法兰德斯中国商会 FCCC VCKK

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

# Newsletter

14 August 2018

## FCCC/EUCBA ACTIVITIES

### 13th EU-China Business and Technology Cooperation Fair
### Qingdao – 17-18 September 2018; Chengdu – 19-24 September 2018

**Overview**

The EU-China Business and Technology Cooperation Fair has been held for 12 editions, with an overall attendance of over 3,570 European enterprises, international organizations, governmental authorities, universities and research institutions as well as more than 6,520 Chinese counterparts. A total of 26,200 B2B matchmaking meetings have been held and 2,527 successful cooperation agreements between European and Chinese delegates were reached so far.

Today, the EU-China Business and Technology Cooperation Fair has become a significant event for development of China relations for most of the EU member states. Attended by wide representations of EU enterprises, as well as high-level officials, including President, Minister, Ambassador, Consul-General and Chairman of Chamber of Commerce, etc. it represents the largest platform for investment, trade and technological cooperation between European Union and China with successful promotion of local governmental cooperation, like launching direct flights, twin city relations, co-building of schools, establishment of consulates, etc.

**Key data**

- 12 editions already held: a successful track history;
- Participation of ALL European member states and over 3,570 European enterprise representatives;
- Participation of over 6,520 Chinese companies;
- 26,200 B2B Matchmaking sessions held, of which about 30% reached cooperation intention;
- Over 60 European Chambers of Commerce/ associations/government authorities set up branches and representative offices locally, while over 300 European companies settled in Chengdu.

The Qingdao Fair is organized in cooperation with the EU-China Business Association (EUCBA) and the Flanders-China Chamber of Commerce (FCCC).

More information is available in this [PDF brochure]

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## China Mini EMBA+
## London – 28-29 September 2018
## China – 29 October – 2 November 2018
## Paris – 30 November – 1 December 2018

Are you looking to be conversant in both Eastern and Western business worlds – leading with a global perspective and China insight?

As China becomes part of the global ecosystem, innovative business models are being created in China that present significant challenges and opportunities for Western companies, demanding new knowledge, new skills and new networks. Based in London, CKGSB Europe continuously seeks to discover Western executives and entrepreneurs who either lack original China insight or are searching for the right partner with whom to do business successfully with China.

The China Mini EMBA+ consists of three intensive modules (nine days in total) designed to help busy senior professionals gain the latest China knowledge and network with China's globally successful entrepreneurs and companies – our trusted alumni – directly impacting your business performance and activating a results-driven China strategic plan.

Program Dates:

- 28–29 September – London (Friday and Saturday)
- 29 October–2 November – China (Monday to Friday)
- 30 November–1 December – Paris (Friday andSaturday)

Program Fee:

- GBP 9,800 (exc. VAT)
- GBP 8,820 (exc. VAT) – **10% discount to members of the EU-China Business Association**
- GBP 8,820 (exc. VAT) – 10% group discount – three or more participants from the same company

(The program fee includes tuition, teaching materials and selected meals during the program. The cost of travel and accommodation are not covered)

[Download the information brochure for more information ...]

**Application deadline:** End of August 2018

For more information, please visit www.ckgsb.eu
To apply please e-mail Jennifer Wang:
jenniferwang@ckgsb.edu.cn

**ABOUT CKGSB**
Cheung Kong Graduate School of Business (CKGSB) aims to cultivate business leaders with a global vision, a humanistic spirit, a strong sense of social responsibility and an innovative mind-set. Established in Beijing in November 2002 with generous support from the Li Ka Shing Foundation, CKGSB is an independent, non-profit business school.

- 10,000+ alumni of which more than 50% are at the CEO/Chairman level
- CKGSB alumni lead one fifth of China's most valuable brands
- 400+ China-specific cases and reports
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[More information about CKGSB ...]

To find out more about the school, please visit english.ckgsb.edu.cn

# ACTIVITIES SUPPORTED BY FCCC

## Nexxworks: Day After Tomorrow Tour – China – 16~21 September 2018

How do Chinese innovation pioneers organize for their Day After Tomorrow? Which Day After Tomorrow technologies are they investing in? What are their business models for the Day After Tomorrow?

Our tour will open your eyes to the rich possibilities of the East, shift your perspective and showcase tangible answers to the questions described above. Prepare to be blown away.

**REGISTER NOW**

China is well on its way to becoming one of the top innovation nations in the world. For the last years, top pioneers in China have been outnumbering – and even out-innovating – the top companies in Silicon Valley. Alibaba, Tencent and Youku Tudou are just some of the most well-known examples. But the region is also a true hotbed for fresh and leading edge start-ups and scale-ups like Xiaomi, Didi Chuxing and Lu.com. One of the most striking differences with the West is the scale & speed of their endeavours. Chinese organizations do not just 'Think Big'. They 'Think Huge': beyond their company, beyond their products, their services, their country, their target market, and their competition. We have a lot to learn from their ambition.

Join us on an eye-opening innovation tour to Beijing and Shanghai, two of the fastest growing innovation hubs in the world. Together we'll experience how Chinese organizations are able to innovate on such a mind-blowing scale, which role the government or the national culture have to play in this and what the latest tech and business trends of the East are. This tour will literally turn your perspective upside down.

We'll start this trip in Beijing, to follow the trail of money. Expect gritty start-ups, bootstrapping their way to unicornship, and – what they call – 'scale-ups', worth a whopping 4 billion dollars. We'll dive into how the venture battle works and end with some of the big guys sharing their journey to world domination.

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# FOREIGN TRADE

## China and the U.S. publish new lists of tariffs

**China is carefully selecting the products on which it intends to impose tariffs.** It is also imposing lower duties on items that have lower levels of substitution. The highest 25% tariff would be imposed on imports such as liquefied natural gas (LNG), as well as consumer goods from fishing rods to cotton skirts, metals such as iron and copper ore, and all types of wood. The lowest 5% duties are to be imposed on goods such as aircraft and automobile parts, chemical wood pulp, and various medical instruments – substances which are needed for China’s industrial production. Chinese authorities avoided targeting key items it relies on the U.S. for, including integrated circuits, higher-end semiconductors, or large aircraft.

**China will not be able to continue retaliating tit-for-tat** – with similar scale and force – as it imports only about USD130 billion in U.S. goods, but U.S. President Donald Trump has signaled he is prepared to levy tariffs on all USD500 billion of Chinese products exported to the U.S.

**The U.S. government** published a list of more Chinese products to be taxed as part of a trade war President Donald Trump started on July 6 to force Beijing to address a record trade imbalance and give U.S. companies easier access to the country’s market. The latest move by the Office of the U.S. Trade Representative raises the value of Chinese imports facing punitive tariffs to USD50 billion from USD34 billion. The **list of 279 additional items includes**

synthetic plastics and other industrial compounds, finished metal products such as bridge sections, pillars and beams, as well as machine parts, integrated circuits, tractors and agricultural equipment. The products will be hit with an additional 25% duty starting on August 23, the same levy placed on the first tranche of targeted products.

China's Ministry of Finance has already announced it would impose tariffs ranging from 5% to 25% on an additional USD60 billion worth of American products, but that was in response to Trump's threat on July 11 to slap duties on USD200 billion of Chinese products, and to raise those tariffs from 10% to 25%. The Chinese tariffs affect – among others – U.S. imports of liquefied natural gas (LNG); alcoholic drinks; diamonds, pearls, fashion accessories and clothes; and tablet computers. Subsequently it released another list for USD16 billion worth of American goods.

**China's trade surplus with the U.S. dropped slightly by about 3% in July** to USD28 billion from the previous month, as tariffs started to bite. China's exports to the U.S. in the month fell 2.5% from June to USD41.5 billion, while its imports of U.S. goods fell by 1.5% month-on-month to USD13.4 billion. On a year-on-year basis, the growth of China's exports to the U.S. slowed to 11% last month from 12.5% in June, while import growth accelerated to 11% from 9%. Soybeans took one of the largest hits. Imports fell 8% month-on-month and 20% year-on-year to 8 million tons.

China's growth in imports and exports, denominated in U.S. dollars, rebounded in July, with imports rocketing by 27.3% — nearly double the growth pace in June — and exports rising 12.2% from a year earlier. China's exports to the U.S. rose 11.2% year-on-year in July, compared with an increase of 12.5% in June, while China's imports from the U.S. grew by a faster 11.1% in July, up from June's 9.6%. China's global trade surplus narrowed by 40% from a year earlier to USD28 billion last month.

**One product hit by reciprocal tariffs of 25% is beer.** But this will not have much of an impact, as consumers in both China and the U.S. prefer local brands. The Chinese drank 45 billion liters of beer last year, compared to 24 billion liters consumed in the U.S., according to Euromonitor International. Chinese brewers exported a mere USD6.5 million of beer to the U.S. last year, not even 0.2% of the amount imported in 2017 by the U.S. The U.S. exports more beer to China, but its brands also have struggled to gain a following in China. Budweiser was the only Western brand in the top 15 sellers in China last year and it is brewed locally in Wuhan. On the Chinese side, Tsingtao is about the only Chinese beer to be sold anywhere globally. Foreign sales made up less than 2% of its revenue last year.

**Chinese investments in the U.S. are falling rapidly.** According to Real Capital Analytics and Cushman & Wakefield, they totaled USD81 million in the second quarter, a 93% drop for the first six months compared to a year earlier. Tighter U.S. investment rules targeting technology are also likely to have limited impact on the property market, further reducing Chinese purchases of U.S. real estate.

Meanwhile the **People's Bank of China (PBOC) is taking measures to stop the slide of the yuan** in an indication that it would not allow a further devaluation of the currency, which could lead to capital outflows and higher inflation. The adjustment of the reserve requirement ratio (RRR) for purchases of foreign currency forwards was the third time since September 2015 that the central bank has used the RRR as a way to offset pressure on the yuan. The Chinese currency has weakened by about 9% against the U.S. dollar since its 2018 peak of 6.27 in March. If the currency resumes its fall, the central bank is likely to resort to stronger measures, including possible direct purchases of the yuan to bolster its value.

# E-COMMERCE

## China to become world's second largest wine market, thanks to e-commerce

*Premium delivery service JD Luxury Express, delivering wine in nine Chinese cities*

**China is set to** outpace much of the rest of the world by 2020 and **become the world's second-largest wine**

**market**. A key driving force may be e-commerce, according to private bank **Julius Baer's Wealth Report: Asia Luxury Wine Feature**, released in May. According to Deloitte China's Luxury E-Commerce White Paper 2017, which looked at China's luxury spending habits, the nation ranked as the world's second-largest luxury market in 2016, just behind the United States, with a total sales volume of CNY498.3 billion. It also shed light on the booming success of e-commerce in China. The paper found 10% of total wine purchases in 2016 were made online. This is not surprising – China is home to online market giants JD.com, Tencent and Alibaba.

"It's a fact that the brick-and-mortar wineshop infrastructure in China is at a much earlier phase of development than it is in other markets in the world," says Hong Kong-based master of wine Sarah Heller. "The U.S., for example, has both a very well-developed visible retail market and also very strict interstate shipping laws that make e-commerce challenging," which is not an issue in China. "The online scene or the structure of the market is conducive to rapid growth because it is basically centered on a few really large players – Alibaba, JD.com, and to a lesser extent now Tencent with WeChat trying to enter the e-commerce space," Heller explains. "The nature of the regulatory environment where it is easy for wine to cross borders once it is in the country and the lack of development in the physical retail infrastructure are all reasons why online has become such a big portion of the market in China."

**JD.com, one of the largest online retailers for wine in China**, is set to take a bigger piece of the online wine market by making the e-commerce experience seamless on the supply and demand sides. "The business model we use allows us to fly directly to the vineyards for wine tastings and they don't have to worry about the customs declaration or international shipping," says Max Cao, General Manager of global procurement, JD Worldwide. "By utilising JD.com's comprehensive international supply chain system, **we can ship the wine from the vineyard to our customers directly**."

The company employs an in-house team of buyers who purchase wine directly from 15 countries including France, Australia, Spain and the U.S. Last year, it offered roughly 8,000 brands and sold 40 million bottles of wine. JD.com's most expensive bottle retails at around CNY60,000. Late last year, JD.com also rolled out a new premium delivery service, **JD Luxury Express**, whose white-glove service is available in nine cities in China, the South China Morning Post reports.

# RETAIL

## China retail sales fell in July, endangering a hoped-for rise in domestic consumption

**Sales at 50 major Chinese retailers fell by 3.9% in July from a year earlier**, raising concerns over whether Beijing can push through its plan to ramp up domestic consumption to offset the effects of the intensifying U.S.-China trade war. Retailers of home appliances saw the biggest decline, with a 9.9% drop, followed by daily necessities, which fell 5.7% and clothing sales down 3.8%, according to the China National Commercial Information Center, a state-backed consultancy that is authorized by the National Bureau of Statistics (NBS) to release the figures.

"In general, the performance of China's retail sector was rather sluggish in July," it said, noting that **a 6.5% rise in cosmetics sales was the one bright spot**. The weak figures come as Beijing has been trying to encourage domestic consumption, with measures such as lowering tariffs for consumer goods, as part of its strategy to deal with the mounting pressure from the trade war, which is set to crimp the country's exports, traditionally one of the main drivers of growth. At the same time, industrial production, another pillar of the country's economic growth, also lost steam in the month of July, pointing to the possibility of a slowdown in economic growth.

An index of retail sector stocks, consisting of 169 major retailers listed in Shenzhen and Shanghai, dropped 2.16% on August 8, with 138 shares seeing declines and 18 shares an increase, according to Stock.com, a Chinese stock exchange information provider. Clothing chain Heilan Group lost 5.1% and Midea Group, China's leading home appliances retailer, fell 1.1%. China's stock markets are currently the world's worst-performing, the South China Morning Post reports.

# CHINA NEWS ROUND-UP

## Tech start-up funds plummet in China as easy money dries up

The funding deluge that fueled one of the world's fastest technology booms may be ebbing. Capital raised by investment firms intended for **seed and early funding** – before a start-up seals its first round of financing – **plunged 53% to just CNY3.82 billion in the first half**, according to a survey of 36 funds by Chinese researcher Zero2IPO. More than 200 domestic venture capital firms saw money available for investment slide 44%, according to a second poll.

The declines suggest start-up investment may begin to wane in the months ahead. China's clampdown on credit, coupled with a brewing global trade war and turbulence in markets, is hampering the venture industry's ability to amass new capital. Zero2IPO's numbers underscore a rapid fall in early-stage funding, a more severe hit to fledgling players rather than the well-established internet giants that still attract deep-pocketed backers such as Tencent and Alibaba. Overall investment – encompassing later stages of funding for bigger start-ups – rose 15% to about CNY117 billion in 2018's first half.

"Due to caution about financial risks and the overall macro-economy, fundraising and exits have both not been doing well," Zero2IPO Analyst Ma Rui said in a report. "Investment activity is expected to drop in the future, but for institutions that don't lack money, the next six months to one year is a prime time to make bargain investments." The total raised by 234 Chinese VC houses that Zero2IPO surveyed slid 44% in the six months ended June to CNY79.5 billion, the lowest level since they amassed CNY50.5 billion in the second half of 2014. Exits – initial public offerings (IPOs) or an outright sale – have similarly plummeted, suggesting valuations may be on the wane and discouraging deal-making. They fell 65% to 271, with about 40% done via IPOs.

## China's automotive market slowing down

China's automotive market is showing signs of a slowdown, with **a sales drop in July**, the second monthly dip within six months, but the China Association of Automobile Manufacturers (CAAM) is maintaining its estimate of slight growth for the year. **A total of 1.89 million vehicles were sold in July, a 4% fall from the same month last year.** That brought total sales from January to July to 15.96 million, up 4.3% year-on-year. Despite growth in the seven-month period, there are signs that the market will enter a period of volatility in the second half of the year.

July sales of the once-popular SUVs surprisingly slumped 8.2% from the same month a year earlier. Sedan sales, which registered 9.1% growth in June, seemed to have suddenly lost steam, registering a 1.3% fall from July 2017. MPVs continued the more than 20% fall seen in previous months. But Xu Haidong, Assistant to the CAAM Secretary General, said there is no need to panic, as July is usually a month with lackluster sales, adding that sales would usually start to go up starting from August . He added that Sino-U.S. trade tensions over the past months have also played a part in the extraordinarily poor performance this year by damping customer confidence, although China's retaliatory tariff imposed on cars made in the United States should not have noticeable influences on the car market, considering the small volume of imported vehicles.

**Dealers' inventories are now 2.6 times their monthly sales**, a dangerously high level. The CAAM does not expect the market to match the 5.6% growth rate achieved in the first half of the year, but has no plans to change the **estimate of 3% growth for 2018**, made at the beginning of the year. Sales of commercial vehicles in the January to July period soared nearly 10% year-on-year to 2.59 million units. New energy vehicle (NEVs) sales hit 84,000 units in July, up 47.7% from the same month last year. The growth rate from January to July stood at 97.1%, bringing sales in the seven-month period to 496,000 units. The CAAM expected sales of NEVs to exceed 1 million this year, up from 777,000 units sold in 2017, the China Daily reports.

## China's No 2 chip maker fears weakening yuan, not trade war

**Hua Hong Semiconductor, China's No 2 contract chip maker**, which reported record revenues for the first half on rising demand from the United States, is more worried by a weakening yuan rather than the trade war. "So far we have not heard concerns on the trade war from our customers," said Wang Yu, President and Executive Director of the company. "But we are cautious about it and are closely monitoring the situation to see if there will be any impact." The sharp depreciation of the yuan, on the other hand, is a more sensitive issue, he told analysts, as its raw materials were priced in U.S. dollars. The yuan has fallen roughly 9% against the U.S. dollar since March.

Revenues in the first half rose 15.4% year-on-year to a record USD440 million while profit attributable to owners jumped 25.5% to USD85.9 million in the same period. For the second quarter alone, revenues rose 16.1% year-on-year to USD230 million, beating a Bloomberg consensus of USD225.1 million. Revenues from the U.S. grew 27% year-on-year in the second quarter to USD39.8 million on increased demand. Three of Hua Hong Semiconductor's top five customers are American – Cypress Semiconductor, Microchip Technology and ON Semiconductor. Wang also said the company had secured enough supplies, including wafers and other materials, to make sure its foundries are not affected by supply constraints in the second half amid rising demand from customers. He also expected revenue to grow in the third quarter by 13% to 14% year-on-year.

## Shanghai launches web-based intelligent import tax system for FTAs

Shanghai has launched a **web-based intelligent tax inquiry system to help companies reap the most from free trade agreements (FTAs)**. The system, dubbed **Smart FTAX**, highlights efforts to catapult the city to the forefront of trade liberalization, following its rollout of a 100-point circular in July to further open up the economy. Smart FTAX, **the first system of its kind in China**, aims to give importers and exporters quick know-how into existing trade agreements and help them properly file the documents needed **to gain tariff exemptions under various international free trade agreements**.

“China has signed 18 regional trade agreements involving 64 trading partners. But many companies have said they haven’t made full use of the FTAs simply because they do not understand whether their goods are eligible for preferential tax rates,” said Shang Yuying, Director of the Shanghai Commerce Commission. Gao Rongkun, Director of Shanghai Customs, said: “The strict and complicated rules on goods’ country of origin laid out in FTAs have in effect kept many enterprises from benefiting from lowered tariffs”.

The rules of origin determine whether a product qualifies for preferential tariff treatment under an FTA, said Li Li, Chief Expert at the operations center of Asia Pacific Model E-port Network (APMEN), the developer of Smart FTAX. “The rules determining country of origin can be simple if the product is manufactured and assembled primarily in one country. But when a finished product includes components originating in many other countries, things can get complicated,” she said.

After companies fill in the required information, Smart FTAX gives them a one-stop source of information on merchants and duty inquiries, country of origin verification and other related services. The system also suggests alternative sourcing options through which more favorable tax rates are applicable under different FTAs, therefore trimming companies’ costs. “Prior to the system, enterprises needed to hire law firms to conduct such services, a usually too-costly burden for smaller companies,” said Huang Feng, Director of the APMEN operations center. The system currently handles import-related inquiries, but it will be expanded to cover import and export in all valid FTAs concerning China by June. Smart FTAX is one of the Shanghai municipal government’s key undertakings in trade facilitation this year, the China Daily reports.

## China’s trade in services increases 17% in the year’s first half

**China’s international trade in services grew by 17% year-on-year to USD397.31 billion in the first half of 2018**, setting a record amid the current global economic troubles, the Ministry of Commerce (MOFCOM) said. The country’s exports in services jumped 22.4% year-on-year to USD132.09 billion between January and June this year, while imports of services amounted to USD265.22 billion, up 14.4% from the same period a year earlier. Li Yuan, Deputy Director General of the Department of Trade in Services and Commercial Services at MOFCOM, said the high growth momentum was pushed by China’s rapidly growing services sector, including computing, industrial solutions and retail businesses, and increasing exports of emerging services such as telecommunications and insurance. Li said China’s services trade will continue its strong run in the near future

For years, the government has been putting effort into shifting the economy **toward a growth model driven by consumption, services and innovation**, thus contributing to global economic growth. Last year, the country’s services sector output increased 8% year-on-year, outperforming the national GDP growth rate of 6.9%, according to the National Bureau of Statistics (NBS). “China has taken steps to improve the development of trade in services, including gradually opening up the finance, education, culture and medical treatment sectors,” said Li Guanghui, Vice President of the Chinese Academy of International Trade and Economic Cooperation.

With further improvement in transportation, logistics, communication and e-commerce development in rural areas, Li said rural residents have been unleashing their consumption potential for both goods and services. “The competitiveness of China’s services trade has been strengthened, and the country is gradually shifting from a power of trade in goods to a services trade power,” said Bai Ming, Researcher at the Chinese Academy of International Trade and Economic Cooperation, as reported by the China Daily.

## China Tower disappoints at IPO launch in Hong Kong

**China Tower, at USD6.9 billion the world’s largest initial public offering (IPO) of 2018**, opened with a whimper in Hong Kong, extending the trend of lackluster debuts as investors appear to have grown tired of blockbuster stock sales. Shares of the Beijing-based company traded for the first time at HKD1.26, unchanged from their offer price, even as China Tower offered them at the bottom of the price range. As many as HKD5.5 billion of shares changed hands, making China Tower the second-most heavily traded issue on the Hong Kong exchange. “The IPO size is huge, and it came at a time when liquidity is not abundant in Hong Kong, so it would have been hard for the stock to see a big jump,” said Ronald Wan, Chief Executive for Partners Capital International. “The public’s enthusiasm for IPOs has also decreased.” At USD6.9 billion, **China Tower’s offering is the eighth-largest in Hong Kong’s history**, according to Dealogic. It has lined up USD1.42 billion from 10 cornerstone investors. Hillhouse Capital is the largest among them, having agreed to buy USD400 million worth of shares.

China Tower, which operates the telecommunications towers for China’s three cellular phone networks, raised at least HKD54.3 billion in its IPO, making it the largest global offering since Postal Savings Bank of China raised USD7.6 billion in 2016. “I’m happy that our offering has received a good response from global long-term investors, sovereign wealth funds, hedge funds, and Chinese financial institutions,” said company Chairman Tong Jilu. As a key part of China’s ambition to implement a 5G network as early as 2020 and lead the global race, China Tower plans to build more base stations in the country. But that has raised concerns among investors about China Tower’s cash flow, as the construction requires large amounts of capital investment by the heavily indebted company. The company may share transmission towers with electricity distributors to keep its construction costs down, Tong said, and has signed contracts with State Grid Corp of China and China Southern Power Grid to do so.

China Tower was formed in 2014 through the merger of the transmission operations of China Mobile, China Unicom and China Telecom. The three mobile carriers together own more than 90% of China Tower, and also contribute 99% of its revenue, the South China Morning Post reports.

## Chinese property developers squeezed by weaker yuan, rising cost of overseas debt

The sharp depreciation of the Chinese currency threatens to derail an important source of funding for Chinese property developers, potentially **forcing some home builders to sell down inventory at distressed prices** in the coming months, according to analysts. Many developers turned to overseas funding markets to raise working capital in the first half of the year after measures by Chinese regulators to tighten credit. The sharp decline in the yuan means that this funding channel no longer makes sense, especially if it continues to devalue. “Offshore fundraising will be tougher for developers,” said Shen Jianguang, Chief Economist at JD Finance. “If they do not have income from overseas operations, the continuous depreciation of the yuan means a higher financing cost since the bonds are in U.S. dollars.” Currency experts forecast the yuan will continue to soften throughout the year, further squeezing developers who are struggling to service U.S. debt.

Beijing’s clampdown on the shadow banking sector, in addition to other measures designed to tighten domestic credit, spurred many property developers to raise funds overseas this past year. “We basically do one to two offshore bond issuances every week, and a majority of the issuers are real estate companies this year,” said Zhao Ju, Executive Vice President of China Merchants Bank. “We will definitely see developers sell some of their projects at a lower price just to raise cash as fast as possible,” said Shao Yu, Chief Economist at Oriental Securities. Smaller developers may have to sell some projects to larger rivals, or in a worst-case scenario, they may be swallowed up by bigger developers.

By 2020 the top eight property developers will account for more than 35% of the market while the top 20 will account for more than half, according to Zhu Haibin, Chief China Economist at JPMorgan.

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