



Newsletter

Foreign Trade

Dear readers,

China's growth is weakening, but still within the range considering the difficulties in last year. Recently released statistical data showed a GDP of 11.6 trillion EUR, up 6.6% in 2018 (Q1: 6.8%, Q2: 6.7%, Q3: 6.5%, Q4: 6.4%). Policymakers set course for 6-6.5% in 2019. UBS estimates US policy measures will slow China's growth to 6.1% in 2019. The World Bank forecast 6.2%.

- » Exports: 2.1 trillion EUR, up 7.1% in 2018
- » Imports: 1.8 trillion EUR, up 12.9% in 2018
- » The Balance of Trade: 0.3 trillion EUR, down 18.3% in 2018
- » FDI: up 24.9% (a total of 950,000 foreign-funded companies are registered in China)
- » CPI: rose by 2.1% in 2018, up from 1.6% in 2017

We are looking with curiosity to China's annual Two Sessions Meeting which will start March 5th in Beijing. There a detailed Government Work Report for 2018 will be delivered.

At the Central Economic Work Conference in December, the government set its economic agenda for 2019, which includes tax cuts as part of a more proactive fiscal policy; boosting advanced manufacturing; tackling so-called zombie enterprises; raising domestic consumption; rural revitalization; capital market reform; fostering a healthy property market; further opening up the economy and allowing greater market access to foreign companies. A document for tax reduction and exemption for small and micro business has been released mid of January. When in 2018 this tool was already overly stressed, it still needs to be seen in how far taxes can be further cut this year.

In April, the 2nd Belt & Road Forum will be held in Beijing, with a CEO Day one day prior to the actual meeting (26.04.- 27.04.). Although Belt & Road seems to lose some momentum in the media and BRI-related cases are on the rise at court, the promotion activities around this initiative remain very active.

The topic discussed most in China at this time is the draft of the Foreign Investment Law, which got commented by most national chambers here on site. Once adopted, the unified law will replace three existing laws, namely the laws on Chinese-foreign equity joint ventures, non-equity joint ventures (or contractual joint ventures) and wholly foreign-owned enterprises.

Our next China Business Climate Survey will be conducted at the end of March. We are very much looking forward to studying the results as this will give us a clear picture of where the journey is going this year for our member companies.

Enjoy reading!

Yours sincerely,

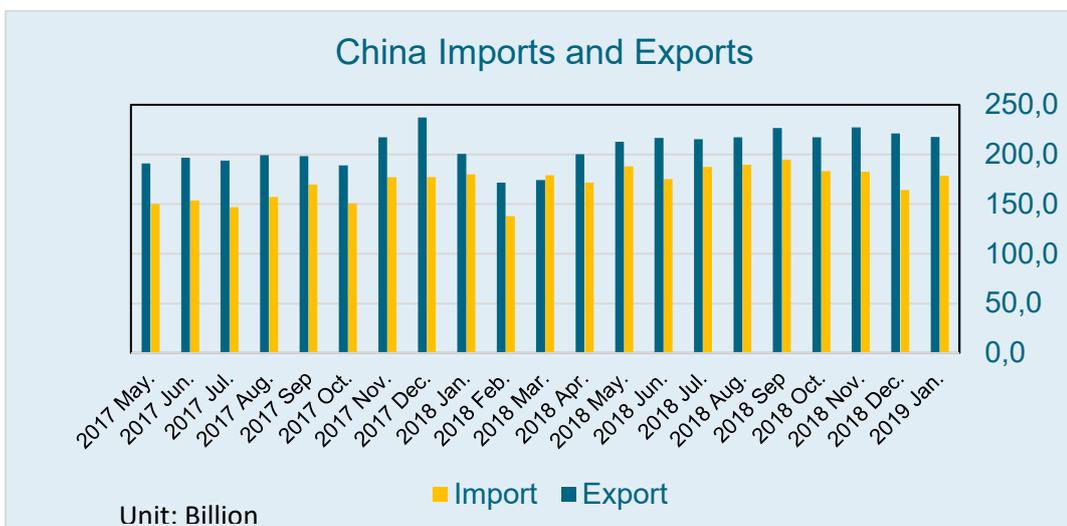
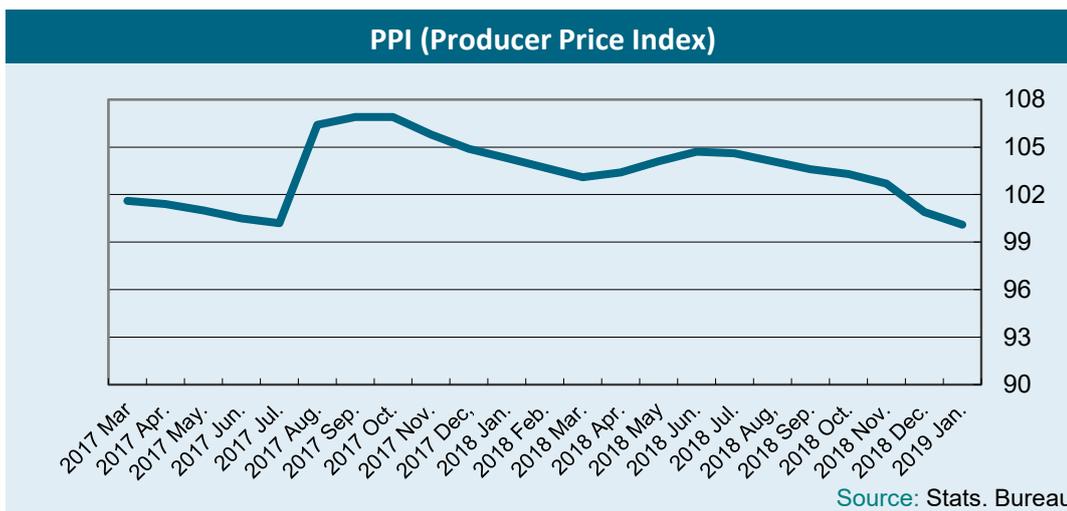
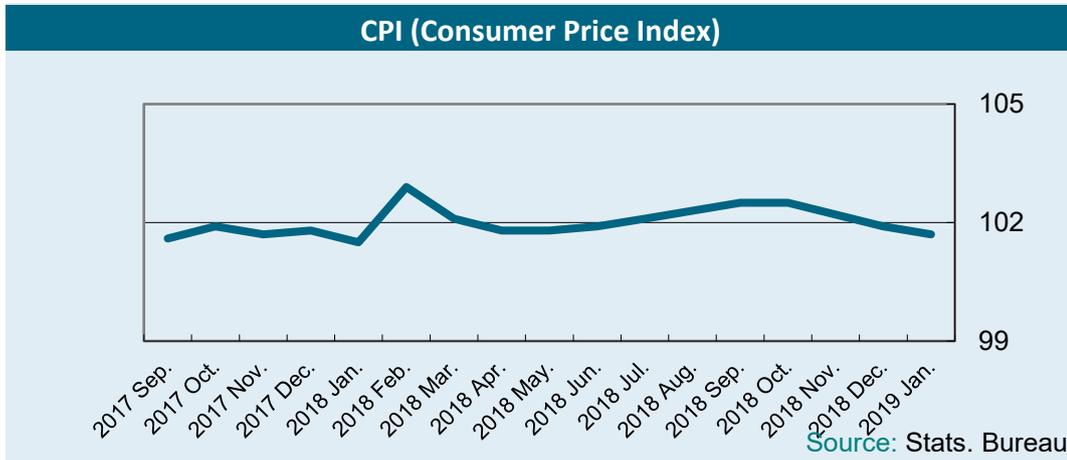
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1) China Macro Economic Scenario

1.1 General Data and Figures



1.2 Import & Export Foreign Investment

The World Bank raised China's ranking in terms of business environment by 32 places to No. 46. Three major tasks for Mofcom in 2019: holding the 2nd CIIE, properly handle trade frictions with the US, push forward the pilot free trade zones and Hainan free trade port.

Foreign Investment Law

China came one-step closer to finalizing the draft of a streamlined foreign investment law that would assure foreign companies of treatment that is fair and equal to that of domestic firms and promote the opening of the domestic market. The revised version added three clauses to improve the management of foreign investment. New regulations include stipulations that foreign investors that merge with Chinese domestic companies should agree to anti-monopoly investigations if required in accordance with the law. A system for reporting investment information will be launched, according to the draft law. The draft also clarified that foreign companies should be regulated by the same laws that govern Chinese companies, except in prohibited industries. The streamline law will replace three separate laws for foreign equity joint ventures, contractual joint ventures and foreign wholly owned ventures.

The negative list for market access

China released on December 26 2018 a new negative list for market entrance (different from the negative list for foreign investment), which contains 151 items that companies are banned from accessing or need to acquire a license beforehand. Compared with the 2016 version, the new list is simplified, cutting 177 items in its main body but detailing the restrictive areas. This list will be further shortened in both its 12 pilot free trade zones and nationwide, and allow full foreign ownership in more sectors.



Two-way trade settlement services to boost FTZ growth

Two-way trade settlement services started in Hainan FTZ. The Hainan Free Trade Account is a convertible accounting system with Chinese Yuan as its base currency, using unified accounting rules and taking into account various types of risk management between the Yuan and foreign currencies. The first fund transfer settlement was made for the import of 300 metric tons of fluff pulp from International Paper and for the export of a batch of clothing material. Hainan Pilot FTZ was announced in April 2018 into the country's 12th FTZ.

Bonded Zones

Imports and exports in bonded zones reached 207 billion Euro (Q1-Q3 2018), up by 11.8% y-o-y, accounting for 16.5% of the country's total foreign trade in the same period; China will introduce measures to upgrade its comprehensive bonded zones in line with advanced international standards to promote trade and investment facilitation. Processing and manufacturing companies in the zones will be permitted to undertake outsourced processing businesses from outside the zones of the mainland market. Research, development, and innovation will be spurred. All goods and items that companies in the zones import from R&D purposes will be exempted from import licensing, excepted for those prohibited from border entry. Logistics will also be facilitated. In the course of corporate production and operation, any eligible item entering the comprehensive bonded zones and the bonded goods in transfer from

one zone to another will be exempted from customs clearance procedures. The comprehensive bonded zones in ports that allow whole-vehicle import will be permitted to undertake bonded storage, display and other businesses.

1.3 Reflationary Policy

Financial reformers are exploring measures to give smaller and private companies access to cheaper funds and reduce defaults on debt.

Liquidity injection

Financial reformers are exploring measures to give smaller and private companies access to cheaper funds and reduce defaults on debt by the five state banks. People's Bank of China (PBoC) will inject a net amount of nearly 103 billion Euro of capital into the economy. Besides that, the reserve ratios was lowered by 1% on 15.01.2019 and another 0.5% on 25.01.2019. Bond issuance will start in January as a result of top policymakers approving the annual quota of 158 billion Euro earlier than usual, with 105 billion Euro of the quota allotted for special-purpose bonds such as those used for construction, according to the Ministry of Finance.

Tax Reform

A larger amount of tax and fee reductions, compared with about 170 billion Euro in 2018, will be put in place this year, especially for manufacturing and small companies.

1.4 Environmental Protection

More blue skies seen last year

According to the Ministry of Ecology and Environment (MEE), the proportion of blue-sky days of 338 major cities nationwide 2018 was 79.3 % on average, up 1.3 % points y-o-y, and the density of PM2.5, or airborne pollutant particles with a diameter below 2.5 micrometers, was down by 9.3 % on average. Tianjin, Hebei have lowered pollution targets. 86.7% of days in Beijing had blue skies in December 2018, up by 2.8% y-o-y. The next step is to manage pollution from diesel trucks by weeding out and monitoring the emission of the running ones. Beijing also will turn to more detailed management to further cut pollution.

The MEE will continue this year to implement the 2018-20 air pollution control plan

This plan aims to control bulk coal consumption, poorly managed polluting enterprises and industrial boilers, and minimize the emissions of the steel industry. The MEE will also carry out a campaign on diesel truck management. The plan also vows to promote the use of trucks powered by new and clean energies in cargo transportation.

New law on soil pollution will pinpoint responsibility

China's first national law on soil pollution and control came into force on January 1 2019. Companies and people in the soil pollution control industry will be severely punished if they fake reports for soil pollution investigation and risk assessment.

MEE will publish Directory of toxic and harmful atmospheric pollutants

The MEE has finished the soliciting of public opinions on a directory of toxic and harmful atmospheric pollutants, which is expected to be published soon. This will be the first directory of its kind since the revised Law on Atmospheric Pollution Prevention and Control took effect last year. The directory lists and ranks a batch of major atmospheric pollutants, including methylene chloride and formaldehyde, six kinds of volatile organic compounds such as chloroform, along with cadmium, chromium, mercury, lead and their compounds. It will be updated in the future.

1.5 Belt & Road

Trade and Investment with B&R countries 2018

- » Exports to B&R: 705 billion Euro, increased by 10.9%;
- » Imports to B&R: 495 trillion Euro, increased by 23.9%;
- » China's nonfinancial ODI on B&R: 13.8 billion Euro in 2018, up 8.9 %.

Eight western Chinese provinces cooperate to build new international land-sea trade corridor

Early in January 2018, eight western Chinese provinces and regions signed a framework agreement Monday in southwest China's Chongqing to cooperate in building a new international land-sea trade corridor. The eight provincial regions include Chongqing Municipality, provinces of Guizhou, Gansu, Qinghai and Yunnan, south China's Guangxi Zhuang Autonomous Region, northwest China's Xinjiang Uygur Autonomous Region and northwest China's Ningxia Hui Autonomous Region, local authorities said. With Chongqing as the transportation hub, the New International Land-Sea Trade Corridor uses ports in Guangxi's Beibu Gulf to reach ports in Singapore and other ASEAN countries and links China-Europe freight trains launched from many western Chinese cities before heading for Central Asia, South Asia and Europe. Taking advantage of various transport options including railways, highways and water and air routes, the land-sea corridor enables transportation from western China to more regions across the world.

China offers 6.7 million Euro from Lancang-Mekong Cooperation Special Fund 2018 to Cambodia

Eight cooperative agreements were signed between China and Cambodia on January 22 to promote cooperation in infrastructure, including water supply, highways, and reservoir construction. Mid February, China provided 6.7 million Euro from the Lancang-Mekong Cooperation (LMC) Special Fund 2018 to Cambodia for implementing 19 projects in the country.

Chinese firm signs 29 million Euro road agreement with Ethiopian government

Mid January, the Ethiopian Roads Authority (ERA) on Wednesday signed a road construction agreement worth about 29 million Euro with Chinese firm Sinohydro Corporation. ERA said Sinohydro Corporation is expected to upgrade the 80.5 km Gedo-Menabegna gravel road to asphalt concrete level.

1.6 IPR and Standardization

IPR protection in 2018

By the end of 2018:

- » Number of invention patents in China topped 1.6 million, up 18.1%.
- » Import and export volume of IP royalties exceeded 31 million Euro in 2018.
- » The number of international filings from China via the Patent Cooperation Treaty reached 55,000 in 2018, up 9%,
- » Number of international trademark applications filed via the Madrid system surpassed 6,000, up 25%.

Besides that, China National Intellectual Property Administration (CNIPA) has opened its trademark database to the public and has set up 166 local service windows for trademark registration, 2019 marks the beginning of the CNIOA after its reforms. Now focus on creations' quality, protection efficiency and management level.

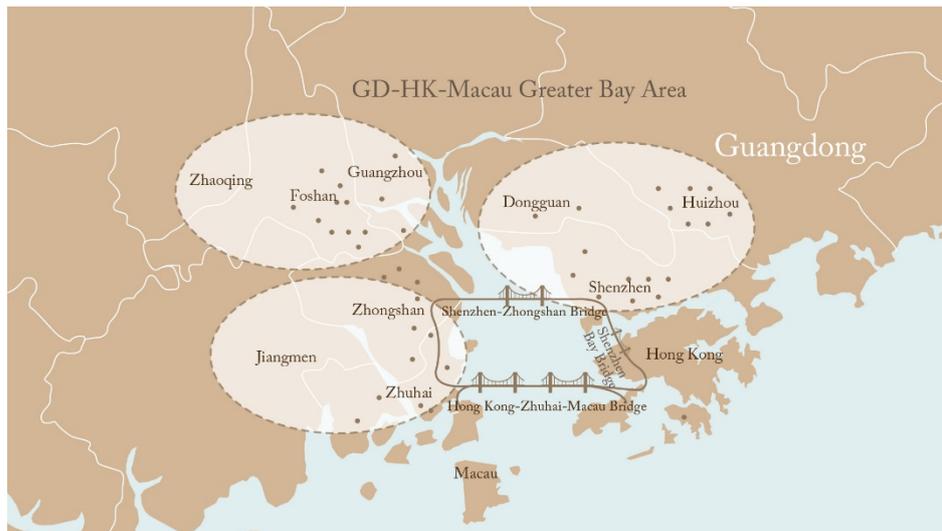
CNIPA let up an international IP pilot platform

In 2018, 8 cities including Shenzhen, Hangzhou, Nanjing and Haikou were designated to promote the development of the IP service system. Last year, CNIPA let up an international IP pilot platform in Shanghai and new special IP platforms in cities including Wuhan and Zhengzhou.

1.7 Other News

The Greater Bay area is on the strategic landscape of regional development

The development plan by the Central Committee and the State Council outline for the Guangdong-Hong Kong-Macao Greater Bay Area was unveiled on February 18, aiming to turn the 11-city cluster into a globally influential international innovation and technology hub and an important support pillar for the Belt and Road Initiative. The plan says that by 2022, the framework for an international first-class bay area and excellent city cluster should be formed. The region will establish a reasonable division of labor, complementary functions, and coordinated development.



Source: China Daily

China to step up work on national social credit system

The central government will take more steps in 2019 to improve data quality and speed up the legislation process as part of its efforts to create a nationwide social credit system. "Basic infrastructural construction of the social credit system has been done at the central and local levels. More efforts will be put on improving data quality and enhancing cooperation with different regulators and on legislation, the last of which may take several years or longer to accomplish," said an official from NDRC who is in charge of drafting the guidelines. Unveiled in 2014, the framework for a national social credit system is already in place, and the government aims to get the remaining work done by 2020.

2) Industry News

2.1 General Industry Figures and News

Since September 2018 no updated data of individual machinery sectors has been published. Older data please refer to the edition 4 2018.

CMIF machinery industry review 2018: stable with a slight decline, remain market downturn

- » The growth rate of value added of the machinery industry slowed down month-by-month from 8.4% in August, and the y-o-y growth reduced to 6.6%, higher than the national growth rate of industrial added value. The annual growth rate is expected to be around 6.5%.
- » Among the 120 major products monitored by the mechanical industry, there are 62 products with y-o-y growth in output, accounting for 51.67%, and 58 products with y-o-y decrease in output, accounting for 48.34%.
- » The main business revenue of the machinery industry reached 2.6 trillion Euro, with y-o-y growth of 7.11%; the total profits reached 0.17 trillion Euro, with y-o-y growth of 2.27%, respectively decreasing by 2.4 percentage points and 8.37 percentage points from the same period of last year.
- » The investment growth rate of general equipment manufacturing, special equipment manufacturing, electrical machinery and equipment manufacturing was 9.5%, 16.8% and 13.1% respectively, all higher than that of the whole society (5.9%) in the same period.
- » The major sub-industries are clearly differentiated. Among them, engineering machinery, petrochemical general, general components, machine tools, and internal combustion engine industries have achieved double-digit growth. The profits of robot and intelligent manufacturing, agricultural machinery industry decreased y-o-y.
- » The ratio of profits to costs was 7.1%, reducing by 0.36% y-o-y; the ratio of profits to main business revenues was 6.65%, reducing by 0.31% y-o-y; the ratio of profits to total assets was 6.35%, reducing by 0.43% y-o-y.

CMIF machinery industry project 2019: the equipment industry is expected to increase by 7%

- » The annual industrial added value and main business income index of the industry are expected to be around 6.5%
- » The profit index is expected to grow around 5%
- » The import and export trade will grow moderately; the think tank CCID suggests that the annual growth rate of industrial added value is expected to maintain at around 7%
- » The economic operation of the industry is more difficult than that in 2018.
- » The industrial robots, industrial automatic regulation instruments and control systems, analytical instruments and devices, as well as new industries and products such as civilian drones and snow and ice equipment, will maintain rapid growth, and the cyclical recovery of engineering machinery will continue.
- » The industrial Internet platform will become an important point of large enterprises to develop intelligent manufacturing, and the automation, digitalization and network transformation of key links will become the concern of small and medium-sized enterprises to develop intelligent manufacturing. The development and approval of intelligent manufacturing standards will be further accelerated.

- » There will be more than 100 platforms for the test and verification of intelligent manufacturing standards, and the number of national standards for intelligent manufacturing formulated (revised) will exceed 200.
- » The shipbuilding market will continue to recover in 2019, but the degree of activity of the shipbuilding market depends on the impact of trade friction on the international shipping market. The LNG power driven ships and new environmental protection transport ships will continue to maintain strong demand, and the luxury cruise ships, polar exploration ships and ocean-going fishing boats will become new growth points of the industry.

MIIT published Guidebook for Network Construction and Promotion of Industrial Internet

The guidebook was published on January 18. According to it, China plans to form a relatively complete top-level design of the industrial Internet network by 2020, and initially establish the industrial Internet infrastructure and technology industry system. The outer benchmarking network of industrial Internet enterprises to meet the test and commercial needs will be constructed. The enterprise outer network infrastructure applying to the industrial Internet and supporting the Internet Protocol Version 6 (IPv6) will be constructed preliminarily. A number of industry or region oriented identification analysis second-level nodes and public recursive nodes will be constructed.

2.2. Automobile

CMIF predicts that with the release of automobile joint venture stocks proportion and tariff reduction, automobile enterprises will face more intense competition. The implementation of the formal double integration scheme and the policy and practice of banning the sale of fuel vehicles scheme proposed by some automotive enterprises will promote mainstream automotive enterprises to increase their investment in NEVs. It is estimated that the production and sales of NEVs in China will increase by 50% in the whole year of 2019, and the production and sales will reach about 1.8 million. In addition, automobile enterprises, Internet enterprises and communication enterprises will accelerate integration and innovation, intelligent network automobile ecosystem will gradually take shape, and relevant standards and regulations to promote the development of intelligent network automobile are expected to accelerate the formulation and improvement.

New issue of tax exemption catalogue releases, 86 new energy vehicles on the list

According to the Catalogue of New Energy Vehicle Models exempted from Vehicle Purchase Tax (Batch 22) issued by the MIIT in the end of December 2018, there are 86 passenger cars on the list, including 63 pure electric passenger cars and 23 plug-in hybrid passenger cars, in which Volkswagen, BYD, Chang An, BJEV, Weltmeister, Toyota and other brands are involved.

Shanghai plant shows Tesla' ambition

Tesla Inc. recorded several fists when it broke ground on a car manufacturing plan in Shanghai on January 7. The 6.4 billion Euro plant is the company's first factory outside the U.S. and the first automobile production project wholly owned by foreign capital in China. This factory came together after China announced in April 2018, that it would remove the cap on foreign ownership of companies that build new energy vehicles.

Pushing pedal to the metal for more self-driving cars on roads

MIIT set goals for connectivity and autonomous vehicles. By 2020, at least 30% of the new vehicles will feature advanced driving assist systems that are classified as level 2 autonomous driving. After 2020, China hopes to have built a system for smart and connected vehicles, covering aspects from technology and standards to infrastructure and serves, thus paving the way for gradual commercialized use of highly autonomous driving and the 5G-V2X wireless communication technology. Car-to-car and car-to-cloud infrastructure functions expanded the technological base.

India invites China to participate in electric vehicle planning

Anil Srivatsava, chief consultant of Indian National Academy, said India planned to realize the electrification of vehicles by 2030 and welcomed Chinese companies to participate in and invest in the expansion of the Indian electric vehicle (EV) market. Srivastava led an industrial delegation to attend and deliver a speech at the “Global Zero Emission and All Electric Vehicles” Summit Forum in January. In the meantime, he invited China to participate in India's ambitious electric vehicle program.

Nissan and Renault set up a joint venture in Shanghai for technology research and development

Recently, Nissan China joined Renault to set up Alliance automobile research and development company in Shanghai, each holding 50% of the shares. The R&D company will focus on the design, research and development of new energy vehicles and intelligent vehicle software and components. The 2022 Reynolds-Nissan-Mitsubishi Alliance Mid-term Plan announced previously, predicts that the annual synergy effect of the alliance will exceed 10 billion euros by the end of 2022.

Geely and Daimler are looking for more cooperation

In February, several foreign media reported that chief executive of Daimler, said in Stuttgart, Germany that the company was negotiating to deepen its cooperation with Geely, China. At the same time, vice president of Geely Automobile Group confirmed this statement. In February 2018, Geely Group acquired 9.69% of the voting shares of Daimler Holdings through its overseas business entity, formally becoming the largest single shareholder of Daimler.

CALT continues to expand strategic cooperation space with large whole vehicle manufacturers

News in December 2018 shows Geely Automobile's Zhejiang Jirun Automobile Co., Ltd. and Contemporary Amperex Technology Co., Limited. (CALT) will set up a joint venture company to engage in research, development, manufacture and sales of batteries, battery modules and battery packs to enhance the core competitiveness of both sides in their respective fields.

In February 2019, CALT announced that it had signed a contract with Honda and both sides would jointly build electric vehicle products for the future market. CALT has become Honda's partner in the field of lithium-ion power batteries, providing reliable power support for its electrification. By 2027, CALT will supply about 56GWh lithium-ion power batteries to Honda.

2.3. Infrastructure

State Council release 183 billion Euro to local government for infrastructure and advanced manufacture

In January 2019, the State Council was officially empowered by Standing Committee of the National People's Congress to release in advance 183 billion Euro of newly-increased debt of 2019 to local governments. After the Spring Festival, provinces including Hebei, Henan, Shandong, Fujian, Jiangxi and Sichuan all released the list of key construction projects for this year. Among them, the total investment scale of key projects in provinces such as Hebei, Fujian and Jiangxi is close to or over 0.26 trillion Euro each, and the investments in Henan and Sichuan are both beyond 0.4 trillion Euro. For the key projects across the country this year, besides infrastructure construction projects including transportation, energy and water conservancy, advanced manufacturing and modern service industries receive more attention.

NDRC approved an investment of about 113 billion Euro in capital construction for eight urban rail transit projects in recent months

On January 3, NDRC approved the intercity railway construction plan for Jiangsu Province's urban agglomeration along the Yangtze River (2019-2025). This shows that the developed eastern coastal areas are still vigorously investing funds to make up for the shortcomings of transportation, while playing a stable investment effect. Over the past month, NDRC has approved a total of eight urban and regional rail and railway construction plans, including five urban rail transit projects in Chongqing, Jinan, Hangzhou, Shanghai and Changchun. Three regional railway construction projects in Guangxi Beibu Gulf Economic Zone, Xi'an-Yan'an new construction and Jiangsu Province's urban agglomeration along the Yangtze River were also approved. The total investment of about 113 billion Euro. Among them, the related planning investment in Shanghai and Jiangsu is about 39 billion Euro and 29 billion Euro respectively. Since December 2018, over this month, NDRC has approved eight urban and regional rail and rail projects (including new ones), with a total investment of about 122 billion Euro.

2.4. Energy

China to cut coal consumption to about 58.5% in 2019

According to the national conference on energy work of 2019 on January 27, the proportion of coal consumption will drop to about 58.5% in 2019, the average power supply coal consumption per kilowatt-hour of coal-fired power plants will decrease by 1 gram on y-o-y basis. The national average curtailment rate of wind will be less than 10%, and the curtailment rate of both light and water will be less than 5%.

China to step up policy support and reform for the oil and gas industry

China will step up policy support and reform for the oil and gas industry in 2019, a reporter learned from the National Energy Administration (NEA) said on February 8. China will accelerate the construction of the system for producing, supplying, storing and marketing natural gas, further explore the potential of gas fields production increase and pipe network interconnection, advance demonstration projects such as coal liquefaction and coal gasification scientifically and orderly, actively promote the construction of pipeline gas storage facilities.

The Issue of Shanghai Industrial Energy Efficiency Guidelines

Late January, Shanghai Industrial Energy Efficiency Guidelines (2018 edition) was compiled by Shanghai Municipal Commission of Economy and Information and the Municipal Bureau of Statistics. As a guide book for industrial energy efficiency improvement and structural adjustment, the first edition of the guidelines in China was released in Shanghai in 2004, the past 15 years has witnessed 6 times of the updating of the guidelines. This year, 117 domestic and international benchmark values were selected from 60 major products in Shanghai, among which 19 international and 27 domestic benchmark values were improved. "The newest" water efficiency indicator were included for the first time in this guidelines. Beside that, more than 800 efficiency indicators in fields such as industry, transportation, construction, public institutions, and of major energy-using equipment were settled.

State Grid set to ramp up clean energy efforts

The State Grid Corp of China, which runs the majority of the nation's electricity distribution networks, is constructing five pumped storage power plants to increase domestic new-energy power generation. The State Grid had 19.23 GW of pumped storage power plant in operation and 30.15 GW under construction in 2018, is looking to speed up the construction aiming for 60 GW of newly installed pumped capacity between 2016 and 2020.

Wind and solar sector will experience a strong growth

The domestic wind and solar sector will experience a strong growth in the period between 2020 and 2030 due to declining costs. According to the China Renewable Energy Outlook 2018, released by the China Renewable Energy Engineering Institute, the nation's installed wind power capacity will increase 70 to 140 gigawatts every year, and wind and solar power will comprise the absolute majority in China's energy portfolio by 2050.

China National Offshore Oil Corp, a leading domestic oil and gas producer, will expand its presence in the offshore wind sector this year to develop its clean energy portfolio, following its involvement in a related project in East China's Jiangsu province in January.

2.5. Steel

The total energy consumption in the steel industry is expected to decline in 2019

Recently, the China Metallurgical Industry Planning and Research Institute has issued the Development Report 2018 of Energy Saving and Low-Carbon of Chinese Iron and Steel Industry. The annual output of iron and steel industry increases by 11.0% in 2018. Among them, the crude steel output is 923 million tons in 2018, with a y-o-y growth of 11%. It is predicted that the output will reduce to 900 million tons in 2019, with a y-o-y decrease of 2.4%.

China Iron and Steel Association predict in contrast, the increased infrastructure investment, together with rebounded growth of ship production and manufacturing will lead to a slight increase in steel demand.

China completes its steel capacity reduction task ahead of schedule

The State Council Information Office held a press conference on January 21. In 2018, China exceeded its annual steel capacity reduction target of more than 30 million tons ahead of schedule, and withdrew its coal capacity target of more than 150 million tons.

Announcement on assessment indicator system for cleaner production of 14 industrial sectors

In December 2018, the NDRC, MEE and MIIT integrated and revised the assessment indicator system documents for cleaner production of 14 industries, including the Assessment Indicator System for Cleaner Production of the Iron and Steel Industry (Sintering and Pelletizing), Assessment Indicator System for Cleaner Production of the Iron and Steel Industry (Blast Furnace Iron-making), Assessment Indicator System for Cleaner Production of the Iron and Steel Industry (Steel-making), Assessment Indicator System for Cleaner Production of the Iron and Steel Industry (Steel Rolling), etc.

2.6. Chemical Industry

Natural gas imports hit record

China's imports of natural gas surged 31.9 percent y-o-y to 90.4 million metric tons in 2018, setting a record, according to the General Administration of Customs. The increase was mainly generated by liquefied natural gas. The efficiency of LNG terminals is improving, and there is growing enthusiasm for constructing LNG terminals. More and more players are entering the market.

First list of toxic and harmful atmospheric pollutants release

On February 14, the MEE and the State Health Commission released the List of Toxic and Harmful Atmospheric Pollutants (2018). This is the first time that China has formulated and published the list of toxic and harmful atmospheric pollutants at the national level. A total of 11 pollutants were listed in the first list of toxic and harmful air pollutants, including dichloromethane, formaldehyde, trichloromethane, trichloroethylene, tetrachloroethylene, acetaldehyde, cadmium and its compounds, chromium and its compounds, mercury and its compounds, lead and its compounds, arsenic and its compounds.

China National Packaging Corporation (CNPC) plans 23 new gas storage facilities

The CNPC plans to build 23 new gas storage facilities and expand 10 existing ones by 2030, with working gas capacity exceeding 15 billion cubic meters. The country aims to make natural gas consumption account for around 10 percent of the country's energy mix by 2020 and 15 percent by 2030.

2.7. Aviation Industry

Aviation industry to see more investment

10.9 billion Euro is expected to be invested in civil aviation sector infrastructure this year, including building and relocating airports. Beijing's new international airport is set to be completed by the end of June 2019.

Communication technology test satellite 3 launched successfully

At 00:53, December 25 2018, China successfully launched the communication technology test satellite 3 from the Xichang Satellite Launch Center with CZ-3C, and the satellite entered a predetermined orbit.

Chang'e-4 lunar satellite landed and continued its mission

Chang'e-4 probe has landed on the back of the moon on January 3 2019. This project is a result of the joint participation of many countries. In addition to the German and Swedish payloads on the probe, the relay satellites are equipped with Dutch low-frequency radio detectors; the Russian-cooperated isotope heat source will ensure Chang'e 4 safely spend the moon night; and the European Space Agency (ESA) TT&C station will play a supporting role after landing. The lunar neutron and radiation dose detectors developed by Germany on probe and the neutral atom detectors developed by Sweden on the lander were open to test. The received detected data will be sent back to the ground one after another through the "Queqiao" relay star.

2.8. Electronics

Breakthroughs in quantum network research

In January this year, the research team of University of Science and Technology of China entangled three separate cold atom quantum memories by multi-photon interference, laying the foundation for construction of a multi-node, long-distance quantum network. According to the introduction, quantum network can be divided into three stages: quantum key network, quantum storage network and quantum computing network. Quantum storage network is the next stage of quantum key network. Quantum key network has been mature and is now entering large-scale applications, such as the Beijing-Shanghai trunk line of quantum secret communication, which has already been built in China. In the direction of quantum storage network, the current main goal is to expand the number of nodes and increase the distance between nodes.

Huawei launched the industry's first 5G chip, 2.5 times faster than previous chips

On January 24, Huawei Technologies Co., Ltd. held a 5G conference in Beijing to launch the first 5G chip in the industry, Tiangang chip. This chip has the advantages of super-high integration and super power, and its performance is about 2.5 times stronger than previous chips. The size and power consumption of Tiangang chip are both reduced and the spectrum supplied can reach 200M, and it can support up to 64 channels. In addition, on January 7, Huawei announced the launch of Kunpeng 920, the industry's highest performance server processor based on ARM architecture, as well as TaiShan server based on Kunpeng 920 and Huawei cloud service. Benchmark scores exceeded 930, exceeding the benchmark of industry by 25%. At the same time, the power efficiency ratio is 30% better than the industry benchmark.

3) M&A Information

3.1. M&A in 2018 and Trend 2019

Corporate M&A witnessed significant growth in China in 2018 during first 11 months to total 295 billion Euro, up 42% y-o-y.

Early 2019, the CSRC (China Securities Regulatory Commission) has unveiled a range of policies loosening restrictions on M&A applications. It has also gradually eased control over M&As that have implications for the capital market.

3.2. M&A Information

December 2018 - January 2019

Outbound M&A					
Date	Target	Target sector	Acquirer	Value (EUR)	Notice
20.12.2018	HPTec GmbH	Machine Tool	China Tungsten Hightech Materials Co., Ltd.	100% stock right, 19 million	
06.01.2019	Kenon Holdings	Automobile	Baoneng Group	12% stock right, 205 million	
23.01.2019	Terminales Portuarios Chancay S.A.	Transportation	China COSCO Shipping Group	100% stock right, 198 million	
Inbound M&A					
-	-	-	-	-	-
Domestic M&A					
Date	Target	Target sector	Acquirer	Value (EUR)	
23.12.2018	Ningbo Bode high-tech Co., Ltd.	Precision Wire	Ningbo Powerway Alloy Material Company Incorporated	93% stock right 131 million	

4) SOE Information

4.1. SOE Reform Updates

SOE Performance 2018

- » The sales revenue of 96 SOEs reached 3.8 trillion Euro, up 10.1%
- » Profits 0.25 trillion Euro, 16.7%.
- » More than 1,900 zombie companies have been removed from the country's SOE system so far from 2016 to 2018.

China's central SOEs lead way in B&R construction

Since the Belt and Road Initiative was proposed in 2013, China's trade with B&R countries has exceeded 5.3 trillion Euro, and China has invested over 70 billion Euro in these countries. China's SOEs have played a key role in the B&R construction. So far, over 80 central SOEs have participated in B&R construction, carrying out 3,116 projects along the routes and achieving breakthroughs in many fields such as infrastructure construction and energy security. So far, 92 percent of China's central SOEs have participated in B&R construction and more than 60 percent of them have made equity investment in countries along the routes. The other three main investment modes of central SOEs in B&R countries cover project contracting, overseas mergers and acquisitions as well as BOT (build-operate-transfer) projects.

SOE reform continues in 2019

State-owned Assets Supervision and Administration Commission (SASAC) will also encourage independent innovation and breakthroughs in key technologies, as well as promote the transformation and development of the manufacturing sectors. China is making effort in restructuring the nation's previously monopolized industries by means of bringing in more mixed-ownership management modes. SASAC called on 11 pilot SOE's in late December 2018 to establish independent financial and investment arms to better manage their assets and serve the real economy. They follow on from 10 pilot SOEs chosen in 2016, when China began to take measures to tackle some SOEs structural, operational and debt issues. The reform until 2020 aims to establish a market-oriented income distribution mechanism that directly connects the salaries of employees with the company's performance. Marketization is the goal.

4.2. SOEs Introduction

State-Owned Company Name	China Aviation Supplies Company (CASC)
Headquarter Location	Beijing
Total Number of Employee	N/A
Number of Subsidiaries in China	10
Name of Chairman	Mr. Jia Baojun
Main business:	Aircraft batch purchase, aviation leasing, aviation supplies shares, general aviation, aircraft wheel support,

	airport service support, aviation energy-saving service, etc.
General Introduction	China Aviation Supplies Company (CASC) was founded with the approval of the State Import and Export Regulatory Commission in October of 1980, and was the first company established in Chinese civil aviation industry. In October of 2002, the transportation companies and supporting companies in the civil aviation industry underwent a merging and restructuring. As a result, three air transportation group companies and three aviation-supporting companies were founded.
Turnover in billion Euro	unknown
Website:	http://www.casc.com.cn/cas/en/

State-Owned Company Name	PowerChina
Headquarter Location	Beijing
Total Number of Employee	190000
Number of Subsidiaries in China	74
Name of Chairman	Mr. Yan Zhiyong
Main business:	Energy and power and construction engineering (including survey, planning, design and project contracting), water ecological environmental governance and development and operation of other resources, real estate development and operation, and the manufacture and lease of related equipment, national planning and review of hydropower, wind power, solar power and other clean energy and new energy sources.
General Introduction	Approved by the State Council, Power Construction Corporation of China (POWERCHINA) is a wholly state-owned company set up in September 2011 on the basis of 14 provincial/municipal/regional electric power survey and design, engineering and equipment manufacturing enterprises formerly affiliated to Sinohydro Group Ltd., HydroChina Corporation, State Grid Corporation of China and China Southern Power Grid Company Limited. POWERCHINA ranked 190th among Fortune Global 500 in the year of 2016, 42nd among Top 500 Enterprises of China. It has five oversea brands: SINOHYDRO, HYDROCHINA, SEPCO, SEPCO III, and HYPEC.
Turnover in billion Euro	46 in 2017
Website:	http://en.powerchina.cn/

5) Our Resources

Source	Links	Language
China Briefing	www.china-briefing.com	EN
People Net	people.com.cn	CN
Mofcom Website	mofcom.gov.cn	CN,EN
Finance World	jrj.com.cn	CN
Chinese Customs	customs.gov.cn	CN
China Daily	www.chinadaily.com.cn	EN
National Petroleum Corp.	www.cnpc.com.cn	CN,EN
Ministry of Finance	mof.gov.cn	CN,EN
Sina News	news.sina.com	CN
China Policy	https://policycn.com/	EN
Machinery & Electronics Business	newspaper	CN
China Machinery Industry Federation	cmif.mei.net.cn	CN, EN
Yicai	https://www.yicai.com/	CN
Jiemian	https://www.jiemian.com/	CN
FTChinese	http://www.ftchinese.com/	CN, EN
Caixin	http://www.caixin.com/	CN, EN
Longyuan	http://qikan.com.cn	CN, EN
Huajx	http://www.huajx.com/	CN
DealGlobe	http://cn.dealglobe.com/	CN, EN
Enterprise M&A Network	http://www.zgqybg.com/	CN
China Autonews	http://www.chinaautonews.com.cn/	CN
Steel CN	http://shanghui.steelcn.cn/	CN
Belt & Road Official Site	https://www.yidaiyilu.gov.cn/	CN
21 Sun	http://news.21-sun.com/	CN

Note: (February 2019)

All information in the newsletter was provided at following exchange rate:

Exchange Rate	
EURO: U. S. Dollar	EURO: RMB
1 : 1.13	1 : 76

6) Calendar of Events (VDMA China)

Event Name	Location	Date
Highlight Event		
Flagship Industry 4.0	Shanghai	21-Jun
Summit	Shanghai	30-Oct
China Management Meeting (CMM)		
Agricultural Machinery	Qingdao	5-Mar
Power Transmission /Fluid Power/Textile Machinery /Electric Automation	Shanghai	13-Mar
Robotic and Automation	Suzhou	19-Mar
Machine Tool	Beijing	18-Apr
Construction Equipment	Shanghai	7-May
Food Packaging and Processing Machinery	Suzhou	8-May (TBC)
EMINT	TBD	14-May (TBC)
Plastic and Rubbery Machinery	Guangzhou	20-May
Technical Networking Meeting	TBD	May
Trade Fairs		
ProSweets	Koeln	27-31 Jan
World of Photonics / VISION	Shanghai	20-22 Mar
SEMICON China/electronica	Shanghai	20-22 Mar
SIA	Shanghai	26 Feb-01 Mar
CIPPE	Beijing	27-29 Mar
CIMT	Beijing	15-20 April
NEPCON China	Shanghai	24-26 Apr
Chinaplas	Guangzhou	21-24 Apr
IAMD	Beijing	8-10 May
SNEC PV POWER EXPO	Shanghai	04-06 Jun
CPhI&P-MEC China, FoodPack China & ProPak	Shanghai	18-21 Jun
CEO Roundtable/Breakfast		
IT local Datalization - Burkardt	Shanghai	Apr
Compliance	Shanghai	14-Mar
B2B Marketing	Shanghai	16-May
CEO Briefing (1)	Beijing	TBD
Compliance	Shanghai	18-Jun

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7) Services of VDMA China Office

With 10 years of service experience in China, the **VDMA China Office**, namely **VDMA Beijing Representative Office** and **VDMA Shanghai Representative Office**, provides support for VDMA member companies in China. The VDMA China Office has a **strong focus & profound understanding** with regard to selected machinery industry sectors in China:

- **Agricultural Machinery**
- **Construction Equipment & Building Material Machinery**
- **Food Processing and Packaging Machinery**
- **Machine Tools and Manufacturing Systems**
- **Metallurgy (Foundry, Metallurgical Plants and Rolling Mills, Thermo Process Technology)**
- **Electronics, Micro & Nano Technologies**
- **Electrical Automation**
- **Plastics and Rubber Machinery**
- **Power Transmission Engineering / Fluid Power**
- **Robotics + Automation**
- **Textile Machinery**
- **Woodworking Machinery**

The VDMA China Office is established to act as a bridgehead for VDMA member companies. We support the following enquiries:

- **HR issues** (e.g. salary reports)
- **Translations** (e.g. company brochures, business cards, technical translations)
- **Trade Fairs** (e.g. booth at large scale VDMA-pavilion ("German pavilion"), speaker slots)
- **Seminars** (e.g. about debt collection, sales management)
- **Project Management** (e.g. business travel support, site investigation)
- **Market Entry Package** (e.g. market entry plan, personal one day support of Chief Representative)
- **Conformity and Standardization Issues** (e.g. local machinery norms and standards)

Our professional teams in Beijing and Shanghai are fluent in German, English and Chinese.

We look forward to serving you - please do not hesitate to contact us today!

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