Newsletter

4 September 2018

FCCC/EUCBA ACTIVITIES

Seminar: Compliance: a New Challenge for Foreign Businesses in China
Thursday, 20 September 2018 – 12:00 – Ghent

The Flanders-China Chamber of Commerce is organizing a seminar:

Compliance: a New Challenge for Foreign Businesses in China.
Thursday 20 September at 12h00 at Holiday Inn Gent Expo, Maaltekouter 3, 9051 Gent.

Keynote speaker:

Mr. Philippe Snel, founder and managing partner of De Wolf Law, started his China practice in 2001. He has been a member of the Brussels Bar since 1997. Philippe helps foreign investors establish, develop and operate their businesses in China. He mainly advises in the fields of corporate law, compliance and technology transfer.

Most foreign managers in China will tell you that the most important challenges they face today are linked to the increased regulation of their daily operations. This is because Chinese authorities have been clamping down on all sorts of administrative irregularities and code violations.

Factories are being shut for breaching environmental regulations, companies are being fined for failing to fulfill obligations for the overtime work of their employees, foreign employees are denied working permits for failing to meet the required conditions, companies are faced with audits from local tax bureaus , commercial practices are being investigated for alleged breach of anti-bribery regulation, etc...

In many ways, these changes are good for Western companies, but these changes come with challenges. Philippe Snel will be addressing these issues and more.

In particular, he will focus on providing answers to questions frequently faced by the managers in the headquarters about how they should approach such situations when they occur in their China subsidiaries.

Programme

12:00-12:30	Registration & Networking Lunch
12:30	Introduction by Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
13:30	Presentation by Mr. Philippe Snel, Managing Partner, De Wolf Law Firm

Practical Information

Location: Holiday Inn Gent Expo, Maaltekouter 3, 9051 Gent.
Parking: Holiday Inn Gent Expo, Maaltekouter 3, 9051 Gent

Price for members: € 65 (excl. VAT)
Price for non-members: € 85 (excl. VAT)

If you are interested in attending, please **subscribe before 17 September 2018 via this link.**

Contact: info@flanders-china.be

Save the date: Seminar: China and the WTO White Paper Presentation & Opportunities on the Chinese Market – Friday, 28 September 2018 at 9h30 – Tangla Hotel, Brussels

On 28 September, the Embassy of the People's Republic of China in Belgium is organizing a seminar in cooperation with the Flanders-China Chamber of Commerce. The seminar is focused on China and the recently published White Paper on the WTO. It will take place at the Tangla Hotel Avenue E. Mounier 5, 1200 Brussels. An invitation will be sent to the FCCC members.

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
- 70+ global academic awards by faculty

More information about CKGSB ...

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

European Business Delegation to China – 31 October – 2 November 2018 – Jinan and Weihai

According to the World Intellectual Property Organization, China has just made it into the top 20 of the most innovative countries. To be held in Jinan, the flourishing capital of one of China's most populous provinces, the **2018 Sino-German SME Cooperation and Communication Conference (SMEC 2018)** is a flagship event of the intelligent manufacturing and artificial intelligence community. With the topic "Gather Intelligence for Innovation, Energize Industries for Future", this year's conference provides a platform for experts and professionals in automation and intelligent manufacturing from academia and industry to share ideas and to present the latest scientific and technical advances.

Proposed conference subtopics covered:
▶ Intelligent Manufacturing
▶ Life Science
▶ AI and Big Data
▶ Talent Recruitment & HR Development

We hereby cordially invite you to attend the conferences as a member of the **European Business Delegation to China – "Gather Intelligence for Innovation, Energize Industries for Future"** 31 October to 2 November 2018, Jinan (Shandong, PR China)

Please note: The number of participants is limited!

You may apply for your international travel expenses (international flights, accommodation, airport transfer in China) to be covered by the conference organizer in Jinan! Representatives of industry companies will be preferably selected.

As a member of the Delegation, you will be able to gain insights into the most recent developments in the field, meet high-ranking government representatives as well as top-level executive staff of Chinese and European enterprises. As a regional transportation junction, Jinan is conveniently located near the east coast between Beijing and Shanghai, with more than 60 trains per day connecting it with both cities.

Please note that the deadline for registration is **17 September 2018**.

Contact: gwenn.sonck@flanders-china.be

Please make sure your passport has at least one pair of blank facing visa pages and is at least 6 months valid from date of departure.

Visit to Weihai

The Flanders-China Chamber of Commerce (FCCC) and the City of Weihai have a long-term cooperation. Several members have already invested in Weihai, such as Bekaert, Beaulieu and the Huiyin Solar Group.

Weihai is a modern, dynamic city with a population close to 3 million. They are actively looking for new European partners. The city was also classified as one of the top 40 cities with the best investment environment in China. Weihai has a diversified economy, with industrial clusters focused on: automotive, medicine, medical devices, electrical and communication equipment, machinery manufacturing, food processing, textiles, and garments. Weihai is also looking to attract investment in new industries, such as: intelligent equipment, marine bio industry, and the Internet of things (IoT).

The FCCC would be happy to introduce you to leading Weihai companies that are looking for potential business partners. We believe you will be impressed with all the opportunities in Weihai.

"European Enterprises Delegation to Weihai" Tentative Schedule

Nov. 2 (Friday)
12:11-16:06 Arrive at Weihai by high-speed rail D6079 from Jinan
18:00-20:00 Welcome dinner

Nov. 3 (Saturday)
08:30-09:30 Brief promotion of investment environment in Weihai
09:30-11:30 Visit the Electronic Information and Intelligent Manufacturing Industrial Park, the Medical Devices & Bio-pharmaceutical Industrial Park, Wego Group Industrial Park and Wego Products Exhibition Hall
12:30-14: 00 Lunch
14:00-17:00 Visit Carbon Fiber Industrial Park, Weida-Rehn Machinery Co., Ltd, Marquardt Switches (Weihai) Co., Ltd
18:00-20:00 Dinner

Nov.4 (Sunday)
08:55-10:30 Leave for Beijing from Weihai Airport
For more information, send an email to gwenn.sonck@flanders-china.be

ACTIVITIES SUPPORTED BY FCCC

Group business trip 'Beer mission China' – 13-20 October 2018 – Beijing, Shanghai, Guangzhou

Interested in the possibilities of your company on this growth market in China? Participate in the group business trip to China, guided by Flanders Investment & Trade (FIT).

What: Group business trip
Target sector: Food and beverage
When: From Saturday 13 October 2018 till Saturday 20 October 2018
Where: Beijing, Shanghai, Guangzhou, China
Who can participate: All those who are interested
Organization: Flanders Investment & Trade

The beer market in China is expanding: a quarter of all beer sold globally is consumed in China, the biggest beer market in the world.There is a clear trend in the market: consumption of pils beer is decreasing, while craft and special beers are gaining in popularity. The Chinese middle class consumer is more discerning and prefers quality products and has more refined tastes. A few years ago craft beers accounted for 0.3% of China's total beer consumption. Meanwhile this share has increased to 5% and will further rise in the coming years.

Preliminary program

- 13/10 Departure to China
- 14/10 Arrival in Beijing – Hotel check-in – briefing in the evening
- 15/10 B2b in Beijing – Afternoon store check – Evening networking reception
- 16/10 Transfer to Shanghai – Afternoon arrival in Shanghai and hotel check-in – Workshop on China's beer market and preferences of the Chinese beer consumer (by a beer sommelier) – Networking reception and/or networking dinner
- 17/10 Meetings in Shanghai – Meet and greet with Chinese breweries during lunch, bar visits
- 18/10 Store checks & fact finding – Transfer to Guangzhou + hotel check-in – Evening: beer bar visits
- 19/10 Morning store check – Afternoon b2b meetings in Guangzhou – Networking dinner

- 20/10 Fact finding and store checks in Guangzhou – Return to Belgium

You can count on

- an individual program of appointments, tailored to your company
- fact finding and store checks
- useful contacts in Beijing, Shanghai and Guangzhou
- several networking moments during which you will learn a lot from colleague entrepreneurs
- reimbursement of part of your travel expenses through the FIT subsidy program (subject to conditions)

Price

€900 for the first participant
€450 per additional participant of the same company, registration available till 10 September 2018

Who can participate

The group business trip is open to all Flemish brewers. You need to take into account that due to several reasons, China is not an easy market. It is advisable that you already have sufficient export experience in other markets.

Additional information

Program and detailed info (DOCX – 493 kB)

I want to particpate

If you still have questions

Contact Michèle Surinx:
E: michele.surinx@fitagency.be
T: +32 2 504 87 91

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FOREIGN TRADE

More U.S. tariffs on USD200 billion of Chinese imports planned

U.S. President Donald Trump plans to impose a 25% tariff on another batch of USD200 billion worth of Chinese imports this week.

China will maintain constant communication with the United States to resolve the current trade impasse, **the Ministry of Commerce (MOFCOM) said**, adding that a resolution is possible only if the two sides are seen as equals in negotiations. "The so-called **pressure from the U.S. will not have any effect on China**, nor will it do any good in dispute resolution," MOFCOM Spokesman Gao Feng, said. Commenting on the effects of the bilateral tariff on USD50 billion worth of goods already in effect, Gao said such tariffs have made imported goods from the U.S. costlier. He also confirmed that the tariff on automobiles imported from the U.S. has risen to 40%.

Gao said China will convert the pressure into opportunities by upgrading and transforming its industries and remained confident of maintaining a stable and healthy foreign trade figure for this year. U.S. President Donald Trump said that now was "not the right time to talk" with China about the two nations' trade war. "It's too one-sided for too many years and too many decades, and so it's not the right time to talk," he said. "But eventually I'm sure that we'll be able to work out a deal with China." President Trump said that he had "no time frame" for ending the trade war with China.

"The Chinese government keeps a wary eye on EU-U.S. relations," a European diplomat said on condition of anonymity. "They know that pressure on China would rise immensely if they joined forces in trade issues. Adam Dunnett, Secretary General of the EU Chamber of

Commerce in China, said that Beijing had made progress on opening its markets but had "not caught up with the pace of China's economic growth". Every country had its own path for development and it should not affect other economies negatively, Dunnett told a seminar organized by the Center of China and Globalization in Beijing.

Foreign direct investment (FDI) inflows have so far not been affected as they grew 5.5% year-on-year to USD76 billion from Jan to July, while in July alone the FDI inflow showed a 19.3% yearly uptick.

The U.S. buys about 15 million bicycles, or roughly 94% of the total, from China, worth over USD1.1 billion annually. Higher tariffs could deal a devastating blow to U.S. bicycle suppliers, as the proposed tariffs would apply to the entire USD1.5 billion of complete bicycles, bicycle components and safety accessories. Mutual investment and trade cooperation between China and the U.S. have helped add millions of U.S. jobs, according to a recent report from the U.S.-China Business Council, but many of those jobs are now endangered if additional tariffs are imposed.

Many business owners and managers testified before the 301 Committee – named for Section 301 of the Trade Act of 1974 – about the devastating effect the tariffs would have on their businesses. Senator Dan Sullivan of Alaska said the USD900 million of seafood on the list are initially exported from Alaska, processed in China, and then imported by the U.S. to sell in its domestic and global market. A hike in the tariffs is nothing less than a bullet aimed at Alaskan fishermen, he said. Speakers representing various industries, including apparel, suitcases and electronics, said it would take years and a massive amount of capital to move production out of China, let alone moving it back to the U.S., which has higher labor costs.

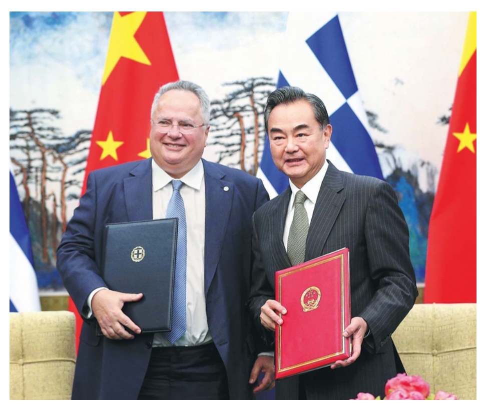
Ford abandoned plans to import Chinese-made cars after the imposition of tariffs undermined the business case for bringing the vehicle to the U.S. market. The move to slap China-built cars with an additional 25% levy in July undermined the profitability of the Focus Active that Ford planned to start shipping into the U.S. about a year from now, Kumar Galhotra, President of North America, said. The company decided it was not worth investing more money in a vehicle that would have had fewer than 50,000 unit sales a year in the U.S.

Americans have become less positive about China as trade tensions mount and they worry more about the country's growing economic clout, according to new data from the Pew Research Center. **Only 38% of Americans saw China favorably** when surveyed by the Washington-based think tank between May and June – weeks before the trade war kicked off – down from 44% at the same time last year.

John Thornton, Chairman of the Brookings Institution think tank and former President of investment bank Goldman Sachs, outlined some of Washington's thinking on the escalating trade war at a meeting of the international advisory board of China's sovereign wealth fund, China Investment Corp (CIC). Vice Premier Liu He attended the meeting. He said that China would press ahead on market reform, globalization and multilateral trade, no matter what the external circumstances were.

The "new export order" subindex in China's purchasing manager index (PMI) fell sharply in August even when only a small portion of Washington's threatened additional tariffs on Chinese products kicked in. The subindex dropped by 0.4 points to 49.4 in August, the lowest since the China-U.S. trade tension escalated in March. It was the third month that the export order subindex had been below 50 – under 50 means a contraction. At the same time, the import subindex fell to 49.1 in August from 49.6 in July.

Greece joins the Belt and Road Initiative



State Councilor and Foreign Minister Wang Yi and Greek Foreign Minister Nikos Kotzias

China and Greece signed a memorandum of understanding (MOU) to cooperate further within the framework of the Belt and Road Initiative (BRI), making the Mediterranean country the first developed Western nation to ink such a deal with China. State Councilor and Foreign Minister Wang Yi signed the MOU with Greek Foreign Minister Nikos Kotzias in Beijing. "As a significant intersection along the overland and maritime silk routes, Greece is a natural partner for jointly building the Belt and

Road Initiative," Wang said at a news conference after meeting with Kotzias. China will dovetail the BRI with strategies including the Investment Plan for Europe, and push forward new cooperation models such as third-party cooperation and multilateral co-financing, he added.

State Councilor Wang Yi said that the China-Greece relationship, based on growing mutual trust, has achieved major progress in various areas including infrastructure and energy, adding that Greece's Port of Piraeus is a typical example of early cooperative projects. The port, managed by China's COSCO, has climbed to 38th globally in terms of cargo tonnage from 93rd in 2010. The number of railway lines carrying containers from the port to Central and Eastern Europe now stands at about 18, Wang said, and the port's direct economic contribution to Greece has exceeded €600 million, with over 10,000 jobs created.

Kotzias, for his part, said that Greece will take the opportunity to push forward bilateral cooperation to a new level and people-to-people exchanges to new heights. Greece is willing to enhance coordination and cooperation with China amid global complexity and changes, to support multilateralism and promote free trade, he added, as reported by the China Daily.

President Xi Jinping said **the Belt and Road Initiative (BRI) was not about creating a "China club"**, while calling for balanced trade with partner countries. He made the remarks at a seminar in Beijing to mark the five-year anniversary of the "Belt and Road Initiative". "It does not differentiate countries by ideology nor play the zero-sum game. As long as countries are willing to join, they are welcome," Xi said.

The two-day 2018 Belt and Road high-level conference on intellectual property rights was also held in Beijing. In a congratulatory message, Chinese President Xi Jinping said that China firmly maintains strict protection of intellectual property rights, ensures that the rights of all enterprises are safeguarded in accordance with the law, and works to build an inviting environment for business and innovation. Intellectual property rights protection is vital to promote joint development of the BRI, he added. Premier Li Keqiang met with Francis Gurry, Director General of the World Intellectual Property Organization (WIPO), and other participants at the conference.

REAL ESTATE

Tenants moving as they face higher rents in Beijing

Many tenants in Beijing are facing rent increases this summer, forcing them to move to cheaper accommodation further away form the city center and necessitating a longer commute to and from work. One typical example is a rent of CNY5,386 a month in April, rising to CNY6,100 a month in June. As the central government has acted to control housing prices in previous years, real estate agencies have shifted their focus from the selling to leasing business, which appears to be more profitable. In Chinese cities, agencies buy or rent apartments from individuals or landlords. They then restore the apartments in a similar style to build up a brand and to rent to tenants. The agencies profit from the difference in price and also charge management fees to both sides.

As these **agencies, including Ziroom, YOU+ and MoFang Apartment**, have gained billions of dollars in investment and grown rapidly in the past two years, they **have expanded their market share by buying a large number of apartments**. This helps them to monopolize the market and raise rents. Xia Lei, Deputy Director of the Evergrande Research Institution, co-established by the Evergrande Real Estate Group and Tsinghua University, said capital the agencies have raised has played an important role during the latest round of rent increases. "The investors urgently want to start making money which will inevitably lead to soaring rents," Xia said. "Rapid rent growth will affect people's living quality and willingness to consume, which will damage a city's competitiveness and attraction." Xia said the government should intervene in the rental market and regulate the industry.

The Beijing Municipal Commission of Housing and Urban-Rural Development instructed agencies in August not to use bank loans to buy apartments or to pay higher than market prices to acquire apartments to rent out. Ziroom promised to provide 80,000 apartments from its stock to the market. **According to the agencies, the major reason for the rent rises is a supply shortage.** The demolition of illegal buildings and a prohibition on co-renting to prevent safety risks has led to a reduction in supply. In the past year, Beijing has torn down 59.85 million square meters of illegal construction and plans to demolish another 40 million sq m this year. On the other hand, the city's overall salable area of apartments in the past year was 8.75 million sq m and its affordable housing area was 2.67 million sq m. Beijing's total floor space for residential buildings is 882 million sq m. According to RealData, **the average rent in Beijing in the first seven months of this year grew by 10.7% year-on-year.**

According to China Economic Weekly, up to 13 first- and second-tier cities in China saw rent increases of more than 20% in the past year. Chengdu, capital of Sichuan province, ranked top with a rise of 30.98% on average, followed by Shenzhen in Guangdong province with rent growth of 29.68%. Rent increases in Beijing and Guangzhou, capital of Guangdong, also surpassed 20% year-on-year this month, the China Daily reports.

China Evergrande, China's third largest property developer by sales, **posted a 101.5% surge in first-half core profit** to CNY55.01 billion, while revenue rose 59.8% to CNY300.35 billion on the same period last year. Contracted sales in the first six months of the year increased by 24.6% year-on-year to CNY304.18 billion, accounting for more than half the company's annual sales target. Evergrande CEO Xia Haijun expects that over the next three to five years, the country's top 10 developers will account for 40% of the whole market while the top three – Country Garden, Vanke and Evergrande – will account for around a fifth of all sales. Of the 12 of Hong Kong-listed Chinese developers that have released half-year results, only one missed estimates.

CHINA NEWS ROUND-UP

Up to 90% of Chinese AI start-ups expected to fail as funding dries up

In recent years, a raft of **Chinese artificial intelligence start-ups** have sprouted up and enjoyed a flow of money from venture capital firms keen to latch on to the next big thing in technology. Now, the day of reckoning is drawing near, and **as much as 90% may fall by the wayside**, according to Ai Yu, who manages about CNY30 billion in investments as head of China Everbright's new-economy funds and led their investment into start-ups including Meituan-Dianping, iQiyi, SenseTime, NIO and Xpeng. The imminent challenge will come not only from a funding strain caused by the country's de-leveraging and economic slowdown, but also from mounting pressure to commercialize the technology, Ai told reporters on the sidelines of the Smart China Expo in Chongqing.

"It's encouraging to see financing activities for AI in China have surpassed those in the United States, but the heat also comes with a bubble," he said, adding that many early start-ups without established operations nonetheless are able to raise funds as high as CNY100 million. From 2013 through the first quarter of this year, 60% of all funds raised globally for AI projects went to those in China, making it the hottest sector to attract financing, according to a report by Tsinghua University in July. Last year, **Chinese companies accounted for 70% of the USD39.5 billion raised worldwide for AI investments**. Enormous sums of money are being sunk into these Chinese AI start-ups despite less than 5% of these companies reach CNY1 billion in revenue, according to Ai. He predicted that 90% of Chinese AI start-ups will encounter "great difficulty" over the coming two years, with the tightening of funding becoming "especially obvious this year".

The boom of the past three to four years has seen leaders emerge in fields such as facial recognition and natural language processing, and those behind will not be given any chance by venture capitalists, AI said. The impending shake-up would be taking place against the backdrop of China's ambitions to gain leadership in the technology by 2030. Pricewaterhouse Coopers (PwC) estimates AI deployment will add USD15.7 trillion to global GDP by 2030, while China is predicted to account for USD7 trillion of the total, nearly double North America's USD3.7 trillion, the South China Morning Post reports.

African leaders attend FOCAC Summit in Beijing

The third Forum on China-Africa Cooperation (FOCAC) Summit was held in Beijing from September 3 to 4, bringing together leaders from China and Africa to discuss partnerships under the theme of “China and Africa: Toward an Even Stronger Community with a Shared Future Through Win-win Cooperation”. Sun Baohong, Chinese Ambassador to Kenya, said the FOCAC Beijing Summit marks a new stage in China-Africa ties as it will formulate the direction of future development. FOCAC was established 18 years ago.

Chinese President Xi Jinping said that Chinese funds are not for “vanity projects” in Africa but are to build infrastructure that can remove bottlenecks in the continent’s development. “Resources for our cooperation are not to be spent on any vanity projects, but in places where they count the most. Inadequate infrastructure is believed to be the biggest bottleneck for Africa’s development,” he added. Chinese officials say this year’s summit will strengthen Africa’s role in the Belt and Road Initiative to link China by sea and land through an infrastructure network with central Asia, the Middle East, Europe and Africa. From 2000 to 2016, China loaned around USD125 billion to the continent, according to the China-Africa Research Initiative (CARI). China-Africa trade volume amounted to USD170 billion in 2017, up from just over USD10 billion in 2000.

Chinese President Xi Jinping also held bilateral meetings with several African heads of state, including the Presidents of Egypt, Somalia, Cameroon, Niger, South Sudan, Sudan, Mali, Namibia, Equatorial Guinea, Senegal, Mauritania, Angola, Djibouti, Ethiopia and South Africa. **Every African country is represented at the business forum apart from eSwatini**, formerly known as Swaziland, the only African country that has diplomatic relations with Taiwan.

UN Secretary General Antonio Guterres also attended the Summit during his second trip to China this year.

China’s private businesses boom, as shown in the China Top 500 Private Enterprises list

China’s private businesses have gained momentum in 2017. The latest **ranking of China’s top 500 private enterprises** showed telecom equipment maker Huawei and e-commerce firm Suning at the top of the list. The list, compiled by the All-China Federation of Industry and Commerce (ACFIC) was presented at the 2018 Summit of China Top 500 Private Enterprises held in Shenyang, capital of Liaoning province. Revenues of the nine largest private firms all exceeded CNY300 billion in 2017. The **top companies include Huawei, Suning, Amer International, JD.com, Weiqiao Pioneering Group, Legend Holdings, Evergrande, and Gome Holdings**. Of the top 500 private companies, 61 had total assets of more than CNY100 billion last year, 11 more than in 2016. To be listed, an enterprise needs to have revenues exceeding CNY15.68 billion.

According to ACFIC Vice Chairman Huang Rong, more than 4,600 Chinese private firms voluntarily participated in the ACFIC survey, but not all big private enterprises are listed. The private sector now contributes above 60% of China’s GDP growth and provides over 80% of jobs.“The development of private investment and businesses is key to China’s economic vitality," said Zhang Wanqiang, Economist at the Liaoning Provincial Academy of Social Sciences.

Last year, 162 private firms in the service sector were on the list, up 38.46% compared with 2012. Meanwhile, the number of firms in the secondary industry fell for the fifth straight year from 380 in 2012 to 333 in 2017, while the number of export-oriented firms on the list fell from 259 in 2016 to 230 last year. The total exports of the top 500 private enterprises dropped by 16.28% year-on-year to around USD125.2 billion in 2017. “The number of overseas investment projects for top 500 private firms has declined in 2017, for the first time in over the past five years,” said Wang Zhile, head of the Beijing New Century Academy on Transnational Corporations. China aims to turn its economy, heavily reliant on fixed-asset investment (FAI) and exports, into a service and consumption-led one, the Shanghai Daily reports.

The Evergrande Group is the only real estate developer among the top 10, in sharp contrast to several years ago, when property developers were the most prominent private players.

Large industrial firms – private and state-owned – maintained high profit growth in the first seven months, but analysts said they would face heavy pressure of slowing profit growth in the coming months of this year. The country’s industrial profit rose 17.1% in the January-July period year-on-year. Oil refiners, steel and building material makers contributed 54.1% of the profit growth for the January-July period. SOEs made a combined profit of CNY1.19 trillion in the first seven months, up 30.5% from the same period of last year. Collectively-owned firms, joint-stock companies, overseas-funded enterprises and private firms saw profit growth of 4.1%, 21.3%, 7.5% and 10.3%, respectively. Among the world's top 100 companies, 22 are mainland Chinese firms that are leaders in finance, construction and real estate.

Chinese stock markets to reverse downward spiral, says JPMorgan

A survey of **Chinese institutional investors** by JPMorgan Asset Management found that **73% expect China's stock markets will reverse their downward spiral**, and 33% say shares will rise between 5% and 15% in the next 12 months. **China's Shanghai Composite Index is down 18% for the year, making it the worst-performing major exchange in the world.** But institutional investors see a number of factors signaling that the worst may be over: foreign fund inflows have increased; listed companies are posting record buy-backs; and earnings and dividend yields are rising. "With trade war uncertainty hanging over the market and a government deleveraging campaign weighing on domestic growth, we were a little surprised to find that Chinese investment professionals are actually fairly bullish on their home market equities over the next year," said Hui Tai, Strategist at JPMorgan Asset.

The survey, which was conducted in August, covered more than 200 investment professionals in Beijing and Shanghai. About 130 companies on the Shanghai and Shenzhen exchanges will probably offer a dividend yield exceeding 4% in the next 12 months, higher than the yield on China's 10-year sovereign bonds that currently stands at about 3.6%, according to Bloomberg. "The rising dividend ratio makes current stock prices even more attractive," said Zhu Chaoping, Global Market Strategist at JPMorgan Asset. "As reflected by the continuous northbound purchase by foreign investors via the stock connect, long-term investors are gradually entering this market." So far this year, foreign investors have spent CNY246 billion on Chinese stocks through the connect programs with Hong Kong, the South China Morning Post reports.

Amendment to Individual Income Tax Law adopted

The Standing Committee of the National People's Congress (NPC) adopted an amendment to the Individual Income Tax Law on August 31, **raising the minimum threshold for paying personal income tax from CNY3,500 to CNY5,000 per month, or CNY60,000 per year.** The amendment aims to reduce the burden for taxpayers, raise people's incomes and boost consumption. "Considering that the average basic consumption expenditure for residents in Chinese cities and towns is about CNY4,200 a month per person in 2018, we set the minimum threshold of personal income tax at CNY5,000. It not only covers the expenditures but also leaves room for further increases in consumption," Vice Finance Minister Cheng Lihua said. The amendment also **adds special expense deductions for items such as children's education, continuing education, treatment for serious diseases, as well as housing loan interest and rent.** This is the first time that such deductions have been introduced to China's individual income tax system. The change to the income tax threshold will take effect on October 1, while the rest of the amendment will go into effect on Jan 1. Further details on the deductions will be published by the Ministry of Finance.

The changes will cut fiscal revenue in China by about CNY320 billion a year. Individual income tax was the third major contributor to total tax revenue, following value-added tax (VAT) and corporate income taxes. Last year, China collected individual income taxes worth nearly CNY1.2 trillion, about 8.3% of total tax revenue.
Liu Lijian, Chief Auditor of the State Administration of Taxation (SAT), said the administration is striving to prepare for the new changes by updating its information system, adjusting individual income tax software, and training front-line service personnel, the China Daily reports.

Chinese bitcoin mining equipment makers to launch IPOs even as demand drops

Three of the world's largest bitcoin mining equipment makers - Bitmain, Canaan and Ebang International Holdings, all from China - plan to raise billions of dollars with initial public offerings in Hong Kong, even as other companies report plunging demand for the chips needed to make bitcoin. Soaring cryptocurrency prices last year triggered a boom in demand for specialist mining chips and in developing "mines" – facilities with thousands of machines that create the coins by solving complex mathematical puzzles. But U.S. chipmaker Nvidia said that second-quarter sales to crypto miners totaled just USD18 million, compared with USD100 million expected by analysts.

Bitmain, Canaan and Ebang International Holdings all design high-end computer chips intended for mining cryptocurrencies, particularly bitcoin, and sell mining equipment containing the chips. In addition, Bitmain mines cryptocurrencies on its own account. “The marked decline in the price of bitcoin since the start of the year is likely to weigh on investors’ interest in these companies,” said Benjamin Quinlan, Chief Executive of financial services consultancy Quinlan & Associates. “The fall in the price of bitcoin from its peak has not been matched by an equivalent fall in the numbers of people mining it,” he added. Bitcoin is currently trading at about USD6,699, down 64% from its December 2017 peak of USD18,690. Daily mining revenue was 77% lower than in December, according to Blockchain.info.

“As the bitcoin price decreases, so does the profitability of mining itself, which decreases demand for mining chips and miners,” said Wang Leilei, Consultant at financial services consultancy Kapronasia. Julian Hosp, President of TenX, a Singapore-based blockchain firm, has also warned that if coins switch mining algorithms, then the machines designed to mine them would become useless. **“I would be quite wary of investing in these miners,”** Hosp said. “They are not long-term businesses and I think they’ve had their uptrend for now.” Canaan and Ebang filed plans in May and June respectively for floats in Hong Kong, while Bitmain is expected to file its plans this month for an IPO in which it aims to raise at least USD3 billion, the Shanghai Daily reports. Bitmain had three quarters of the market for the specialist chips last year, followed by Canaan at 14%.

EU ends restrictions on sales of solar panels from China

The European Union ended restrictions on the sale of solar panels from China on September 4. China’s Ministry of Commerce (MOFCOM) welcomed the end of restrictions, describing the move as a “model for successfully resolving trade frictions through consultations.” The move “will restore EU-China trade of photovoltaics to a normal market condition, will provide a more stable and predictable business environment for cooperation between the two sides’ industries, and will truly realize mutual benefit for both sides,” the Ministry said in a statement. The European Commission said it was in the best interests of the EU as a whole for the measures to lapse, given the EU’s aim of increasing its supply of renewable energy.

Disregarding opposition from a majority of the EU member states, the Commission first imposed the tariffs on Chinese solar panels in 2013 and extended them by 18 months in March last year. As a result, EU consumers had to pay a premium over global prices because of the tariffs. For years, one of the most overlooked contributions that China has made to the global climate action is bringing down renewable energy prices, the Shanghai Daily reports. **SolarPower Europe, which represents importers and installers, described the move as a “watershed moment” for Europe’s solar industry** as it removes the biggest barrier to growth of the sector. The total EU market is about 7 gigawatt (GW). EU ProSun, the grouping of EU producers that launched the initial complaint in 2012 and wanted a further extension of the measures, said that European manufacturers would be devastated if the measures ended.

China Railway Express completes 10,000th roundtrip to Europe

China Railway Express, also known as the China-Europe freight train, completed its 10,000th trip on August 26 as it returned to Wuhan, Hubei province, after a two-week journey from Hamburg, Germany. Chinese freight trains made the trips between China and Europe on 65 rail routes since China Railway Express began the service in 2011. About 500 freight trains are expected to head to Europe from Wuhan this year compared with 377 in 2017. “The company now runs 16 rail routes to European cities including Moscow, Hamburg, and Lyon,” Gao Ruorui, Deputy General Manager of Wuhan Han’ou International Logistics Co said. “The trains departing Wuhan carry products like automobiles, electronic components, steel products and cables, while returning trains are usually loaded with dairy products from Belarus, French wine and German beer.”

China-Europe rail services are available between 48 Chinese cities and over 40 cities in 14 European countries. Last year, more than 3,000 trips were made, and the number is expected to reach 4,000 this year, according to China Railway Corp. Efforts have been made to raise efficiency and lower costs. Travel time has been shortened to less than two weeks from more than 20 days for many journeys, and transport costs have been cut by 40%. The service is now seeing rapidly rising demand from many European countries, the China Daily reports.

China's four biggest banks report profit growth

Industrial & Commercial Bank of China (ICBC), the world’s biggest bank by assets, posted solid profit growth for the first half of the year. **Net profit climbed almost 5%** to CNY160.4 billion between January and June from the same period last year. China's second largest lender, China Construction Bank (CCB), said its net profit grew 6.3% to CNY147 billion. Agricultural Bank of China (ABC) reported a 6.6% jump to CNY115.8 billion. Bank of China (BOC) said net profit increased 5.2% to CNY109.1 billion in the first half. All of China's four biggest banks saw profit growth largely flat-line in 2015 and 2016 as concerns grew over rising bad loans. Earnings have improved since a government campaign to clean up bad loans and risky lending last year. The crackdown is seen as hitting smaller lenders and wealth management companies the hardest, driving them to seek loans from the established banks in order to clean up their balance sheets.

But ICBC warned that the trade dispute with the United States could bring more risks for the bank in the future. "The U.S.-China trade frictions may in particular negatively affect multiple sectors, bringing more risks and disturbances to bank operations," ICBC said in its earnings report, the Shanghai Daily reports. Morgan Stanley now expects the major Chinese lenders to post stable earnings growth in the second half after reporting moderate interim profit rises.

To further clean up the financial sector, the Chinese government will take urgent action to contain two of the most acute financial risks facing the country. The Financial Stability and Development Commission (FSDC), headed by Vice Premier Liu He, called for urgent steps **to clean up inadequately capitalized internet-based lending platforms as well as prevent a potential massive sell-off of listed company shares** due to the government crackdown on excessive lending-based risks in the financial system. All levels of government must help create a full inventory of the thousands of peer-to-peer (P2P) internet lending platforms in the country and their respective risks, the Commission announced. New standards governing internet-based lending will be drafted as part of a long-term regulatory mechanism, it added.

In Hong Kong, t**he Hong Kong Monetary Authority (HKMA) received 29 applications for the first batch of virtual bank licenses**, with the applicants ranging from telecommunications operators and financial technology companies to global banks. The licenses will enable banks to operate online in the city without physical branches. The minimum capital requirement to obtain a virtual banking license is as high as HKD300 million, limiting the number of potential applicants.

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