Newsletter
17 October 2017

FCCC/EUCBA ACTIVITIES

The 12th EU-China Business and Technology Cooperation Fair – 24-31 October 2017 – Chengdu – Qingdao

JOIN THE FLANDERS-CHINA CHAMBER OF COMMERCE TO QINGDAO

The Flanders-China Chamber of Commerce will be represented at the Fair in Qingdao by Gwenn Sonck, Executive Director.

As an important platform for building ever closer relationship between 27 EU member states and China, the 12th EU-China Business and Technology Cooperation Fair, in the context of the importance of the land and marine Silk Roads linking China and Europe, will take place in Chengdu and Qingdao, two vital strategic cities of west and north China, the first phase in Chengdu from 24 till 27 October, 2017 and the second phase in Qingdao from 29 to 31 October, 2017.

The fair will gather 1,500 participants of companies, state/regional governments, clusters, business associations, EU-China cooperation experts, universities, R&D institutions from west and north China, the European Commission, EEN partners, and European countries who are seeking potential collaboration and partnerships with their counterparts.

The EU-China Business Association (EUCBA) and the Flanders-China Chamber of Commerce (FCCC) are partners of the 12th EU-China Business and Technology Cooperation Fair.

Cooperation Fair China Tour 2017

Chengdu – Qingdao, 24-31 Oct., 2017

- One of the Largest Platforms for Investment, Trade and Technological Cooperation between the European Union and China
- Meet with Over 30 Most Competitive Clusters in China
- Matchmaking with over 1,000 Chinese Enterprises
- Learn the Favorable Policies for European Entrepreneurs to Start up Business in China

Chengdu, 24-27 Oct., 2017

- Centre of West China, Hometown to Giant Pandas
- Initial Station of Chengdu-Europe Express Railway Lodz, Poland
- Forbes listed Chengdu as one of "The Next Decade's Fastest Growing Cities Globally"
- Chengdu Shuangliu International Airport: Ranked 1st in Mid & West China Direct, Flights to Amsterdam, London, Paris, Frankfurt, Moscow, etc.
- 14 Consulates General settled in Chengdu
- Leading Industries: ICT, Environment, Renewable Energy, New Materials, Life Sciences, Bio-Pharmaceuticals, Aviation, Modern Agriculture

Link to the Chengdu agenda.

Qingdao, 29-31 Oct., 2017

- Intersection of Two Silk Roads both through the Continent and over the Sea
- Converging Point for Asia Pacific Economic Integration
- 70% of China's Academicians and 30% of Senior Researchers on Maritime Sciences and Technologies are based in Qingdao
- EU Is Now the TOP 1 Trading Partner for Qingdao
- Leading Industries: Maritime Equipment, Maritime Bio-Pharmaceuticals, Renewable Energy, New Materials, Maritime Environment, ICT, Home Appliances, Rolling Stock.

Link to the Qingdao agenda.

Official website: http://www.eu-china.org.cn/about.html

To register for the Chengdu or Qingdao program, follow this link.

Seminar – Negotiating with the Chinese: Cultural Roots & Practical Recommendations – 14 November 2017 – Ghent

"Building a win-win partnership through the art of negotiation"

The seminar on 'Negotiating with the Chinese: Cultural Roots & Practical Recommendations' will take place in **Ghent at 14h00 on Tuesday 14 November 2017.** This seminar is organised by the Flanders-China Chamber of Commerce and the Cheung Kong Graduate School of Business.

Mr Bo Ji, Chief Representative of Europe & Assistant Dean of Global Executive Education of the Cheung Kong Graduate School of Business will be the keynote speaker.

This seminar offers guidance to business leaders on how to leverage cultural differences, complexity, uncertainty, and conflicts during the negotiation process with their Chinese partners. It delivers direct impact on a company's bottom line to support individuals who are doing business with a fast-changing China.

Attendees will gain a comparative understanding of the practical Chinese and Western approaches to negotiation as well as sharpen their own negotiation skills through learning from multiple case studies and real-life contexts. Furthermore, they will identify the cultural roots behind business scenarios, which will provide them with the knowledge to reshape their strategies and tactics. The attending business leaders will also learn to optimize their approach to a win-win value creation through negotiating with the Chinese to achieve a sustainable partnership.

Programme

13:00 Registration
14:00-14:15 Opening Remarks by Ms Gwenn Sonck, FCCC Executive Director
14:15-15:00 China vs West: different cultural negotiating models
15:00-15:15 Break
15:15-16:00 Chinese cultural roots and elements to shape the negotiating skills
16:00-16:15 Break
16:15-17:00 Strategies that lead you to a better negotiation outcome
17:00-17:15 Break
17:15-17:40 Group discussion
17:40-18:00 Networking

If you are interested in attending this event, please register online HERE

Price for members: € 185 (excl. VAT)
Price for non-members: € 225 (excl. VAT)

Contact
Ms. Lijuan Yu - CKGSB lijuanyu-pt@ckgsb.edu.cn
FCCC info@flanders-china.be

About the speaker

Bo Ji, Chief Representative of Europe & Assistant Dean of Global Executive Education

Bo is currently the Assistant Dean & Chief Representative for Europe at Cheung Kong Graduate School of Business (CKGSB), a top business school with more than 10,000 chairman/CEO level alumni in China. Bo had an over-20-year successful business career in Global Business Development, Innovation, Strategy, Supply Chain Management, M&A, etc. He served as the senior executive at the headquarters of many Fortune 500 companies such as Monsanto, Cargill, Pfizer, Wrigley, and Mars. He is also a well-sought conference speaker.

Combining his extensive business experiences and in-depth knowledge, Bo has been teaching EMBA/MBA at some of the world's most prestigious business schools such as INSEAD, Esade, MIT, New York University, Hong Kong University of Science and Technology, Technology University of Munich, Tsinghua University, CKGSB, Zhejiang University, Sun Yat-Sen University, Shanghai Jiaotong University and Taiwan's National Chengchi University etc. In addition, Bo also offers advice to Chairmen and CEOs. He is also a frequent speaker at renowned international conferences, forums, TV media and annual corporate meetings.

ADVERTISEMENT AND SPONSORSHIP

Advertisement and sponsorship opportunities 2018

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

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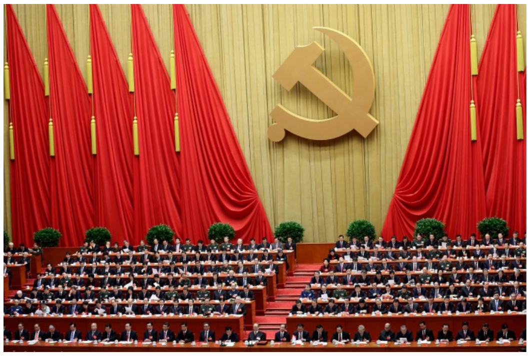
MACRO-ECONOMY

More intervention in economy expected after 19th Party Congress



Picture from a previous Party Congress, which is held every five years

Beijing is likely to increase its intervention in China's economy after the **19th Communist Party Congress** - which opens on October 18 - hampering any effort by U.S. President Donald Trump to wring substantial trade and investment concessions from China during his visit to the country in November, analysts say.

Scott Kennedy, a China expert at the Washington-based Center for Security and International Studies, told the South China Morning Post that rather than overall market liberalization, the Party Congress "is likely to be followed by even greater government and party intervention in industries and markets". Beijing would make "modest, largely symbolic concessions" on some areas of market liberalization ahead of Trump's visit, Kennedy said. But "China Incorporated is likely to get more support and made more powerful, not dismantled. Interventionism works and China has paid little diplomatic or economic price for it. So why not continue?," he said.

Markus Rodlauer, Deputy Director of the International Monetary Fund's Asia and the Pacific Department, told an Asia Society Policy Institute think tank event in Washington that he expected **no overall economic policy changes** to come out of China's Party Congress, owing to the ruling elite's desire for stability as leaders are reshuffled. "The reasonable expectation is that things won't change dramatically," Rodlauer said. The congress might provide "some clues" to possible policy changes, but no specific economic policies could be set until the Economic Work Conference in December and the National People's Congress (NPC) session next March, the IMF official said.

Washington China-watchers have speculated about the extent to which China's ruling elite will proceed with economic reform. Four years ago, at a Central Committee session of the 18th Party Congress, the leadership pledged to let markets play a "decisive" role in the economy and unveiled a comprehensive reform agenda towards achieving "decisive results" by 2020, but the outcome so far has disappointed U.S. observers.

"We have not seen the kind of overall economic reforms we are seeking," said **Erin Ennis**, Vice President of the U.S.-China Business Council. "China is falling short of reforms for the benefits of foreign companies," she told the Asia Society Policy Institute event. With a huge surplus on the government's balance sheet, sufficient foreign reserves and liquidity in its banks, China still has "a very strong system even if they have problems," Rodlauer said.

The IMF this week raised its 2017 and 2018 economic growth forecasts for China but warned that the nation's long-term growing debt load raised the risks of a "sharp growth slowdown". **The IMF urged China to** "de-emphasize near-term growth targets and **focus on reforms that would enhance the sustainability of growth**", the South China Morning Post reports.

China's producer prices rose 6.9% in September from a year earlier, beating market expectations of a rise of 6.3%, the same pace as in the previous month. China's consumer price index (CPI) rose 1.6% in September on-year, in line with forecasts. "China's economic growth has slowed over the past few years, but economic growth has rebounded this year, with GDP reaching 6.9% in the first half, and may achieve 7% in the second half," People's Bank of China Governor **Zhou Xiaochuan** told the G30 International Banking Seminar in Washington on October 15.

Profound, fundamental changes were made over the last five years indicating the nation's development stands at a "new historical starting point," according to the communique of the four-day Seventh Plenary Session of the 18th Central Committee of the Communist Party of China (CPC), published on October 13. The plenary meeting made final preparations for the 19th National Communist Party Congress.

China's richest control combined wealth of USD2.6 trillion

Evergrande Group Chairman Xu Jiayin (No 1, left) and Alibaba Chief Executive Jack Ma (No 3, right)

A group of 2,130 Chinese individuals now have a combined fortune equivalent to the economy of the UK, according to **the Hurun Report's 2017 Rich List**. At least **74 individuals joined the group** with fortunes of at least USD300 million in this year's list, adding to the 2,056 who made last year's list, and bringing their combined assets to USD2.6 trillion. **Xu Jiayin**, Chairman of real estate developer **Evergrande Group**, has emerged as China's richest man with assets worth USD43 billion. Last year's leader, Wang Jianlin, dropped to fifth after declines in the share price of his embattled Wanda Group saw his family's net worth slump 28% to USD23 billion.

Pony Ma, Founder and Chief Executive of **Tencent** took the No 2 spot on the rich list with a net worth of USD37 billion, overtaking **Alibaba** Chief Executive **Jack Ma** at USD30 billion, who ranked third. Fourth on the list, and also China's richest woman, Yang Huiyan, Vice Chairman and the largest shareholder of real estate developer Country Garden, saw her wealth triple to USD24 billion. Aside from real estate, technology names continued to dominate the wealth rankings with Baidu's Robin Li, and NetEase's Ding Lei both making the top 10.

"Overall, the Hurun Rich List has grown faster than any year since 2007, with the possible exception of 2015," said Rupert Hoogewerf, Hurun Report Chairman and Chief Researcher. "China's entrepreneurs have come a long way. Back in 1999, when I put out the first list, I managed to rank 50 people. Today we have almost that number just from Alibaba," said Hoogewerf. Of the 2,130 individuals with assets above USD300 million, 43 came from Alibaba and its affiliate Ant Financial, the South China Morning Post reports.

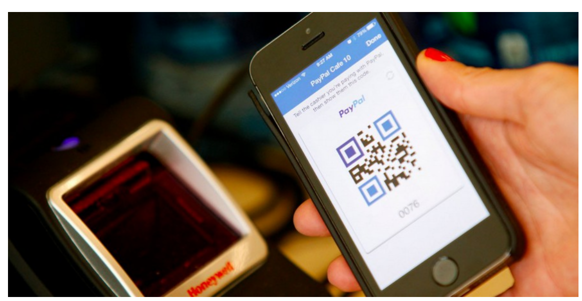
Alibaba briefly surpassed its U.S. counterpart Amazon as the **world's biggest e-commerce company** as it reached a market capitalization of USD472.1 billion, while Amazon's market value dropped to USD471.9 billion. As one of the top performers on the New York Stock Exchange, Alibaba's stock has gained over 100% since January, while Amazon rose nearly 30%. Alibaba's cloud computing business is also on track to surpassing Amazon Web Service (AWS) to become the world's top provider of cloud services.

Dai Wei, 26, founder and CEO of **bike sharing service provider Ofo**, appears on the list for the first time with personal wealth of CNY3.5 billion. He is the youngest self-made entrepreneur in the 19-year history of Hurun Rich List. Li Bin, 43, who invested CNY1.5 million in Mobike, Ofo's chief rival, in 2015, saw his wealth rise by 235% in the past 12 months to CNY6.7 billion.

Hoogewerf predicts those linked to companies specializing in **artificial intelligence, driverless cars and biotech** will be the next wave of additions.

FINANCE

China to overtake U.S. as top market for digital payments by 2020



China is set to be the **global leader in digital payments** by 2020, overtaking the U.S. in a market predicted to grow by double-digit rates over the next few years, according to the **"World Payments Report 2017"** by French technology consulting firm Capgemini and banking group BNP Paribas. The study predicts that the number of global non-cash transactions will increase at a compound annual growth rate of 10.9% until 2020, when they will reach USD726 billion. Developing economies as a whole will grow at 19.6% a year, with emerging Asia, led by China and India, set to record the highest growth worldwide – 30.9% – due to sustained digital innovation and adoption of digital payments.

“By 2020, it is highly likely that emerging economies will be the powerhouses of global non-cash transaction volumes growth, with China most likely challenging the U.S. as the leading market,” the report said. China alone will see growth of 36% over the next five years, it added. The study comes shortly after a United Nations report that predicted online, mobile, and digital currency payment systems would overtake credit and debit cards as the most popular ways to pay for e-commerce worldwide by 2019.

China is currently in third position in terms of the total non-cash transaction volumes. Its growth would be driven by multiple initiatives designed to create a cashless economy. “Chinese shoppers are more willing to store their payment information on their smartphones and are also willing to experiment with alternative payment methods, suggesting higher growth rates of mobile payments in the near future,” the report said. Chinese financial technology firms have already begun to export their services. **Ant Financial**, an Alibaba affiliate, has been trying to buy U.S.-based MoneyGram International. It has filed for clearance from the Committee on Foreign Investment in the U.S. (CFIUS).

Tencent, Alibaba’s rival in China, has also made a push into India’s e-commerce and online payment industry. It led a USD175 million funding of Indian messaging app Hike last year, along with Taiwanese tech firm Foxconn, and partnered with Microsoft and eBay earlier this year to invest USD1.4 billion in Indian online retailer Flipkart.

China’s mobile payment market had reached CNY23 trillion by the end of the second quarter, up 22.5% from the previous quarter, according to Analysys International. “The development of non-cash payments and the decrease in the use of cash are an irreversible trend,” Wang Xin and Guo Dongsheng of the People’s Bank of China (PBOC) said, as reported by the South China Morning Post.

CHINA NEWS ROUND-UP

People's Bank of China Governor calls to free up the yuan

China must press on with a "trinity" of reforms to fully realize an open economy, **Zhou Xiaochuan**, Governor of the People's Bank of China (PBOC) for the last decade-and-a-half, told financial magazine Caijing in what could be one of his last major interviews in the job. He said China must **embrace free trade and investment, let the market decide the yuan's value, and scrap capital account controls**, adding that the three elements were interlinked and could not be separated. "It's very clear that they are conditional on each other and none of the three can be spared," he was quoted as saying in the interview.

Zhou has designed and promoted a series of economic liberalizations over the last 15 years, including freeing up interest rates at home and giving the yuan a nominal international reserve currency status abroad. Zhou has now reached the unofficial retirement age for Chinese officials and could step down when the Communist Party convenes its five-yearly National Congress in Beijing this week.

Reflecting on China's opening up since the early 1980s, Zhou said China's position in the global economy was the result of a combination of the three liberalizations. "No country can create an open economy with heavy foreign exchange controls, and an exchange rate set under capital account controls won't be a true market equilibrium rate," he said.

Zhou's advocacy of **economic liberalization** comes amid concerns at home about the risks of a freer exchange rate and flow of capital in the aftermath of a stock market rout and rapid capital outflows two years ago. As a result of those concerns, the central government has imposed capital account controls to stem outflows and intervened in the yuan exchange rate through a "countercyclical" factor. But Zhou said China should not wait for "conditions" to be ripe to free up the exchange rate system, nor should China drag its feet for fear of mistiming other reforms, the South China Morning Post reports.

China's **foreign exchange reserves hit an 11-month high** of USD3.1 trillion at the end of September – rising for an eighth straight month – in a fresh sign of economic stability. The purchasing managers' index (PMI) rose to a five-year high last month, while retailers saw a double-digit increase in sales during the "Golden Week" holiday. But business activity in China's services sector grew at its slowest pace in 21 months in September as the Caixin/Markit services purchasing managers' index (PMI) fell to 50.6 in September.

Some economists now expect Beijing may soon relax controls on outbound payments and individual foreign currency purchases. Caixin's composite manufacturing and services PMI fell to 51.4 in September from 52.4 in August and was at the lowest level since June.

Vice Premier needed to develop South China city cluster

A senior Beijing official with the rank of Vice Premier or above should be appointed to coordinate a development strategy for a city cluster, including Hong Kong and Macao, in southern China following a key reshuffle of the Communist Party's leadership, scholars have said. The 19th Party Congress is likely to discuss a more detailed plan to develop a **cluster of 11 cities in the Pearl River Delta**, known as the "Greater Bay Area", and the appointment of a powerful leader to oversee the initiative and prevent protectionism by individual cities.

"If you want to have efficient coordination between cities and to implement some special policies, a higher level committee needs to be set up, with supervision of a higher ranking official, preferably Vice Premier or above," Regina Ip, Executive Councillor to Hong Kong's Chief Executive said. Her suggestion is echoed by scholars in Hong Kong and mainland China, as well as business leaders. "Integrating the Greater Bay Area has been a sensitive plan, because it is also seen as a political mission," Ding Li, Professor at the Guangdong Academy of Social Sciences, said.

The formula of "one country, two systems" implemented in Hong Kong and Macao only promises 50 years of unchanged economic and political systems, which expires in 2047. "But the problem is how important the Greater Bay Area development plan is to the central government. We will have a clearer picture after the 19th Party Congress," he added.

The regional development was mentioned in the address during President Xi Jinping's visit to Hong Kong in June and the government work report delivered by Premier Li Keqiang in March. The area is also expected to act as a powerhouse for Xi Jinping's flagship "Belt and Road Initiative", the South China Morning Post reports.

China's expenditure on technology R&D up 10.6% in 2016

China's expenditure on technology research and development rose 10.6% to CNY1.57 trillion in 2016, the fastest annual growth since 2014, as the nation increases its investment in new driving forces to stabilize the economy. The National Bureau of Statistics (NBS) said the growth rate rebounded for the first time after declining for four years. It was 8.9% in 2015 and 9.9% in 2014. The expenditure accounted for 2.11% of last year's total gross domestic product (GDP), compared with 2.06% in 2015. It has exceeded the average level of 2.08% in the EU, while the ratio for OECD countries was 2.40%.

R&D expenditure includes labor costs, raw material cost, and expenses on fixed-asset construction and management, the NBS said. Pan Jiancheng, Deputy Director of the Bureau's Economic Monitoring Center, said the **increasing proportion of R&D expenditure to GDP** indicates that the driving force of economic growth is switching to a focus on innovation from the traditional factors of exports and investment. The government will also encourage companies to invest more in research.

NBS Director Ning Jizhe said at a news conference that investment in manufacturing technology upgrading was faster than overall investment growth during the past year. New driving forces, including new industries and business models – such as the shared economy and online sales – contributed 14.8% of the country's total GDP in 2015. "The ratio was expected to be higher in 2016," said Ning. Since July 2016 R&D expenditure has been added to GDP figures based on the requirements of the United Nations System of National Accounts, the China Daily reports.

Lenovo holds on as world's No 2 PC supplier amid signs of market stability

China's Lenovo Group held on to its position as the world's second-largest supplier of personal computers in the third quarter, despite flat shipment growth that saw it struggle with weak notebook sales in North America. Hong Kong-listed Lenovo shipped 14.5 million personal computers worldwide in the quarter ended September 30 to grab a **21.6% share of the global market, behind** market leader **HP**'s 22.8% share on shipments of 15.3 million units, according to preliminary industry estimates from research firm IDC.

The results of the top two players last quarter marked some stability in the personal computer industry, which recorded a 0.5% year-on-year decrease in shipments to 60.3 million units during the period – better than IDC's earlier prediction of a 1.4% decline. Research firm Gartner, however, estimated a 3.6% year-on-year fall in total global personal computer shipments to 67 million units in the third quarter. "Business PC demand, led by Windows 10 upgrades, continued to drive PC shipments across all regions, but its refresh schedule varies by region," said Gartner Analyst Mika Kitagawa. Gartner indicated a much closer race between HP and Lenovo. It saw HP ship 14.6 million personal computers in the third quarter for a 21.8% global share, while Lenovo secured a 21.4% share on shipments of 14.3 million units in the same period.

IDC said competitive pressures further cemented the dominance of the world's top five personal computer suppliers, which accounted for nearly 75% of the total market. Third-ranked Dell shipped 10.8 million units for a 16.1% global market share. Apple seized a 7.3% share on shipments of 4.9 million units, while Taiwan's Asus had a 6.2% share on shipments of 4.2 million.

China most attractive renewable energy market

China continues to be the world's most attractive market for renewable energy development and investment, according to a new study by London-based financial services firm EY. The **Renewable Energy Country Attractiveness Index** – which is compiled twice a year by **EY** – highlighted the large quantities of public and private funds pouring into renewable power projects in China, as well as several energy-efficiency policies. The United States remains in third place behind Germany, while the UK ranks 10th among 40 economies.

Earlier this year, China's National Energy Administration (NEA) announced it would spend USD363 billion by 2020 on developing renewable power capacity. The investment will see **renewables account for half of all new generated capacity** and create 13 million jobs. Solar capacity in China rose by 21 gigawatt (GW) during the past six months, and the government has set new targets to cancel or defer 106 GW of coal power. "The index highlights that government policy is pivotal in driving renewable energy development globally," said Ben Warren, corporate finance leader for global power and utilities at EY.

Broken down by sector, **China topped the EY rankings for both onshore wind and solar power**. EY declared the UK to be the most attractive economy for offshore wind investment, followed by China and Germany. The 50th issue of the EY listing includes projections that new wind and solar power will account for 34% of global electricity generation by 2040. In 2015, China contributed 36% of the global total for new investment in renewable power and fuels, according to the UN Environment Program. China accounted for more than 40% of capacity growth in global renewable energy in 2016, the China Daily reports.

China's drinkers become more quality conscious

Asahi Group, Japan's largest beer producer, is considering **bailing out of** its share in **Tsingtao**, one of China's largest beer makers, in another clear sign that Chinese drinkers are moving upmarket. Experts say the **domestic beer market has dropped significantly by volume**, as buyers opted to cut back on cheaper products. But higher-quality beer brands and sales of traditional Chinese clear liquor, or baijiu, are doing fine.

Total national beer production has seen three straight years of declines, before slightly rebounding 0.8% in the first seven months of this year, according to the National Bureau of Statistics (NBS). As overall sales fall, however, demand for quality lager (imported and local), and traditional liquor such as Moutai, have continued strongly. **Kweichow Moutai**, the country's biggest premium baijiu producer, reported first-half gross profit margins of 90% giving it a market value of nearly CNY700 billion.

Asahi, Tsingtao's second largest shareholder with a 19.99% share, is considering the transfer of all or part of its 270 million H shares, the Chinese brewer said in an exchange filing. Asahi's holding was worth about USD1.2 billion. In 2009, the company spent USD667 million acquiring the stock. In a Bloomberg interview earlier this year, Asahi President Akiyoshi Koji noted Tsingtao's "worsened" earnings result and said "ownership without control doesn't make much sense". Tsingtao's share price has fallen 4% in the past six months and has halved compared with the beginning of 2014. Shares in Kweichow Moutai, meanwhile, gained 70% so far this year, making it one of the world's most valuable liquor brands. The stock has increased more than fourfold in value compared to the beginning of 2014.

"Beer demand is sluggish as China's population continues ageing. Cheap lagers, which account for more than 70% of total sales, are becoming less popular," said Iris Zhang, Analyst for Guotai Junan Securities. Tsingtao reported 30% and 14% declines in net profits, respectively in 2016 and 2015. For the first half of this year, however, net income grew 7% as the company shifted to selling more premium products, inside and outside the country. **"Growth potential is limited for the beer market in future,"** Zhang said. "Companies can no longer expand by offering just low prices," the South China Morning Post reports.

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