



Newsletter

Außenwirtschaft

Dear readers,

China's official economic data shows negative performance in the H1/2019 with exception of FDI. The Political Bureau confirmed the downturn trend in a meeting end of July:

General Data & Figures

- GDP growth rate in Q2/2019: 6.2% (Q1/2019: 6.4% and 6.7% in Q2/2018)
- CPI: 2.2% in H1 (2.0% in 2018 H1)
- PP: 3.6% in H1 (3.9% in 2018 H1)
- FDI: 533.14 billion RMB, +7.3% (y-o-y: 496.7 billion RMB, +2.3%)
- Export in H1: 7.94 trillion RMB, rose 3.9% y-o-y (H1 2018: 7.51 trillion RMB, +4.9%).
- Import in H1: 6.72 trillion RMB, rose 4% y-o-y (H1 2018: 6.61 trillion RMB, +11%).
- Trade Surplus in H1: 1.23 trillion RMB, widened by 41.6% y-o-y (H1 2018: 901.3 billion RMB, narrowed by 27.5%).

Unlike many other sectors, infrastructure still seems to perform quiet. This year, NDRC approved more than 30 infrastructure projects with a total investment volume of 850 billion RMB, mostly in urban railway, airport expansion, and coal mining.

China's **automotive market** in contrast overall vehicle sales in China stood at 1.8 million in July, falling 4.3%. Sales in the first seven months of this year reached 14.13 million, down 11.4%. CAAM estimates that China's vehicle sales would drop 5% this year to 26.68 million vehicles. China cut its subsidies for NEV's in June, so people rushed to place their orders before the policy took effect. As expected, fell the NEV production in August by 6.9% and sales by 4.7%.

The **Social Credit System (SCS)** and Enterprise Credit System respectively, is currently a hot topic among the European business community in China, especially after the European Chamber (EUCCC) together with Synolytics launched the report *"Digital Hand: How China's Corporate Social Credit System Conditions Market Actors"* end of August. Interesting thoughts and findings have been shared during the launch meeting:

- The company credit rating is linked to the rating of the legal representative of the company.
- The self-enforcing character of the system is seen critical: high score companies will only want to work together with high score suppliers and business partners.
- The rating system for individuals is still in a pilot stage compared to the rating system for companies.
- Although the SCS is supposed to be implemented by the end of 2020, there is still no national database containing all information about a company registered in China. In order to obtain all publicly available information about a company, different databases at national and local level would need to be accessed in parallel at the moment.

Please note that the date for the **8th VDMA China Mechanical Engineering Summit** (Maschinenbaugipfel China), which will be held in Shanghai, has been changed to October 29, 2019. More information on the event can be found on: <https://www.eventbank.cn/event/8th-vdma-mechanical-engineering-summit-2019-23457/>

Sincerely,

Claudia Barkowsky

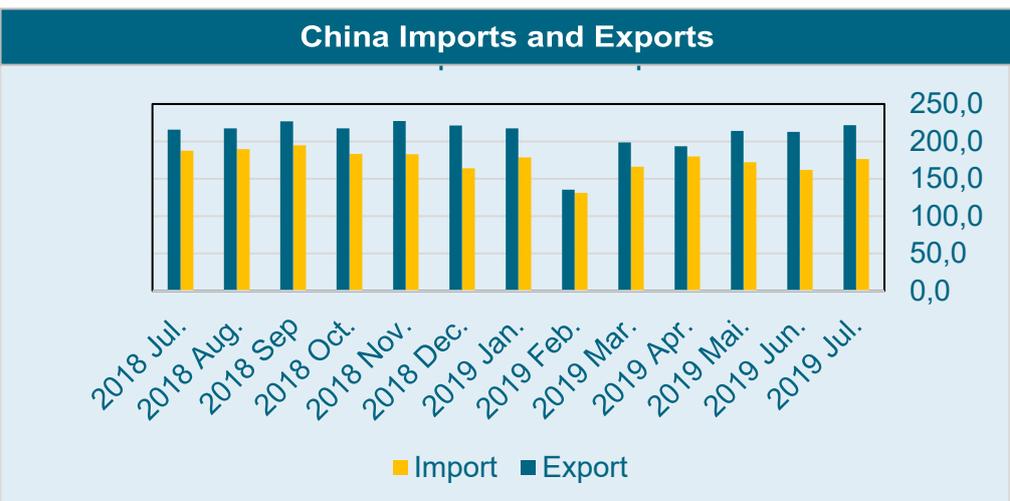
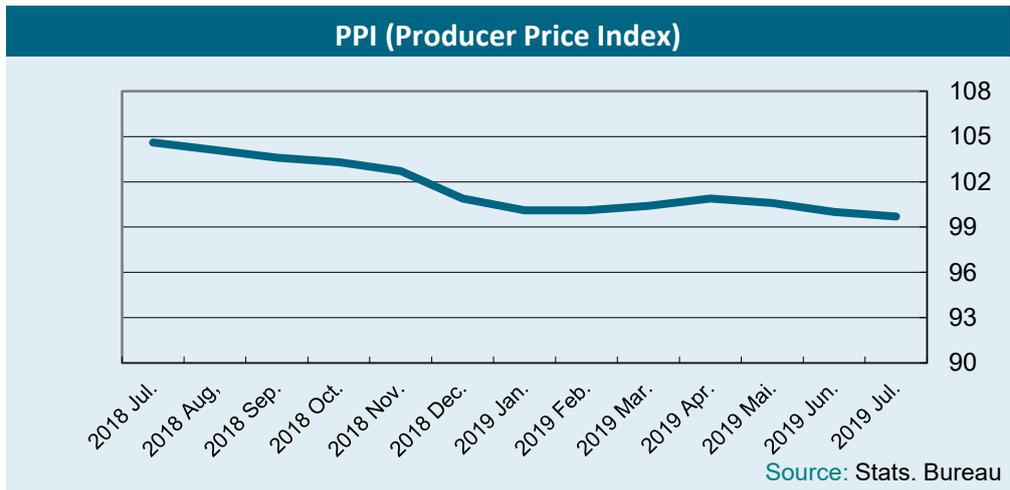
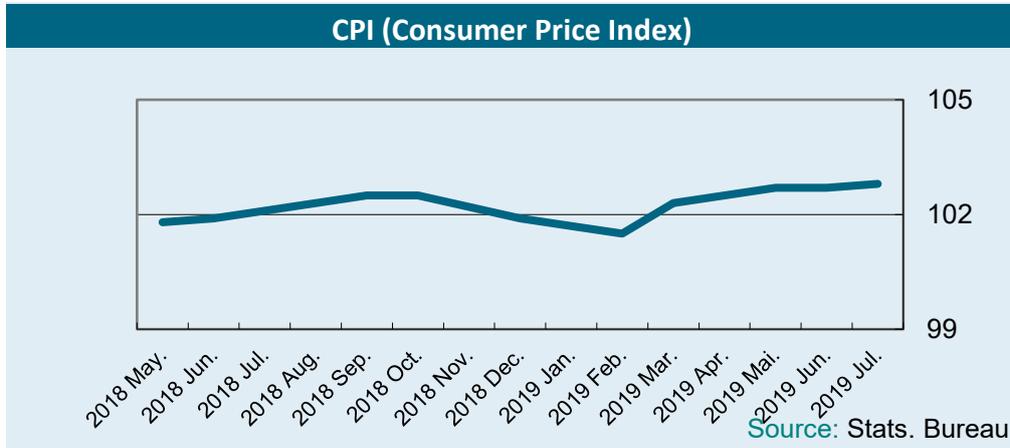


Content

1) China Macro Economic Scenario	3
1.1 General Data and Figures	3
1.3 Sino-US Trade/Technology War	4
1.4 Opening-up and FDI	5
1.5 Environmental Protection	7
1.6 IPR and R&D	7
2) Industry News.....	8
2.1 General Industry Figures and News	8
2.2. Automobile	8
2.3. Infrastructure.....	10
2.4. Energy.....	10
2.5. Steel.....	11
2.6. Chemical Industry	12
2.7. Aviation Industry	12
2.8 Electronics	13
3) M&A Information	14
4) SOE Information	15
4.1. SOE Reform Updates	15
4.2. SOEs Introduction.....	15
6) Calendar of Events (VDMA China).....	18
7) Services of VDMA China Office.....	19

1) China Macro Economic Scenario

1.1 General Data and Figures



1.2 Macro Economic

Growth likely to further slowdown

The 6.3% GDP growth in the first half of the year is in line with expectations, and although the growth slowed to 6.2% in the second quarter. The 2019 Q2 Politburo meeting acknowledged downward economic pressure and mentioned new risks and challenges to development. Economic analyst believes these risks could include industry chain breakdown, drastic consumption decline, and sluggish manufacturing and private investment improvement. Since the beginning of this year, the producer price index, which reflects the price changes in the production field, has remained low falling to zero by June due to declining international oil prices and weak internal and external demands. At the moment, the Chinese economy is on the edge of deflation and growth is likely to further slowdown in the second half of the year.

PPI contracts the first time in July 2019 since 2016

Weak aggregate demand and low production material prices dragged July PPI down. Ferrous and non-ferrous metal prices grew, while fuel processing industry prices declined. Analysts interviewed by 21st Century Business Herald said intentional H1 production cuts caused the recent high metal prices, rather than an actual increase in demand, and that the already-resumed normal production should cause prices to normalize.

The PMI in June was basically unchanged from the previous month

According to the data published by the State Statistics Bureau in June, the Purchasing Managers' Index (PMI) of China's manufacturing industry was 49.4%, remaining unchanged from the previous month. And the PMI in July picked up slightly to 49.7%. The main features of these two months: first, the overall production keep expanding, and the industrial transformation and upgrading keep carrying forward. Second, the market order growth momentum is weak, and the foreign trade development environment is tightening.

Central bank unveils plan on digital currency

The People's Bank of China, the central bank, is organizing market-oriented institutions to jointly research and develop a central bank digital currency and the program has been approved by the State Council. The central bank has been watching the emergence of a new global digital currency called Libra, introduced by Facebook, the world's biggest social network company, on June 18.

NDRC' new plan to build an economical, efficient, convenient, green and safe land-sea corridor for the western region

By 2035, the new land-sea corridor will be fully completed, with better transportation capacity and world-class customs clearance and logistics services, officials said. The new land-sea corridor will extend primarily from Chengdu in Sichuan province and Chongqing to a group of Beibu Gulf ports in the Guangxi Zhuang autonomous region and Yangpu Port in Hainan province. It also will better connect China's inland northwestern region to major ports in the south.

1.3 Sino-US Trade/Technology War

US' restriction to Chinese companies

The United States has released an interim rule to restrict government agencies from doing business with Chinese tech companies including Huawei, which industry insiders said is another means of impeding Chinese companies and hampering global free trade. The new rule directly restricts the use of federal funds to buy telecom equipment and services as well as video surveillance equipment from a list of Chinese companies.

Huawei unveiled its in-house operating system Harmony OS

This made what some call the Chinese tech giant's biggest push yet to build its own software ecosystem for the area of the Internet of things. The move is also expected to mitigate the influence of the US government's restrictions on Huawei using Google's Android operating system in smartphones.

British mobile providers will roll out 5G system perhaps with Huawei

A Parliamentary committee has told the government of the United Kingdom there are "no technical grounds" for banning the use of equipment from Chinese telecommunications company Huawei in Britain's 5G network.

Huawei and its partners have made a commitment to explore 5G intelligent agriculture applications in Canada

At a memorandum of understanding signing event hosted by Willow Springs Winery in Stouffville, Ontario, a slew of ground-breaking "smart agriculture" wireless technologies were demonstrated.

Huawei reached 58.3 billion USD revenue in H1

Huawei said on late July that it posted 401.3 billion yuan in revenue in the first half of 2019, marking a 23.2 % year-on-year jump, despite all the restrictions it faces from the United States government. That marks a slowdown in comparison to the 39 % year-on-year growth in revenue in the first quarter of 2019. But it is still up from the 15 % growth of the same period in 2018.

Huawei will build a factory in Brazil

Huawei Technologies Co Ltd will invest \$800 million to build a factory in Brazil, the world's fourth-largest smartphone market, by 2022 as part of broader efforts to beef up its presence in foreign markets to offset the fallout of global economic uncertainty. The factory will be located in the southeastern state of Sao Paulo. One of its Governor noted that Huawei is ramping up efforts to build the plant as Brazil is expected to hold its 5G spectrum auction next March. Industry insiders predicted the auction would be the largest in the world so far.

1.4 Opening-up and FDI

Encouraging foreign investment in advanced manufacturing:

NDRC and the Ministry of Commerce released Catalogue of Encouraged Industries for Foreign Investment (2019 Draft) on 30 Jun 2019 and will replace the 2017 version. The catalogue includes one nationwide section and one section for central, western, and northeastern regions. It offers preferential treatment to foreign investment in 1,108 industries, 415 nationally and 693 in the regions. 80% of newly added items point to the manufacturing industry. The catalogue supports foreign investment in high-end, intelligent, and green manufacturing sectors, including:

- electronics and information
 - 5G core components
 - integrated circuit etching machines
 - chip packaging equipment
 - cloud computing equipment
- equipment manufacturing
 - industrial robots
 - new energy vehicles
 - smart car key components

- modern pharmaceuticals
 - targeted therapy key raw materials
 - large-scale cell culture products
- new materials
 - aerospace new materials
 - monocrystalline silicon
 - large silicon wafer

China's New Negative List

China's FDI new negative lists has taken effect on July 30. The lists, for nationwide implementation, now comprise 40 detailed regulations for foreign investors, down from 48, while the one for free trade zones has 37 listed items, down from 45. According to the lists, restrictions on the exploration and development of petroleum and natural gas by Chinese-foreign equity joint ventures or non-equity joint ventures will be canceled.

China sets to build up a globally competitive Shanghai FTZ

A State Council plan for Shanghai FTZ's new Lingang area, released 6 August, aims to make it globally competitive. Upgrades include preferential market access, tax incentives and boost to quality of life incentives. MNCs are encouraged to headquarter in the zone, strengthening Shanghai's advantages in offshore trade and global supply chain management. If they relocate, they will bring a complete service industry chain with them. But Shanghai has less competitive tax policies than rivals Singapore and Hong Kong, notes Huang Feng Shanghai Foreign Investment Association, and MNCs are sensitive to foreign exchange restrictions. Chen Yin, Shanghai vice mayor suggests more subsidies will be necessary to attract foreign talents and investors. The offshore trade model also tests regulatory capacity. Current supervisory mechanisms are designed for traditional trade, but offshore trade separates flow of orders, goods, and capital, creating operational problems for companies using Shanghai as a hub for trade services and financing rather than physical goods. Regulators will need to 'turn the knife inwards' and make radical reforms towards a more advanced management model that can handle triangular trade involving parties spread across multiple countries. Beyond providing subsidies and solving operational issues, the zone will woo MNCs with measures addressing such pain points as intellectual property rights and data controls. After setting up IP and finance courts, the zone will focus on commercial dispute settlement and bring in proven international arbitration institutions. The new area will also pilot approaches to open cross-border data flow, supporting such data-reliant industries as integrated circuits, AI, and biomedicine.

Guangdong province released Three years action plan

Guangdong province released a suggestion paper on how to implement the outline development plan for Guangdong-Hong Kong-Macau Greater Bay Area as well as a Three-Year Action Plan (2018-20) on 5 July 2019. The two proposals are like a construction blueprint and assignment sheet for GBA development. The action plan also details the development of various sectors and industries as well as offers a clear vision for emerging industries' future development. The 2018-20 action plan outlines 100 measures in nine major areas, which include

- improving development structure and spatial layout
- building an international sci-tech innovation centre
- setting up modern infrastructure
- accelerating a new pattern of overall opening-up
- jointly developing a regional cooperation platform, etc.

1.5 Environmental Protection

All major cities in China are carrying out the garbage sorting and Shanghai became the first pilot city.

Since July 1 of this year, the Regulations on the Administration of Household Garbage Sorting in Shanghai came into effect. It is reported that garbage sorting will be gradually promoted in other large and medium-sized cities. Four sorts of garbage are primarily categorized:

- Recyclable matters refer to wastepaper, waste plastics, waste glass products, waste metals, waste fabrics and other domestic wastes suitable for retrieving and recycling;
- Harmful wastes refer to waste batteries, waste lamps, waste medicines, waste paint and its containers, etc., which cause direct or potential harm to human health or the natural environment;
- Wet wastes, i.e. perishable wastes, refer to perishable biomass domestic waste such as food material waste, leftovers, expired food, melon rinds and fruit cores, flowers and green plants, and residues of traditional Chinese medicine;
- Dry wastes, i.e., other wastes, refer to household wastes other than recyclable matters, harmful wastes and wet wastes.

China's top environmental watchdog has pledged to enhance an environmental damage compensation system

The guideline, which issued by the MEE and came into effect on Jan 1, 2018, aims to promote the country's ecological progress by establishing an efficient and comprehensive damage compensation system by 2020. There has seen almost 1 billion yuan claimed since the start of last year by integrating it into more laws. Local governments have claimed compensation in 424 pollution cases so far, 206 of which have been settled. However, the cases have been unevenly distributed, with 82% occurring in only 10 provinces and two provincial-level regions not seeking any compensation at all.

1.6 IPR and R&D

China saw a decrease in applications for invention patents and trademark registration in H1 2019

According to the National Intellectual Property Administration. Data from the administration show that in the first half of the year, the number of invention patent applications reached 649,000, down 9.4% year-on-year, and trademark filings numbered 3.44 million, a decrease of 4.1% over the same period last year. A NIPA official said the came on the heels of an increasingly optimized intellectual property structure. Though the applications saw a decrease, a total of 238,000 invention patents were granted in H1, an increase of 9.9% year-on-year, and the number of new trademarks surpassed 3.5 million during the same period, up 67.8%. During the six-month period, the administration accepted 24,000 international patent filings via the Patent Cooperation Treaty, up 4.9% year-on-year. Foreign applications for Chinese invention patents reached 78,000, up 8.6% year-on-year; foreign trademark filings in China numbered 127,000, which was a 15.4% increase over the same period last year.

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.

High-end manufacturing support measures expected

Central and local governments will further support manufacturing investment and development, says NDRC. With a rigorous ecosystem in place, manufacturing investment and development will focus on high-end and bottleneck industries, says China Centre of Information Industry Development Institute of Electronic Information (CCID) deputy director. Those include

- high-end areas with strong demonstration effects
 - electronic information products
 - transportation equipment
 - specialised equipment
- important bottlenecks
 - integrated circuits
 - new materials

Underwater robotics industry booms, relying on import components

The domestic deep sea equipment industry is expanding rapidly, but export controls in developed countries increase supply gaps risks in propellers and other key components. Automated underwater vehicles (AUV) and remotely operated vehicles (ROV) markets are expected to realise 18.2% CAGR 2017-25 to be worth US\$9.12 bn globally by 2025, according to Transparent Market Research. Still, the domestic industry is in its early stages.

2.2. Automobile

China's auto market had suffered a sales decline for 12 consecutive months, and finally ushered in a year-on-year increase in June due to the price reduction and warehouse clearance of the National-V standards, but continuously declined in July due to the advance consumption overdraft. According to the data of CPCA, the total passenger car sales in China were 11.44 million from January to July, with a year-on-year decrease of 8.8%.

NEV sales fall by 4.7% in July

Carmakers in China delivered 80,000 electric cars, plug-in hybrids and fuel cell vehicles in July, a little more than half of sales in June, data released from the China Association of Automobile Manufacturers (CAAM) showed. China cut its subsidies for the vehicles in late June so people rushed to place their orders before the policy took effect. This resulted in a spike in June sales and then a fall in July.

The MIIT and other ministries issued the "dual-slope" policy amendments

This amendment was issued in mid June. It meant that the relevant authorities were about to carry out "rectification" of the problems exposed in the implementation of the current "dual-slope" policy, which result in the oversupply of the points and low transaction price. The amendment draft) intended to avoid the hidden dangers caused by excessive points through revising the point standards and vehicle models' technical requirements for new energy vehicles in 2021 and in the future

Charging market of electric autos valued at more than 100 billion yuan

By 2020, the demand scale of China's electric vehicle charging industry will reach 184.7 billion yuan, according to a third-party industrial research institute. The industry with its huge market potential has lured a group of businesses from diverse industries, among which is the country's ride-sharing company Didi Chuxing Technology. In March this year, Tesla proposed its latest charging scheme, the V3 super charging pile, which will help improve the charging efficiency. SAIC Motor unveiled its charging service in 2015. With an initial investment of 20 billion yuan, the automaker is set to establish a total of 660,000 charging piles across China by 2020. As the leading new energy car startups in China, Nio and Xpeng are also pioneers in the electric vehicle charging industry. Some international energy companies like Royal Dutch Shell and British heavyweight BP are also developing electric vehicle charging business in China, putting competitive pressure on Chinese companies. Royal Dutch Shell launched its first charging station in Tianjin, China last year, which features one-stop service for both charging and refueling.

Chongqing released subsidy for automobile and parts enterprises

The over one year declining of auto sales in China made some of the joint ventures and independent brands were difficult to survive. Chongqing is one of the "auto cities in China", which gathers a large number of independent and joint venture brands and auto parts and accessories industries. However, the decline in sales and brand decline led to the collapse of the auto industry. A few days ago, Chongqing Liangjiang New Area released the subsidy list of "stable post and return for difficult enterprises". 30 automobile companies including Changan Ford Automobile Co., Ltd., SAIC-IVECO HONGYAN commercial Vehicle Co., Ltd., Yanfeng Adient and Yanfeng Automotive Interiors became the difficult enterprises, among which the Changan Ford received a subsidy of 140 million yuan.

JMC and Renault set up a joint venture company and Renault accounted for 50% of the shares with 1 billion yuan

On July 17, Renault Group and JMC Group officially announced the establishment of a joint venture by the two sides. Renault Group officially became the shareholder of New Energy Automobile Company of JMC Group with 50% equity by increasing the capital of 1 billion yuan. At present, the new company has completed the business registration. The two sides previously announced a cooperation agreement on December 20, 2018. According to the China Auto News, after the establishment of the joint venture company, it still used the Yizhi Brand of JMC New Energy and will continue to launch a series of battery electric vehicles.

BAIC invested in Daimler AG with a 5% stake.

On July 23, BAIC officially announced its investment in Daimler AG, which currently held 5% of Daimler AG shares. The transaction includes a 2.48% direct stake and an additional right to vote equivalent to 2.52% of the shares. Since 2013, Daimler has also held a stake in BAIC Moto listed in Hong Kong owned by BAIC and held a board seat.

BMW to build a computing center with Chinese Internet Giant

On 19th Juli, BMW announced a deal with Chinese technology firm Tencent Holdings to build a computing center that will help develop self-driving vehicles in the country. The center, which will start operations by the end of the year, will leverage Tencent's capabilities in cloud computing and big data to develop autonomous driving technology and products adapted to Chinese road and traffic conditions, said BMW in a statement.

2.3. Infrastructure

Positive signs are seen in infrastructure

According to the statistics of China Construction Machinery Association, in July 2019, 12,346 sets of all kinds of excavating machinery products were sold in total, with a year-on-year increase of 11.0%. The NDRC approved the infrastructure projects of more than 850 billion yuan within this year. In the second half of the year, the new infrastructure construction such as 5G will enter the period of full-scale acceleration, and the construction of infrastructure will enter the period of full-scale acceleration this year. The NDRC approved more than 30 infrastructure projects with a total investment of more than 850 billion yuan, from the view of project type, mostly in urban railway, airport expansion and coal mining. According to the Infrastructure Development Division of NDRC, China's transportation infrastructure still had many weaknesses, but had large development space, which was a key field of promoting effective investment.

Internet infrastructure picks up

China will ramp up resources to make breakthroughs in core and key technologies and speed up the construction of internet infrastructure such as 5G, AI and the IoT in an effort to achieve its goal of high-quality development. Chen Zhaoxiong, vice-minister of MIIT said on 09.02. He also called for enhancing the capabilities in safeguarding key information infrastructure, network data and personal information in a bid to build the nation's strength in cyberspace.

China National Chemical Engineering Group Corporation signed an infrastructure project of 1 billion yuan in Dubai.

In August, China National Chemical Engineering Group Corporation signed a general contract of Mega housing construction and Mega road and infrastructure. The owner planned to invest 3.5 billion yuan to develop the housing construction in Mega and the Mega infrastructure project in five phases, covering five phases in total, including the installation/construction of infrastructure, such as highway network, street lighting, drinking water system, sewage management system, fire control system, residential buildings and villas.

2.4. Energy

The automobile ethanol gasoline is planned to be replaced of the ordinary gasoline in Hebei

Recently, Hebei Provincial Development and Reform Commission and other 10 departments jointly issued the Hebei Automobile Ethanol Gasoline Promotion Plan, which mentioned that the six southern cities in Hebei province (Shijiazhuang, Baoding, Xingtai, Handan, Cangzhou and Hengshui) had basically carried out the operation of automobile ethanol gasoline within the scope; from June 1, 2019, the automobile ethanol gasoline will be promoted the use in Chengde, Zhangjiakou, Tangshan, Qinhuangdao and Langfang; at the end of December, achieve the closed operation in the whole province; in addition to the use of gasoline for the special needs of the army, national and special reserves, as well as the industrial production.

The middle section of the China-Russia east-route natural gas pipeline started construction

It is expected to be completed next October. The construction starts from Jilin Province to Hebei province. Upon completion, the pipeline is expected to ease the gas shortage in northeastern China and the Beijing-Tianjin-Hebei region.

Wind and solar photovoltaic power are likely to achieve grid price parity within 2020

While at the same time, their quick development will further diminish the share of hydropower in the total power output by renewables in China, according to industry experts. China Renewable Energy Engineering Institute, estimated the rapid growth of wind and solar power will continue throughout 2025, driven by the country's commitment to reducing carbon emissions even as conventional hydropower is slowing down due to increased costs and environmental protection. Newly installed renewable capacity in 2018 was 76.44 GW, taking up 63.8% of the newly installed energy capacity. Renewable electricity output in 2018 was 1,867 terawatt-hours, increasing 10.1 % from 2017.

Deepest oil well in China was got through

PetroChina, the country's biggest oil and gas company, said on 29.07.2019. that it has achieved a significant technological breakthrough, after successfully completing drilling work on the deepest oil well on land in Asia at its Tarim oilfield in the Xinjiang Uygur autonomous region.

Three nuclear power projects received approval for construction

They are Rongcheng plant in Shandong, Zhangzhou plant in Fujian, and Taipingling plant in Guangdong, confirmed National Energy Administration (NEA) at NEA's Jul 2019 meeting. Rongcheng plant has already begun construction, while Zhangzhou plant awaits licences from National Nuclear Safety Administration. Both Zhangzhou and Taipingling plants initially adopted AP1000 technologies, but later switched to the more advanced Hualong I reactor.

Sinopec discovered new gas reserve

Sinopec discovered natural gas proven reserves of around 92.1 billion cubic metres in Sichuan. The newly discovered reserves — consisting of Yuanba, Zhongjiang and Dayi fields — could generate an annual gas capacity of 2 billion cubic metres, enough to support 10 million households' consumption.

2.5. Steel

NDRC: operation of steel industry from in H1 2019

- The crude steel output continued to increase. The output of pig iron, crude steel and steel products of China was 404.21 million tons, 492.17 million tons and 586.9 million tons respectively from January to June of this year, with a y-o-y increase of 7.9 %, 9.9 % and 11.4% respectively.
- The steel price rose again with fluctuation. The aggregate price index of steel products in China was 109.5 points at the end of June, down 1.65 points on a month-on-month basis and 6.3 points on a year-on-year basis. The aggregate price index of steel products rose for three consecutive months and dropped slightly in June.
- The enterprise benefit declined sharply on a year-on-year basis. From January to June this year, according to the statistics of China Iron and Steel Association, the sales revenue of its member enterprises reached 2.09 trillion yuan, with a year-on-year increase of 10.9%; the sales cost was 1.87 trillion yuan, with a year-on-year increase of 15.2%; the profit reached 106.455 billion yuan, with a year-on-year decrease of 20.5%, of which the profit of main business decreased 30.7% on a year-on-year basis.
- The export of steel products declined slightly, and the import prices of iron ore continued to rise. According to data of customs, China exported 34.4 million tons of steel products from January to June of this year, with a year-on-year decrease of 2.6%; the accumulative total of 5.82 million tons of steel products were imported, with a year-on-year decrease of 12.7%. From January to June, China imported 499.09 million tons of iron ore, with a year-on-year decrease of 5.9%; the average import price was \$86.7 / ton, up 23.0% on a y-o-y basis.

2.6. Chemical Industry

BASF invested in the second phase of expansion project of tBA appliance in Nanjing

BASF announced on July 29 that it planned to invest in the second phase of expansion project of tert-butylamine (tBA) production appliance at BASF Specialty Chemicals (Nanjing) Co., Ltd. in Nanjing. When completed, the annual capacity of tert-butylamine of BASF in the world will be increased by more than 30% a year. The appliance, which is scheduled to go into production in 2022, will use the advanced technology of BASF to dramatically reduce the production of by-products.

China issued a number of emission standards for air pollutants in the chemical and pharmaceutical industries

Recently, the MEE and the State Administration for Market Regulation (SMAR) jointly issued three mandatory national standards, including standard for fugitive emission of volatile organic compounds (GB37822-2019), Emission standard of air pollutants for paint, ink and adhesive industry (GB37824-2019) and Emission standard of air pollutants for pharmaceutical industry (GB37823-2019).

Pharmaceutical industry in China is in critical phase

China's pharmaceutical industry is undertaking a critical transformation toward high-quality and innovation-focused development, reflected by the explosion of new drug and clinical trial approvals in recent years, according to global consultancy firm McKinsey. The transformation is being driven by factors such as a rapidly aging society, higher healthcare demands, drug regulation reforms, and increased investment inflows. In late 2018, Chinese authorities launched a national centralized procurement pilot program in four municipalities and seven local cities, with an aim to slash drug prices and deepen reforms in the healthcare sector. Earlier this month, the National Healthcare Security Administration issued a notice to extend the pilot work to more cities and provinces. In the first round of the pilot program in early 2019, 31 drugs were listed for centralized procurement across all public hospitals in the 11 cities, and a successful bidder on a particular drug had the entire guaranteed purchase amount.

2.7. Aviation Industry

The first phase of the largest remote sensing aerospace industrial park base in Beijing-Tianjin-Hebei Region was built

The first phase project of Remote Sensing Aerospace Industrial Park with a total investment of 240 million yuan was put into operation in Qinhuangdao Economic and Technological Development Zone of Hebei province in July. This is so far the largest remote sensing aerospace industrial park in the Beijing-Tianjin-Hebei Region. The project was invested and built by China RS Group, which was divided into two phases. Based on the completion of the first phase of the construction project, China RS Group is speeding up the construction, and the whole project is expected to be completed in the first half of 2020. Then, there will become an international high-tech enterprise start-up base and incubation base centering on space remote sensing technology, and form a space information industrial chain integrating the research and development, production, training and operation.

The private carrier rocket of China was successfully launched into orbit for the first time

On July 25, the Hyperbolic No. 1 Remote No. 1 (hereinafter referred to as “SQX-1 Y1”) carrier rocket of Beijing Star Glory Space Technology Co., Ltd. was successfully launched at Jiuquan Satellite Launch Center of China, sending two satellites and three payloads into a planned circular orbit at a height of 300 kilometers according to flight sequence.

C919 on track for commercial debut in 2021

The fourth test aircraft of the C919, China’s first home-built narrow-body passenger jet, took part in a test flight in Shanghai on 17th July, and another two new test jets, the 105 and 106, will complete their test flights later this year, before entering the market in 2021.

2.8 Electronics

Capital markets are being steered towards strategic emerging industries

Together with the central bank, financial regulators and local governments preparing to inject cash into them via credit and equity financing. Integrated circuits (ICs) will also get a boost, as the ‘big fund’ will soon raise the planned 200 billion yuan of its second phase, intended to help boost private capital investment in ICs. AI platforms can also apply for funding from the Ministry of Science and Technology, which is now seeking to move beyond ‘national champions’ and support rising stars.

Baidu launched a self-innovative AI chip

It is named Honghu, which could be configured to accommodate vehicle-mounted voice control systems and intelligent home scenarios, as part of its broader push to speed up industrial application of AI technologies. Baidu’s open source deep learning platform, PaddlePaddle, will conduct in-depth cooperation with Huawei Technologies Co Ltd’s Kirin chipsets.

3) M&A Information

July-August 2019

Outbound M&A					
Date	Target	Target sector	Acquirer	Value (EUR)	Notice
19.07.2019	ABB Engineering (Shanghai) Ltd.	Electric Appliance	SGEG Group	-	60% stock share
24.07.2019	Daimler Group	Auto Mobile	BAIC Group	2,46 billion	5% stock share
Inbound M&A					
14.07.2019	Guodian Dali	Mechanical Engineering	EuroCrane	23.8 billion	75% stock share
Domestic M&A					
Date	Target	Target sector	Acquirer	Value (EUR)	
02.07.2019	China State Shipbuilding Corp	Ship Building	China Shipbuilding Industry Corp	41.7 billion	*
14.08.2019	Sande Co. Ltd.	New material	Smithcn Co.Ltd	2.66 million	51% stock share

* It is a merge case under central instruction. The merger of China State Shipbuilding Corp (CSSC) and China Shipbuilding Industry Corp (CSIC), the country's two biggest State-owned shipbuilders by production capacity, will allow them to compete against established rivals in South Korea and Europe]. The listed companies announced in stock exchange filings late on Monday the two shipbuilding groups are planning a strategic restructuring, but they said the plan needs to be approved by the relevant authorities.

4) SOE Information

4.1. SOE Reform Updates

The “comprehensive reform experiment” of the reform of state-owned enterprises was officially launched

According to the forum for leaders of local State-owned Assets Supervision and Administration Commission held by SASAC on July 27, approved in the second meeting of State-owned Enterprises Reform Leading Group of State Council, the "regional comprehensive reform experiment for state-owned enterprises" in Shanghai and Shenzhen and the specific work for reform of Shenyang state-owned enterprises key areas and crucial links (hereinafter referred to as comprehensive reform experiment) have been officially started. The comprehensive reform experiment in Shanghai adheres to the orientation of marketization, specialization, internationalization and legalization, with emphasis on improving the management system of state-owned assets and carrying out the reform of the authorized management system of state-owned capital. The comprehensive reform experiment in Shenzhen, focusing on improving the efficiency of state-owned capital and enhancing the vitality of state-owned enterprises, explores the use of restricted stock, excess profit sharing, mid-and-long term performance bonus and a variety of other ways to establish the long-term incentive constraints mechanism, innovate the management and core backbone shareholding reform, and improve the appraisal mechanism for deemed profit of enterprise technology innovation investment. The special reform in Shenyang, centering on the implementation of the goal and requirement of comprehensively revitalizing the old industrial bases in northeast China, actively and prudently promotes the mixed-ownership reform, and further enhances the vitality, control force and anti-risk capability of state-owned economy.

4.2. SOEs Introduction

Company Name	China Minmetals Corporation
Headquarter Location	Beijing
Total Number of Employee	Over 90,000
Number of Subsidiaries in China	18
Name of Chairman	Mr. Tang Fuping
Main business:	The four beams consist of metals and minerals, metallurgical construction, trade and logistics, and finance and real estate.
General Introduction	<p>China Minmetals Corporation (hereinafter referred to as China Minmetals) was established as the result of a strategic recombination of two Fortune Global 500 companies – the former China Minmetals and the Metallurgical Corporation of China (MCC). In 2019, it ranked 112th among the Fortune Global 500 companies. It has eight listed companies.</p> <p>In the field of metals and minerals, we possess rich reserves of metals and minerals. Overseas mines are located in Asia, Oceania, South America, and Africa. In the field of metallurgical engineering construction, we have world-class metallurgical construction enterprises,</p>

	which have successively undertaken the planning, investigation, design, and construction projects of major production facilities of almost all large and medium-sized domestic steel enterprises, domestically and internationally.
Turnover in billion Euro	6.4 billion Euro in 2018
Website:	http://www.minmetals.com/english/

Company Name	CGNPC
Headquarter Location	Beijing
Total Number of Employee	39,000
Number of Subsidiaries in China	7
Name of Chairman	Mr. He Yu
Main business:	The CGNPC is focused on the development of clean energies such as nuclear power, nuclear fuel, wind power, and solar power.
General Introduction	The preliminary work of Daya Bay Nuclear Power Plant in Guangdong province began in 1979, and China General Nuclear Power Corporation (CGN) was founded in 1994. Over 30-years' experience in R&D and operation of nuclear power projects. Core Nuclear Power Technology: HPR1000, Small and Firmsys
Turnover in billion Euro	6.5 in 2018
Website:	http://en.cgnpc.com.cn/encgn/index.shtml

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://shanghai.steelcn.cn/	CN
Belt & Road Official Site	https://www.yidaiyilu.gov.cn/	CN
21 Sun	http://news.21-sun.com/	CN

Note: (April 2019)

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

Exchange Rate	
EURO: U. S. Dollar	EURO: RMB
1 : 1.11	1 : 79

6) Calendar of Events (VDMA China)

Event Name	Location	Date
Highlight Event		
Advisory Board Meeting (2)	Shanghai	26-Sep
VDMA Smart Manufacturing Forum	Shanghai	24-Oct
Summit	Shanghai	29-Oct
China Management Meeting (CMM)		
Foodpackaging and Processing Machinery	Nanjing	Aug (TBD)
Agricultural Machinery	Qingdao	29-Oct
Mining Machinery	Beijing	1-Nov
Trade Fairs		
CIIF	Shanghai	17-21 Sep
PTC	Shanghai	23-26 Oct
CWP	Beijing	22-24 Oct
China FoodTech	Shanghai	30 Oct- 01 Nov
CEO Roundtable/Breakfast		
HR	Shanghai	18-Jul
Finance	Shanghai	23-Aug
Compliance	Shanghai	19-Sep

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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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