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

NEWSLETTER | 19 JUNE 2017

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 at ING Art Center, Koningsplein 6 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)

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

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The fee is according to each different event.

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Number of recipients every week: 1200 executives dealing with China

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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. On June 9 in the afternoon, Mr Daniel Calleja, Director General DG Environment met with the China Circular Economy delegation. The EUCBA was represented by Mr Philippe Van der Donckt, Vice Chairman, and Ms Gwenn Sonck, Executive Director.

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.

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

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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

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4. The discount of this offer is based on ticket price only, taxes fees and carrier charges not included.
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AUTOMOTIVE

Car sales continue their modest drop

China’s auto sales reversed 0.1% to 2.1 million units in May from a year ago to post a second straight month of decline this year, according to the China Association of Automobile Manufacturers (CAAM). “The sales decline is mainly due to the purchase tax for vehicles with engines below 1.6 liters being raised from 5% to 7.5% at the beginning of this year,” said Yang Jing, Shanghai-based Associate Director of the Asia-Pacific corporate research division at Fitch Ratings. China’s auto sales grew 3.7% to 11.18 million units in the first five months this year. Passenger car sales fell 2.6% year-on-year to 1.75 million units in May, slower than the 3.7% loss in April, CAAM said. The sport-utility vehicle (SUV) segment was the only one that grew, with sales surging 13.5% from a year ago to 714,800 units. Sales of sedans and multipurpose vehicles (MPVs) fell 9.3% and 16.9% in May from a year ago to 838,700 and 149,700 units respectively, data from CAAM showed. Sales of new-energy vehicles reached 45,300 units in May, up 28.4% annually. The growth of new-energy vehicle (NEV) sales was powered by electric vehicles, with sales jumping sharply by 88% to 32,438 units in May.

- China is planning to draw up standards on smart, internet-connected vehicles as well as autonomous driving. By 2020, the country is expected to formulate at least 30 sets of standards which will basically be capable of supporting driving assistance and low-level autonomous driving, said the Ministry of Industry and Information Technology (MIIT). China is working to build a globally competitive automotive industry, with smart cars as one of its priorities. Last week, the China Industry Innovation Alliance for the Intelligent and Connected Vehicles was established in Beijing.
- Car-sharing platform Ponycar said it plans to launch up to 10,000 electric vehicles in China's first-tier cities within a year. The Shenzhen-based company has already been offering services in Shenzhen and Guangzhou, with a total of over 2,000 EVs, mostly supplied by Zhidou Electric Vehicle Sales Co and BAIC Motor. Ponycar has so far established a partnership with more than 200 sites in Shenzhen for users to pick up and return the cars.

FINANCE

Anbang Insurance Chairman Wu Xiaohui resigns, under investigation

Anbang Insurance Chairman Wu Xiaohui can't perform his duty "for personal reasons", and has delegated his authority to other executives, the company said, after it was reported that Wu was taken away for investigation. The statement from Anbang added that the group's business operations remain normal. The financial magazine Caijing reported that China Insurance Regulatory Commission (CIRC) officials had met with the company's executives and informed them that Wu had been taken away, without giving detailed reasons. The Caijing story was deleted hours after it was published. Xiang Junbo, Chairman of the CIRC, was sacked and also put under investigation two months ago. Wu Xiaohui's arrest or detention "could raise questions about Anbang's ability to remain a major player in outbound mergers and acquisitions," said Brock Silvers, Managing Director of Kaiyuan Capital, a Shanghai-based financial advisory firm.

Analysts are worried that Wu's disappearance could lead to a liquidity crunch that infects the wider industry. Wu's case could undermine a widely-held public perception of Anbang as one of China's most resourceful and powerful companies, according to Guo Zhenhua, Dean of the Insurance Department at the Shanghai University of International Business and Economics. "The most worrying issue would be an intensive cancellation of insurance policies which would severely weigh on Anbang's cash flow," he said. The company has relied heavily on selling high-risk, short-term insurance policies to beef up its fund for takeover bids. Anbang Life Insurance, the flagship of Anbang Insurance Group, reported a solvency ratio of 129% by the end of the first quarter, a sharp drop from 290% in the same period of 2016, but still above the 100% regulatory red line. Anbang has been at the forefront of developing and promoting short-term, high-yield insurance policies, known as universal life insurance and similar to wealth management products, which in turn has fueled a spending spree by the firm both in China and abroad in the past few years. Publicly available information shows Anbang holds major stakes (above 5%) in eight firms listed in Shanghai, Shenzhen and Hong Kong.

The China Insurance Regulatory Commission (CIRC) has been taking stringent measures to curb the risky, short-term products pioneered by Anbang and favored by insurers since the high-profile dismissal of its former Chairman Xiang Junbo in April. Xiang himself had been an active promoter of the universal life products. On May 5, Anbang Life was prohibited from issuing new products for a period of three months, after the CIRC found one of its annuity products had "violated the regulator's rules and disturbed market order". Anbang held a 3.4% and 5.3% share of the national insurance premium market in 2015 and 2016, respectively. Its market share of all investment-type products was much higher at 6.4% and 19.4% in those two years. The company's total assets are currently worth about CNY1.97 trillion. Anbang, a little known insurer when it was founded in the Chinese capital in 2004, has become one of the country's largest conglomerates in a little more than a decade. In 2014, Anbang acquired the Belgian insurer FIDEA Assurances, and bought the Waldorf Astoria hotel in New York.

Contagion risk grows among Chinese banks as capital levels weaken

Connectivity within the Chinese banking system is growing, increasing financial contagion risk across the sector as a whole, if any companies were to suffer serious distress, according to a study by Everbright Securities. Joint-stock commercial banks, as well as some city commercial banks, account for 40% of such “interrelated assets”, which grew at a compound annualized growth rate of 23% through 2014-16 to reach a value of CNY40 trillion. At the same time, many of these banks are operating from a weak capital base and have high leverage, the report said. Industry observers have long been concerned about the true level of capital buffers at many of China’s smaller banks. Everbright now suggests that including interbank and off-balance-sheet lending, the tier 1 capital adequacy ratio dropped to 9.33% by the end of 2016, down from the official 11.25% and that banks now need about CNY2.3 trillion of additional funding to cement their capital bases. It names banks such as Industrial Bank, China Minsheng Bank, SPDB, Citic Bank, and city commercial banks such as Shanghai Bank, Nanjing Bank, Hangzhou Bank, Ningbo Bank and Beijing Bank. The tier 1 capital ratio at some of these banks has now hit the type of levels “reached by western institutions, in the run-up to the global financial crisis”, the report says. “The ratio rose before 2014 due to implementation of the Basel III accord. But since then it declined to 5.31% by the end of 2016, the South China Morning Post reports.

- The Ministry of Finance has announced that in the months to come, it will sell its first U.S. dollar denominated sovereign bonds since 2004, along with yuan bonds. The move would mark China’s first overseas issuance of national debt since Moody’s downgrade of the country’s sovereign credit rating in May. The bonds will be sold in Hong Kong to test international investors’ appetite for Chinese government debt.
- The International Monetary Fund (IMF) urged Beijing to resume progress towards a flexible exchange rate, in a subtle criticism of China’s recent interventions in support of the yuan currency. The IMF also said China should speed up reforms to ward off financial risks, after two weeks of discussions with Chinese officials during its annual review of the Chinese economy. David Lipton, First Deputy Managing Director, said that China should gradually strengthen its monetary policy framework, allowing the yuan to move more freely and improving the communication with markets.
- Banks in China lent surprisingly more in May while growth in the money supply slowed to a record low amid deleveraging taking place in the financial sector. New yuan loans totaled CNY1.1 trillion in May, CNY126.4 billion more than the same month last year, the People’s Bank of China (PBOC) said. M2 rose 9.6% year-on-year, the first single-digit gain on record. M2 growth slowed amid tighter regulation to prevent risks, the PBOC said in a statement.
- The Hong Kong Monetary Authority (HKMA) raised its base rate by 0.25 percentage points to 1.5% on June 15 following the U.S. Federal Reserve’s overnight move. Meanwhile, HKMA Chief Executive Norman Chan reiterated his warning to Hong Kong home buyers that mortgage rates will rise in the near future. The HKMA is obliged to follow U.S. interest rates as Hong Kong’s currency is pegged to the U.S. dollar. A number of Hong Kong banks had already raised their mortgage rates in advance of the Federal Reserve’s decision. But China does not need to follow suit by raising its interest rate, said Yu Yongding, former Member of the Monetary Policy Committee of the People’s Bank of China (PBOC).
- Led by China, the Asia-Pacific region (excluding Japan) will surpass Western Europe this year as the world’s second-largest wealth market behind North America, with wealth assets of about USD42.3 trillion by the end of 2017, according to the Boston Consulting Group. The United States and China have the most millionaire households in the world, nearly 7.1 million and 2.1 million respectively. Investors in China and the Asia-Pacific region put about 65% of their assets in cash and deposits with 12% in bonds and 23% in stocks.
- The European Central Bank (ECB) announced that it will diversify some of its foreign exchange reserves into the Chinese yuan. The ECB invested €500 million of its foreign reserves in renminbi assets during the first half of 2017. The ECB sold a small portion of its U.S. dollar holdings, which remain its largest portfolio, leaving the overall size of the ECB’s foreign reserves unchanged. The new investment only accounted for 1% of the ECB’s total €68 billion in foreign exchange reserves, but it is significant for

the yuan's internationalization. The National Bank of Belgium also announced it completed foreign reserve investments in yuan during the first half of 2017 as part of its diversification strategy, buying €200 million worth of yuan.

- Hong Kong, which just joined the Beijing-led Asian Infrastructure Investment Bank (AIIB), is now lobbying the bank to set up a regional office in the city, and is also seeking to have an alternate Governor on the bank's board. Hong Kong agreed to pay USD155 million for a stake of less than 1% in the AIIB.

FOREIGN INVESTMENT

U.S. looking at restricting Chinese investment in artificial intelligence

The United States appears poised to heighten scrutiny of Chinese investment in Silicon Valley to better shield sensitive technologies seen as vital to U.S. national security. Of particular concern is China's interest in fields such as artificial intelligence (AI) and machine learning, which have increasingly attracted Chinese capital in recent years. The worry is that cutting-edge technologies developed in the United States could be used by China to bolster its military capabilities and perhaps even push it ahead in strategic industries. The U.S. government is now looking to strengthen the role of the Committee on Foreign Investment in the United States (CFIUS), the inter-agency committee that reviews foreign acquisitions of U.S. companies on national security grounds. An unreleased Pentagon report warns that China is skirting U.S. oversight and gaining access to sensitive technology through transactions that currently don't trigger CFIUS review. Such deals would include joint ventures, minority stakes, and early-stage investments in start-ups.

Under former President Barack Obama, CFIUS stopped a series of attempted Chinese acquisitions of high-end chip makers. Senator John Cornyn, the No 2 Republican in the Senate, is now drafting legislation that would give CFIUS far more power to block some technology investments. China's Foreign Ministry warned against politicizing mergers and acquisitions following the release of the report. "We believe there should not be undue political dimensions imposed on commercial takeovers, let alone political intervention," Spokesperson Lu Kang said. Chinese investments in the U.S. jumped to USD46 billion last year, a 200% increase from the previous record of USD15 billion in 2015, according to a report published in April by the National Committee on U.S.-China Relations and the Rhodium Group, a New York-based economic research firm. By the end of last year, about 3,200 Chinese-owned companies operated in the U.S. across 98% congressional districts and employed more than 140,000 Americans, more than nine times higher than in 2009.

List of restrictions on foreign direct investment in free-trade zones cut

As foreign direct investment (FDI) into China stagnates, Beijing is trying to reignite interest by reducing the number of restrictions on investors in certain areas. The State Council said in a statement it had cut its negative list from 122 to 95 in 11 free-trade zones (FTZs). That means fewer restrictions for foreign capital in the trial free-trade zones – including in Shanghai, Zhejiang and Chongqing – where trade and financial rules have been relaxed. Reducing the list is a bid to make it easier for foreign investors to enter some sectors that were previously off limits, including aircraft and shipbuilding, electric cars, telecoms equipment, reinsurance and theme parks. The Ministry of Commerce (MOFCOM) also said it would create a new foreign investment category. Reducing the number of restrictions may not be enough to lure more foreign investors. "We won't see a significant boost to foreign direct investment with this move," said Liu Xuezhi, Researcher at the Bank of Communications (BoCom) in Shanghai, adding that the reduced list only applied to the free-trade zones.

- Shenzhen China Star Optoelectronics Technology Co, a major Chinese display panel manufacturer, started construction on a sixth-generation LTPS AMOLED display panel production line in Wuhan, Hubei province. The move aims to break the monopoly of South Korean companies in the area of flexible display panels for smartphones. At full production, the company will satisfy about 5% of the total global demand of the AMOLED smartphone panel industry. Samsung Electronics currently has a marketshare of around 90%.
- Foreign direct investment (FDI) in China dropped 3.7% year-on-year in May to

CNY54.67 billion, extending a downward trend. In the first five months, FDI inflow shed 0.7% from the same period in 2016 to CNY341.08 billion, while 12,159 new foreign-funded enterprises were set up, up 11.9%. Despite a drop in the overall FDI, foreign investment in the service sector, especially in the high-tech and modern service industries, continued to grow steadily. In the first five months, the high-tech service sector attracted CNY48.64 billion of foreign capital, up 20.5% year-on-year. Investment from the European Union grew 6.2% in the January-May period.

FOREIGN TRADE

Deal reached to increase U.S. dairy exports to China

China and the U.S. signed a memorandum of understanding (MoU) that will increase American dairy exports to China, in a deal that marks new progress in the two sides' ongoing negotiations towards a larger mid-July trade agreement. The memorandum will benefit more than 200 U.S. dairy exporters in the short term and pave the way for additional U.S. entrants in the future, according to the U.S. Dairy Export Council (USDEC), an industry group representing more than 120 American dairy companies. "This deal marks a significant opportunity for the U.S. dairy industry," said Tom Vilsack, President and CEO of USDEC. "China is already the world's largest dairy importer, even though per capita consumption remains far below that of the United States, Europe and even its Asian neighbors like Japan and South Korea. The potential to increase exports there is tremendous." By July 16, the two nations are expected to finalize a trade agreement during high-level talks in Washington.

- The United States moved one step closer toward resuming its beef export to China after the U.S. Department of Agriculture said trade rules have been finalized, adding that it has reached agreements with China on final details of a protocol to allow it to export beef to China. China imposed a ban on U.S. beef in December 2003 after mad cow disease was found in U.S. cattle. Before the ban, the United States was China's largest supplier of imported beef.
- China and Singapore will do their best to expedite talks on the Regional Comprehensive Economic Partnership (RCEP) agreement, Singapore Foreign Minister Vivian Balakrishnan said, calling the potential pact a statement on the importance of free trade, after U.S. President Donald Trump's withdrawal of the U.S. from the rival Trans-Pacific Partnership (TPP) trade agreement, to which China is not party. RCEP is less comprehensive than TPP and the main focus is on reducing tariffs. Coverage of services is more modest than in the TPP.
- China plans to import two new varieties of genetically-modified crops from the United States, as it accelerates a review of biotech products. China's Ministry of Agriculture gave permits to two U.S.-based agriculture companies, Monsanto and Dow AgroSciences, to ship their soybeans and corn to China from June 12. The Ministry said it also renewed import approvals for 14 other GMO crops.

HEALTH

Shanghai to set up medical helicopter first aid team

Ruijin hospital will set up Shanghai's first Air Ambulance Center Base hospital. It will be tasked with building professional air ambulance service teams, formulating transfer standards and mechanisms through cooperation with local health authorities, the medical emergency center and other government departments. The city's first helicopter equipped with first aid facilities will be introduced this year. At least five medical helicopters are needed to transport patients from different parts of the city and the Yangtze delta to hospitals. China and Czechia signed an air aid cooperation program. Under the program the Prague medical emergency services will over the next two years carry out training of medics, paramedics and managerial personnel at Ruijin hospital.

- In Shanghai the average number of hospital visits last year dropped by 30% among local residents who signed an agreement for general physician (GP) service, officials from the Shanghai Health and Family Planning Commission said. Shanghai started in

2015 to introduce its health reform system aimed at encouraging people to make more use of their local GPs. The system also allows patients to get medicines – normally only available at leading hospitals – at their neighborhood health centers.

IPR PROTECTION

Shanghai to crack down on IPR infringement on the internet

Shanghai is going to come down heavily this year on internet intellectual property rights infringement and fake products sold online. The crackdown would also target counterfeit infant formula and health products. Authorities in the city busted more than 3,500 cases involving iPR infringement and counterfeit products last year, up 12.9% from 2015. Last year, a total of CNY170 million was involved and Shanghai police caught 1,125 suspects in 670 cases involving intellectual property rights infringement and counterfeit products. In one particular case, 68 people were arrested for making and selling 4,000 bottles of fake luxury liquor. In another case, police busted a gang making and selling machines used to produce fake cigarettes, and 20 machines were seized. Last year, more than 900 websites were shut down for irregularities by Shanghai authorities.

- The Ivanka Trump brand has won approval for four more trademarks since April 20 despite repeated questions from lawmakers about whether she is using her position as a White House Adviser to help her company. Ivanka Trump Marks has at least 24 trademarks that were granted provisional or full approval in China, plus 43 pending marks and three invalid marks, according to the Trademark Office. The trademarks cover wedding dresses, jewelry, bags, spa services, real estate, financial services, construction, furniture, carpets and alcohol.
- Yiwu leads Chinese counties in trademark registrations for the 4th year. Companies in Yiwu have registered 91,919 trademarks, topping all county-level areas in China.

MACRO-ECONOMY

Finance now the most important sector in Beijing

Beijing's per capita GDP in 2016 grew to CNY115,000 and its economic output reached nearly CNY2.5 trillion, according to an official economic report. The contribution of the service sector to GDP has surpassed 80%, a 3.7 percentage point increase over 2011. Finance became the foremost industry in the service sector in 2016, accounting for 17.1% of the capital's economy, followed by information, and science and technology industries, which occupy 10.8% and 8.4% of the total respectively. “From the data, we can see a clear trend of Beijing actively striving to turn the city from a traditional economic center to a global scientific and technological innovation hub,” Yin Zhi, Dean of the Urban Planning and Design Institute of Tsinghua University, told the Global Times. To achieve that, the share of high-end manufacturing in the service sector should be further expanded, Yin added. In 2016, the capital's research and development (R&D) reached CNY148 billion, 58% more than in 2011. Beijing's per capita GDP in 2016 rose from CNY82,000 in 2011 to CNY115,000. In 2016, the disposable income of Beijing urban residents was CNY57, 275 per capita, an increase of 57.5% over that of 2011. The city's resident population stood at 21.7 million by the end of 2016.

Number of required manufacturing licenses reduced

China is cutting the number of products whose manufacture requires official licensing, it was decided at an executive meeting of the government chaired by Premier Li Keqiang. Nineteen categories of products, including water pipes and rechargeable batteries, will no longer need manufacturing licenses. The licenses required for electric blankets and motorcycle helmets will be replaced by the post-manufacture China Compulsory Certification, or safety certification. “We need to free the hands of businesses for innovation and operation. It is pivotal to the upgrading of the real economy,” Premier Li said. The production licensing system was introduced in 1984 for quality supervision. Under the system, companies must obtain a license before their products go into production. The number of categories of products that require official licensing had since been reduced from 487 to 60, and now to 41. The new system will pose higher requirements on enterprises to ensure the quality of products as new compulsory standards will be introduced, the China Daily reports.

- Two more provinces – Inner Mongolia and Jilin – have been found falsifying economic data, dealing a fresh blow to central government attempts to improve the credibility of China's statistics. Inner Mongolia reported a 7.2% rise in its gross domestic product (GDP) last year, while Jilin said it grew 6.9%. Both beat the national average of 6.7% last year. Local government officials have been known to over-report economic growth and industrial output while under-reporting unemployment and accidents.
- Seven Chinese provinces and cities have increased their minimum wages this year, with wages in Shanghai, Shenzhen and Tianjin now exceeding CNY2,000 per month. Tianjin's monthly minimum wage will be raised from CNY1,950 to CNY2,050 starting from July 1, and that of Shenzhen has gone up to CNY2,130 from June 1. In April, Shanghai increased its minimum wage from CNY2,190 to CNY2,300, the highest among the seven cities and provinces.
- China's entertainment industry will be worth CNY1 trillion by 2020, almost triple last year's valuation. Booming web dramas, online paid subscriptions, and new capital and companies entering the sector are behind the rapid financial growth, industry officials said during the Shanghai TV Festival.
- China's value-added industrial output rose by 6.5% year-on-year in May, flat with April's figure. Industrial output of state-owned enterprises (SOEs) rose 6.2% in May, that of joint stock enterprises grew 6.8%, while foreign and off-shore-investment enterprises posted a 5.9% increase. Retail sales rose 10.7% in May, flat with April's. Fixed-asset investment (FAI) rose 8.6% year-on-year in the first five months. Investment by the private sector, which accounted for more than 60% of the total FAI, rose 6.8% annually.
- The International Monetary Fund (IMF) raised its forecast for China's 2017 economic growth to 6.7%, its third increase this year, citing "policy support, especially expansionary credit and public investment". China's economy grew a faster-than-expected 6.9% in the first quarter of this year, well above the government's target of around 6.5% for the full year.
- Sales of excavators in China surged 106% in May from a year ago and their annual sales continued to grow over the past nine months amid demand from the infrastructure and property sectors. More than 11,280 excavators were sold in China in May and 21 of the 26 main brands posted sales growth. China enjoyed annual sales growth of above 50% over the past nine months. Only 6.9% of the excavators sold were being exported last month. Investment in China's infrastructure totaled CNY3 trillion over the first four months, up 23.3% from the same period a year ago.
- Alibaba Group Holding and Huawei Technologies have topped this year's rankings of the most coveted employers for China's university students. About 80,000 students from 110 universities participated in the annual online poll, which Sweden-based employer-branding company Universum has conducted in the country since 2006 to track the career aspirations of the domestic market's future talent pool. The percentage of Chinese students who want to work for a start-up or build their own business after graduation has reached a historic high of 20% this year.
- Of the 70 or so economic indicators produced by various Chinese government agencies, three are particularly untrustworthy – the figures for the jobless rate, fixed asset investment (FAI) and personal income, according to a research note published by China International Capital Corporation (CICC).

MERGERS & ACQUISITIONS

China to work out M&A dispute resolution mechanism

New mechanisms are needed to resolve disputes related to outbound investments of Chinese companies, experts in M&A said. The dispute resolution mechanism is at present almost entirely in the hands of Western countries. "Most of the cross-border investment in the countries and regions taking part in the Belt and Road Initiative is in infrastructure projects, which have long investment cycles and require large sums of money, so disputes will likely increase," said Wang Guiguo, Director of the International Academy of the Belt and Road Initiative. The organization to be set up could be compared to the International Center for Settlement of Investment Disputes (ICSID), which is part of, and funded by, the World Bank Group.

- Honghua Group, China's largest onshore oil rigs exporter, is on its way back to profit after being integrated into the China Aerospace Science and Industry Corp (CASIC) – one of China's two main state-owned aerospace and defense equipment makers. The previously privately-held company would now be able to secure orders from state oil and gas producers, which had shunned private sector suppliers in the last few years amid Beijing's anti-corruption drive. Strategic cooperation agreements signed early this year by CASIC with China National Petroleum Corp and China Petrochemical Corp will help re-open doors for business in the domestic market, said Honghua Chairman Chen Yajun.

REAL ESTATE

Sales of new homes slowing further

More home buyers in China shelved their purchase plans as strictly enforced restrictions to quell speculation continued to bite, resulting in slowing new property sales. More than CNY3.66 trillion of new homes, excluding government-subsidized affordable housing, were sold during the first five months of this year, up 15.3% annually, the National Bureau of Statistics (NBS) said. But the growth slowed from a rise of 16.1% in the first four months and a gain of 20.2% in the first quarter. The area of new homes sold during the five-month period rose 11.9% from a year earlier to 479.57 million square meters, slowing from a 13% increase in the first four months and a 16.9% gain from January to March. Zhang Dawei, Chief Analyst at Centaline Property, blamed the slowing home sales to tightening measures implemented in first and second-tier cities around the country, including stricter home purchase curbs, higher down-payment requirements and mortgage rates, as well as a newly introduced lockup period for home sales.

- Soho China has launched its newest commercial complex in Shanghai's Changning district. With a total gross floor area of around 170,000 square meters, Soho Tianshan Plaza comprises 74,000 square meters of Grade A offices and 17,000 sq m of high-end retail and hotel space.

RETAIL

Alibaba promoting its "new retail" concept

Alibaba Group, the world's largest e-commerce platform operator, is persuading brand operators to develop a fully digitized omni-channel model to drive their retail business to the next phase. The so-called "New Retail" concept, first proposed by Alibaba last year, will adopt advanced cloud computing technologies including big data and artificial intelligence (AI) to study the data generated from various aspects of the brands, which will greatly improve the online and offline buying experience for consumers, Daniel Zhang, Alibaba's CEO said during a closed-door meeting with representatives of 54 global brands in Hangzhou. Despite e-commerce transactions accounting for about 15% of the retail sector, brand operators should consider digitalizing their entire business instead of just how to increase the e-transaction proportion, Zhang told representatives from brands, including LVMH, Samsung and P&G. Under Alibaba's vision the retail business of the future will rest on the digitalized synergy between consumers, brands and both online and offline platforms. The company is also aiming to leverage its immense quantity of consumer data to integrate brick-and-mortar stores, logistics, and payment tools to deliver a better shopping experience for consumers, the South China Morning Post reports.

During the fiscal year ended March 31, USD547 billion worth of goods measured in terms of gross merchandise volume (GMV) were traded through Alibaba's platforms. Tmall currently hosts 180,000 well-known brands, of which 12,000 are international, according to data provided by Alibaba, which also claims that over 80% of the most valued brands in the consumer category surveyed by Forbes have already set up online stores on Tmall as of March this year.

- Chinese consumers' spending on luxury goods is set to double to CNY1 trillion by 2025, or 37% of the overall global luxury market, McKinsey said in a report. Chinese consumers will account for most of this CNY2.7 trillion growth in value of the global luxury goods market. Around 7.6 million Chinese households spent an average of CNY71,000 on luxury goods per year, according to McKinsey.

SCIENCE & TECHNOLOGY

China successfully tests photon entanglement over large distances

China has become the first country in the world to establish photon entanglement at a distance of more than 1,200 kilometers, paving the way for ultra-secure, long-distance quantum communications. In July, Beijing and Vienna will try to conduct the world's first cross-continental video call using Micius, the world's first quantum communication satellite launched by China last year, but it would take more than a decade for such technologies to reach the public, scientists said. By beaming photons – individual particles of light – between Micius and two receiving ground stations – the Delingha station in Qinghai province and the Lijiang station in Yunnan province – Chinese scientists have shown that these photons could remain entangled despite the stations being more than 1,200 kilometers apart. This distance is 10 times greater than similar tests done on the ground, which are usually conducted using fiber optics or in open air, and are susceptible to interference. Quantum entanglement is a phenomenon in which two or more entangled particles can affect each other simultaneously regardless of the distance between them. Scientists are trying to use it to encrypt and send messages, which would be tamper-proof, the China Daily reports.

- China launched its first X-ray space telescope on a Long March-4B rocket from the Jiuquan Satellite Launch Center in the Gobi desert. The 2.5-ton Hard X-ray Modulation Telescope (HXMT) was sent into an orbit of 550 kilometers above the earth to help scientists better understand the evolution of black holes, and the strong magnetic fields and the interiors of pulsars. It acts as a small observatory in space, carrying three detectors. Compared to other astronomical satellites, the HXMT has a larger detection area, broader energy range, and wider field of view.

STOCK MARKETS

China's regulator rejects the most number of IPOs in four years

The China Securities Regulatory Commission (CSRC) is rejecting initial public offering (IPO) applications at the fastest pace in four years, suggesting it is getting tougher on the rules introduced to improve the quality of listed companies while speeding up the approval process at the same time. Analysts believe the CSRC is seeking a balance between easing the logjam in the IPO pipeline and boosting investor confidence. They also regard the moves as paving the way for an overhaul that could in the longer term give the market more power over the listing process. By May 19, the regulator had approved 188 listings after reviewing 257 applicants since the turn of the year, "that's a 73.2% pass rate", CSRC Spokesman Deng Ge said. It is also the first time the pass rate has dropped below 80% since 2013, when the Commission put a blanket freeze on IPOs for more than a year during the stock market rout. According to accounting firm Grant Thornton China, the CSRC approved 247 new listings in 2016 out of 275 applicants, an 89.8% pass rate. In 2014 and 2015, the pass rate was 83.2% and 89%, respectively. Meanwhile, the pace of listing approvals has accelerated, with the number of approvals so far in 2017 exceeding 70% of the 2016 total. Deng also said the regulator "terminated" 35 IPO reviews and "rejected" 18 others between January and April mainly due to the discovery of "abnormal business operations or finances".

Inclusion of A-shares in MSCI index to be decided

The possibility of including China's domestic A-shares in the MSCI index this year has risen to 60%, Standard Chartered Bank said. The MSCI World Index covers equities in 23 major markets globally and has USD2.7 trillion in assets benchmarked to the index. After three rejections since 2014, MSCI is set to rule again on June 21 whether it will accept China's domestic A sharesin its index, but analysts anticipate the real impact will be minor as the resulting capital inflows will be limited in the short term. Zhang Xiaojun, Spokesman for the China Securities Regulatory Commission (CSRC), said that "China will be glad to see it happen, but the pace of China's reform" will not be affected by MSCI's decision. Theoretically, the initial inclusion could trigger fund inflows of CNY79.6 billion, compared with the daily trading turnover of CNY400 billion to CNY600 billion. Actual implementation would not take place until June 2018, and A-share stocks would represent only 0.5% in the MSCI Emerging Markets index.

- The Shanghai SE 50 Index, dubbed China's "nifty 50" index, slumped 1.5% on May 14 in its worst day since mid-December, as investors took profits in blue-chips which had far outperformed the broader market in the past months, and dumped stocks partly owned by Anbang Insurance Group, after Chairman Wu Xiaohui was placed under investigation.
- Zhong An Online Property and Casualty Insurance, the first online-only insurer in China, could list its shares in Hong Kong as early as July or August, raising up to USD2 billion. If successful, Zhong An would be the first online insurance stock in Hong Kong. Major shareholders include Alibaba's financial-services affiliate Ant Financial, which has a 16% stake, as well as Tencent, Ping An Insurance, China International Capital Corp (Hong Kong), Morgan Stanley and other private equity funds.
- The China Securities Regulatory Commission (CSRC) has imposed CNY6.14 billion of fines on rule violators in the first five months – a daily average of CNY40 million. The total is set to "again hit an all-time high" in 2017, said CSRC Deputy Chairman Jiang Yang. Total fines in the first five months were already 43% higher than those for all of 2016. In 2016, the CSRC issued 183 penalties for illegal market activities and fines totaling CNY4.28 billion.

TRAVEL

Shanghai Disneyland on track to break-even

Walt Disney Corp's Shanghai Disneyland is on track to achieve break-even in the first year of operation, CEO Robert Iger said. That is the first such achievement among Disney's recently built facilities, Iger added. The park, which has received more than 11 million visitors, marked its first anniversary on June 16. With the new Toy Story Land set to be operational next year, Iger said his company is ready to further invest in this landmark resort to make it even bigger, a topic discussed during a meeting with Shanghai Mayor Ying Yong. The visitor turnout would place Shanghai Disneyland among the top 10 amusement parks in the world by attendance, on the benchmark of 2016 statistics by the Themed Entertainment Association and consultancy Aecom.

- The local government of Tianjin has asked all employees in public sectors, including government departments, state-owned enterprises (SOEs), and affiliated organizations, to report any overseas trips, a sign of tightening regulations on government workers amid the ongoing anti-graft drive. It also stipulates that employees can only go abroad once a year. Other cities have also issued strict regulations on overseas travel for public servants.
- Beijing's first mid-to low-speed magnetic levitation (maglev) railway line is preparing for its debut later this year. Services on Line S1 will run from Shimenying station in western Mentougou district to Pingguoyuan station in Shijingshan district, a transfer station for Line 1. The maglev line will have eight stations over 10.2 kilometers and will run at a maximum speed of 100 kilometers per hour.
- The C919, China's first homegrown large passenger plane, received another 30 orders from Everbright Financial Leasing Co, a subsidiary of China Everbright Bank

Co, lifting its total orders to 600 from 24 Chinese and overseas clients. China Eastern Airlines will be the first to take delivery of the plane, which made its maiden flight on May 5.

- A new high-speed railway will be built soon between Shanghai and Nanjing, Jiangsu province, linking up more cities in the Yangtze River Delta and shortening travel time in the area. The new 274- km line will link Nanjing and Taicang, where the new line will join another railway under construction to reach Shanghai. The new line could further shorten travel time between Shanghai and Nanjing to less than one hour.
- Hong Kong International Airport may be surpassed by Guangzhou's airport in a few years in terms of passenger volume, according to Hang Seng Management College. Guangzhou's Baiyun International Airport handled 60 million passengers last year, trailing Hong Kong's 70 million passengers. But the passenger growth rates suggest it is only a matter of time before Guangzhou, which ranks 15th globally, overtakes Hong Kong in the No 8 spot.
- HNA Group said its shareholders will donate their stakes to the Hainan Province Cihang Foundation, a charity which currently already controls 22.75% of the company, and is already the largest shareholder. The statement came in response to a report published by the Financial Times on June 2, saying that HNA's largest single shareholder is a "mysterious" businessman named Guan Jun, who was said to control 29% of the company. HNA responded by claiming that Guan is a "private investor" who does not work for the company. HNA said its largest shareholder is the Cihang Foundation, not Guan Jun, and no government officials or their relatives hold shares of the company.

VIP VISITS

Luxembourg PM emphasizes airfreight on visit

China supports building a Silk Road in the air between Luxembourg and Zhengzhou, capital of Henan province, President Xi Jinping said when meeting with visiting Luxembourg Prime Minister Xavier Bettel in Beijing. The airfreight industry has been a highlight of Bettel's official visit to China. Bettel and Premier Li Keqiang witnessed the signing of a joint investment deal involving airline freight shipping companies from Luxembourg and Henan province. Since airfreight operations between the two started in 2014, shipments to and from Luxembourg have accounted for nearly a fourth of Zhengzhou airport's total cargo shipments. President Xi said the two countries should nurture new highlights of cooperation, including shipping by air, high and leading technologies, and green economy to achieve greater mutual benefits. Luxembourg is also ready to boost cooperation within the framework of the Belt and Road Initiative, Bettel said. The two countries signed agreements in areas including internet financing, public security and joint film shooting.

ONE-LINE NEWS

- Panama has switched official recognition from Taipei to Beijing. Panama's decision leaves Taiwan with only 20 countries with whom its has diplomatic relations. Haiti and the Dominican Republic, which have set up trade representative offices in China, might be next, according to Xu Shicheng, Research Fellow in Latin American studies at the Chinese Academy of Social Sciences (CASS).
- A group of Chinese companies launched a lawsuit against fugitive tycoon Guo Wengui in the U.S. in a bid to obtain compensation for assets they weren't able to recover following a legal victory in China. Represented by New York-area law firm Kevin Kerveng Tung, nine plaintiffs filed a complaint in New York against Guo and four of his companies. The plaintiffs are seeking more than USD40 million in direct damages and USD10 million in punitive damages.
- Yangpu plans to build a museum along the Huangpu river showcasing China's industrial history dating back over a century. The district is surveying all of its historic buildings along the river to preserve valuable structures as well as to collect exhibits for the Shanghai Industry Museum. Yangpu's riverside area was once home to several of China's earliest industries – many of them dating back over 100 years.
- The first new ID cards for foreign permanent residents were issued across the country

on June 16 to expats holding “green cards”. The machine-readable Foreign Permanent Resident ID Card can be used independently as legal proof of identity when dealing with such issues as finance, education, health, communication, accommodations, telecommunication, employment, taxes, social security, property registration and lawsuits in China.

- Dadi Cinema Group, China’s second-largest cinema investment and management company, plans to build as many as 60 new cinemas this year, focusing on lower-tier cities where people have more spare time to make the trip to a cinema. The group, trailing only Wanda Cinema in China in size, will also actively seek acquisition targets to increase the number of screens it owns following the purchase of Golden Harvest’s China cinema arm early this year, according to Dadi Chief Executive Yu Xin. At present, Dadi owns more than 400 cinemas and about 2,500 screens.

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