

CHINA FOCUS

Issue IV / 2017

Year in Review

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2017 brought change to China on many fronts. On the global stage, President Xi Jinping's speech in defense of globalisation at Davos cracked the familiar image of China as a protectionist power. Domestically, **Beijing's tougher stance** on pollution signalled the end of China's era of "growth at all costs". Although positive in the long run, this adjustment is impacting many clients negatively today. At the same time, web censorship was ramped up and "Made in China 2025" raised new concerns about an **uneven playing field** for foreign enterprises.

Important shifts also happened within businesses. Homegrown tech giants are proving that China can not only produce **"displacers"** who compete based on scale and price-cutting, but also **"disruptors"** who succeed based on innovation. Meanwhile, foreign companies entered what we call **"China 2.0"** - a next stage in their China business characterised by moderate growth, deeper localisation, and new customer segments.

At Fiducia, our goal is to ensure continuity and **sustainable growth** for our clients regardless of a changing context. Part of our job is to help them embrace and adapt to change. Which is why this year, we supported many clients with market analysis to identify new growth avenues, **Corporate Health Checks** to upgrade their operations, and executive search solutions to develop their local presence.

In this issue of China Focus, we highlight important changes we saw in Greater China in 2017 and forecast what they might mean for business in 2018. We look forward to finding **new ways of navigating change** in China together with you through our year-round events and publications. Until then, from the entire Fiducia Team, we wish you a great start to 2018!



2017 IN EIGHT TERMS

These must-know headlines sparked debate about how the nature of doing business in China and Hong Kong is changing.



"Made in China 2025"

China's plan to develop world-leading manufacturing tech by 2025 is having deeper consequences, e.g. car-makers having to adjust to newly announced e-vehicle quotas.



"PM 2.5"

The central government has ramped up its anti-pollution inspections as it struggles to cut PM 2.5 levels (hazardous airborne particles) to reach air pollution targets.



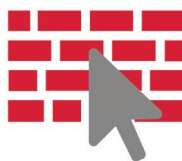
"Belt & Road"

China's trade and investment mega-project continued to spread China's infrastructure investment and geopolitical influence beyond its borders.



"Panda Diplomacy"

China has long used panda bear donations as a form of soft power. Under Xi Jinping, Beijing's efforts to spread its influence are intensifying.



"The Great Firewall"

Web censorship toughened in 2017. The Cybersecurity Law became effective, VPNs and WhatsApp were blocked, and WeChat and Weibo saw tougher censorship rules.



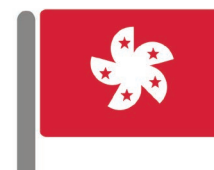
"BAT"

China's tech trinity (Baidu, Alibaba, and Tencent) reached new heights. Tencent became the first Chinese firm to rank within the world's top five by market value.



"19th Party Congress"

While most of Xi Jinping's speech was about continuity rather than change, he did signal a shift in focus from speed to quality of economic growth.



"20th Anniversary"

Two decades after Hong Kong's handover, its GDP as a fraction of China's fell from 16 to 3 percent, but the HKSAR's advantages as a regional business hub remain.

2018 Opportunities

Based on China's new regulatory focus on technology and innovation, as well as the powerful trends and business models re-shaping consumption, these are some of the sectors where we foresee high potential for growth for foreign companies in 2018:



MACHINERY

Key drivers:

- ▶ Government incentivised automation
- ▶ Rising labour costs
- ▶ Infrastructure investments
- ▶ Quality improvements

Key segments:

- ▶ Industrial robots
- ▶ Testing platforms
- ▶ 3D printing
- ▶ Mid-tech market



GREEN-TECH

Key drivers:

- ▶ Tougher environmental regulations
- ▶ Government investment and incentives
- ▶ Pollution and rising health concerns
- ▶ 60% urbanisation rate by 2020

Key segments:

- ▶ Industrial waste management
- ▶ Clean energy and smart electric grids
- ▶ Water treatment technologies
- ▶ Green construction products/materials



MED-TECH

Key drivers:

- ▶ "Healthy China 2030" plan
- ▶ Growth in private and specialised clinics
- ▶ Aging population
- ▶ Higher disposable incomes

Key segments:

- ▶ Diagnostic imaging equipment
- ▶ Devices to treat lifestyle diseases, e.g. cancer, diabetics, cardiovascular
- ▶ Value segment



E-MOBILITY

Key drivers:

- ▶ Subsidies and incentives for New Energy Vehicle (NEV) buyers
- ▶ NEV quotas: 10% of OEM sales should come from NEVs by 2019
- ▶ Investment in charging infrastructure

Key segments:

- ▶ Electric and plug-in hybrid vehicles
- ▶ Battery technology
- ▶ Connected
- ▶ Smart components, e.g. sensors



SPORTING GOODS

Key drivers:

- ▶ E-commerce and social media
- ▶ Higher disposable incomes
- ▶ Increasingly brand-savvy consumers
- ▶ Government investment and incentives to develop sports & fitness

Key segments:

- ▶ Mid-range brands with heritage
- ▶ Niche brands
- ▶ Athleisure apparel and accessories
- ▶ Winter sportswear and equipment



HOW WE CAN HELP

Our Support:

- ▶ Acquiring market insights
- ▶ Building go-to-market strategy
- ▶ Finding the right talent
- ▶ Managing operations and trade

Our Team:

- ▶ Industry specialists
- ▶ Strategic industry network
- ▶ Multinational and multilingual
- ▶ On-site in four Greater China locations

Get in touch at contact@fiducia-china.com

Join us in 2018

Because China's business landscape is ever-changing, we organise events on an ongoing basis to stay in touch with the shifting needs of our clients. In 2017, we exchanged knowledge at **75 events across more than 20 cities!** Join us to stay up to date with China's latest regulations, industry developments, and consumer trends as they unfold.

Market Introduction Program for China

Beijing | January 22nd - 24th
Partner: Messe Muenchen

This three-day pre-cursor to the ISPO BEIJING 2018 will give sporting goods companies the overview they need to plan a successful market entry in China.



Politics and Economics in the Year of the Dog

Stuttgart | February 22nd
Partner: IHK Stuttgart

In this multi-speaker event, we will update you on the new priorities of the Chinese government and the implications for German companies.



Made in Asia Sourcing Symposium

Hong Kong | March 18th

We are proud to be silver sponsors of this French Chamber event which, this year, will tackle a pressing question for many clients: "Is sourcing as we know it dying?"



Fiducia Leaders' Circle

Beijing, Shanghai, Hong Kong
March, June, November

Each year, our multi-city event series brings together business leaders to discuss, in a roundtable setting, how trends are unfolding on the ground.



Leaders' Circle 2017 in Beijing
E-mobility, innovation, and China's level playing field were the hottest topics in 2017.

Sourcing Roundtable

Shanghai, Hong Kong | July
Munich | September
Partner: h&z Consulting

As every year, we will get together to discuss, in a roundtable format, the challenges and trends facing trading companies and buying offices in China.

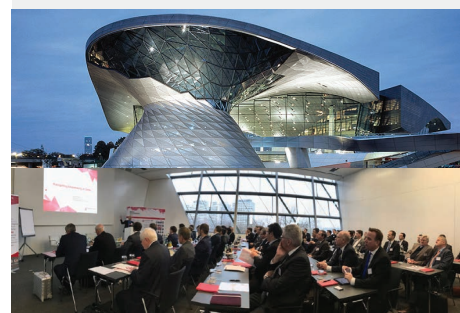


Sourcing Roundtable 2017 in Hong Kong
Together with h&z and our guests, we had lively discussions about "Procurement 4.0".

Fiducia Mittelstandstag

Munich | October

Our annual flagship event welcomes speakers and guests to discuss key shifts in China's business landscape and chart ways forward for German mid-sized firms.



Mittelstandstag 2017 at the BMW World Munich! "China and Germany: Who needs Whom?" was the overarching theme in 2017.

“More Than a Market”

Fidu-Share is our way of giving back to the communities we are part of. This year, we were proud to launch the Fidu-Share Ambassadors Scheme, an internal engagement programme, and receive two recognitions for our CSR work!



We partner with great NGOs such as TREATS, who helped us organise a fun art jam with teenagers with disabilities.

Soap Recycling

We are always looking for fresh ways of helping others! This year, we helped a local NGO that partners with the hospitality industry to collect unused soap and shampoo, reprocess it, and distribute it to low-income families and schools in Asia.



SZ | We recycled enough soap to support 330 children for a year.



HK | We reprocessed enough soap for 200 street sleepers to take a shower.

Beach Cleanup & Charity Runs

We never miss a chance to combine community support with our love of the outdoors! We collaborated with HK Cleanup to collect rubbish at a local beach, and took part in several fundraising runs in Shanghai, Shenzhen, and Hong Kong.



HK | We collected 32 bags of rubbish from Lei Yue Mun beach.



HK | We joined Sowers Action's 12km race to raise funds for poor schools.

“Heart to Heart”

We found new and fun ways of dedicating time and attention to those in need - from art jamming with handicapped teens, to playing games with elderlies. We look forward to more quality time with our communities in the Year of the Dog!



SH | We spent half a day with children patients at the Yodak Cardio-thoracic Hospital.



BJ | We enjoyed a fun afternoon with elderlies at the Futuyuan Nursing Home.

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