake instead of buying out the shares it does not own", he said. The company will be delisted from the Hong Kong stock exchange and become a private company wholly owned by New World, if 90% of minority shareholders accept the offer. Otherwise, the buyout offer will lapse.

- Chinese household confidence took a beating from China's weak stock market and measures to curb the property market. The China Wealth Index, compiled every two months by the Bank of Communications (BoCom) and research firm Nielsen, fell to 135 in May from March's 138, which was the second highest on record. A reading above 100 reflects optimism among over 1,800 households interviewed.

SCIENCE & TECHNOLOGY

9.4 million take the college entrance examination

Some 9.4 million students took this year's national college entrance examination, or gaokao, last week. Some 3.72 million students are expected to enroll in an undergraduate degree program following the examination, an increase of nearly 10,000 compared to 2016. Henan province has the largest number of gaokao takers, a total of 863,000. This year marks the 40th anniversary since China reinstated the gaokao at the end of the Cultural Revolution (1966-76). More than 200 million people passed the gaokao during the past 40 years. But some people are questioning whether a university education is still worth it. The average monthly salary for 2017's university graduates will be CNY4,014, about CNY750 less than last year, according to employment portal Zhilian Zhaopin. In addition, only 26.7% of the 93,000 surveyed graduates had signed up for a job, and one-third of those surveyed had not received any job offer by the end of April, while 38.5% had accepted a job that was unrelated to their major. With high competition for jobs as well as low salaries, many are questioning whether China's higher education system, whose admission is mostly decided by gaokao scores, is fit for the modern age, the Global Times reports.

- China is making preliminary preparations to send an astronaut to the moon, according to Yang Liwei, Deputy Director General of the China Manned Space Agency and China's first man in space. Official approval and funding are expected soon, but the trip itself could still be many years off, possibly by 2036. China's space budget is still only about one-tenth of that of the United States at about USD2 billion a year. China is also making progress building a spaceplane that can take off and land the way airplanes do. It would make going to space cheaper and more environmentally friendly.

STOCK MARKETS

Guangzhou Rural Commercial Bank's IPO to improve balance sheet

Guangzhou Rural Commercial Bank (GRCB), China's fifth-largest rural commercial bank by assets, says the USD1.1 billion it is seeking to raise at its upcoming initial public offering (IPO) in Hong Kong will boost its balance sheet. It is expected to be the biggest bank listing in Hong Kong since last September, when China Postal Savings Bank raised USD7.32 billion. The

GRCB has over 29,000 shareholders, many of whom are farmers, with the 10 biggest shareholders controlling a combined 31% of the bank. The lender's net profit last year increased 2.1% year-on-year to CNY5.11 billion while revenue dropped 5.6% to CNY15.2 billion. Its non-performing loan ratio stood at 1.81%, up from 1.80% in 2015. The Guangzhou bank partly blamed the slowing economy for the rising bad loan ratio. It intends to price the IPO on or around June 13, while Hong Kong trade is expected to debut from June 20.

- At least 18 China-listed companies mobilized employees to buy their shares, and said any losses incurred will be covered by the Chairmen of the respective companies on condition that the purchased shares are held for at least 12 months. The companies said the stock market needed to be stabilized amid "irrational" declines in share prices. The Shanghai Composite Index is down 4.5% from this year's high in April amid government-led deleveraging in the financial sector.

TRAVEL

HNA Infrastructure expects more revenue from duty-free stores

HNA Infrastructure, operator of Haikou Meilan International Airport, expects to see a sharp rise in revenue from its duty-free stores as Hainan develops into an aviation hub and a duty-free shopping paradise. The company's aviation business would also grow when the airport's phase two development, which features a new runway, becomes operational in two years. HNA Infrastructure Chief Financial Officer (CFO) Zhou Feng said the phase two development aimed to boost not only the airport's passenger capacity, but also its non-aviation revenue, which is mostly business from the duty-free stores. "The company is looking to generate 70% of its revenue from the non-aviation sector as China hopes to make Hainan a top duty-free shopping destination," Zhou said. Currently, more than 40% of the group's revenue comes from its non-aviation business. HNA Infrastructure, formerly known as Hainan Meilan International Airport, provides terminal facilities, ground handling services and passenger services. It also leases commercial and retail space and operates duty-free stores at Haikou airport.

- HNA Group has denied corruption allegations made by fugitive tycoon Guo Wengui and says it may pursue legal action against him. The comments were the company's first public statements on the claims. Guo is wanted on corruption charges in China and has made a series of graft allegations against the Chinese government and company officials.

VIP VISITS

President Xi attends SCO Summit in Kazakhstan

Chinese President Xi Jinping attended the 17th summit meeting of heads of state of the Shanghai Cooperation Organization (SCO) in Astana, Kazakhstan. During the summit, the member states signed the SCO Convention on Combating Extremism, and issued a declaration to jointly fight international terrorism. India and Pakistan were officially accepted as member states at the summit, taking the number of SCO members from the previous six – China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan – to eight. The move made the SCO one of the biggest regional organizations, covering nearly half of the world's population. China and Kazakhstan plan to further upgrade their bilateral investment agreement to promote more trade and investment deals in the key areas of energy, agriculture and infrastructure, the Ministry of Commerce (MOFCOM) said. Sino-Kazakh trade exceeded USD4.91 billion between January and April, up 45.6% compared with the same period last year. Kazakhstan is also China's largest investment destination among Belt and Road economies.

- Chinese President Xi Jinping had a meeting with California Governor Jerry Brown, who was in Beijing to attend a Clean Energy Ministerial meeting. Xi encouraged California to make more contributions to promoting China-U.S. cooperation in fields like technology, innovation and green development, and welcomed California to

participate in the Belt and Road Initiative. The California government and China's Ministry of Science and Technology signed an agreement for greater collaboration on countering climate change.

ONE-LINE NEWS

- Three labor activists in China who scrutinized a company making Ivanka Trump-branded shoes are under investigation on suspicion of providing industrial secrets to a foreign organization for money. China rejected a call from the U.S. State Department for the release of the activists saying they were under investigation on suspicion of interfering with a company's "normal operation and production activities" and the illegal use of "professional surveillance equipment".

ANNOUNCEMENTS

EY: China issues 2017 tax investigation plan

The Auditing Bureau of the State Administration of Taxation (SAT) issued Shuizongjibianhan [2017] No. 29 (Circular 29) to provide the 2017 tax investigation plan (the Plan). Circular 29 is dated 13 February 2017 but it was only recently released to the public domain.

Highlights of the Plan include:

Value Added Tax (VAT)

- The SAT will select 30 VAT cases to investigate invoices issued without business substance or potential export tax frauds, to be jointly conducted by the SAT and the local tax authorities.
- The SAT will choose the following cases for local tax authorities' investigation purposes:
 - 500 cases for export tax frauds in textile, garment, furniture, mobile phone and gold industries
 - 1,000 cases for VAT invoices (including import VAT invoices) in gold, agricultural products and refined oil industries
 - 720 cases for VAT invoices issued without business substance in the VAT pilot industries in construction, real estate, life-style services and transportation industries

Regional and industrial investigations:

- The SAT will select five integrated foreign trade service enterprises to gather information on possible tax fraud risks in the industry and provide guidance.
- Other target industries and regions include:
 - The medical care and pharmaceutical industries in Tibet and Anhui
 - The agricultural industry in south-west regions
 - VAT invoices related to gold transactions in Guangxi and Guizhou
 - VAT invoices issued without business substance or tax fraud of newly established trading companies in Beijing

The SAT will choose 30 individual income tax and corporate income tax returns on share transfers and investment income for high-level executives and artists.

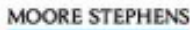
To prepare for the coming tax investigations, US multinational companies with Chinese operations in the industries and regions specified in Circular 29 should assess their current Chinese operations' compliance risks and develop strategies and documentation to manage the potential tax exposure.

EY Global Tax Alert Library: www.ey.com/taxalerts

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