

CHINA FOCUS

Issue V / 2016

Year in Review: 2016

The Year of the Monkey was eventful and unexpected in many ways. To support our clients and partners with even deeper knowledge and a stronger regional presence, we grew our team to 120 specialists, expanded our presence in northern China with a new Beijing office, moved into much larger premises in Shanghai, and participated in over 70 events across Asia and Europe. Now we are preparing for the Year of the Rooster,

which promises to be full of change. We look forward to exploring these shifting business dynamics through our year-round studies and events, including the fourth edition of our flagship event, the Mittelstandstag, in Munich this coming February. Until then, from the entire Fiducia Team, we wish you a great start to 2017!

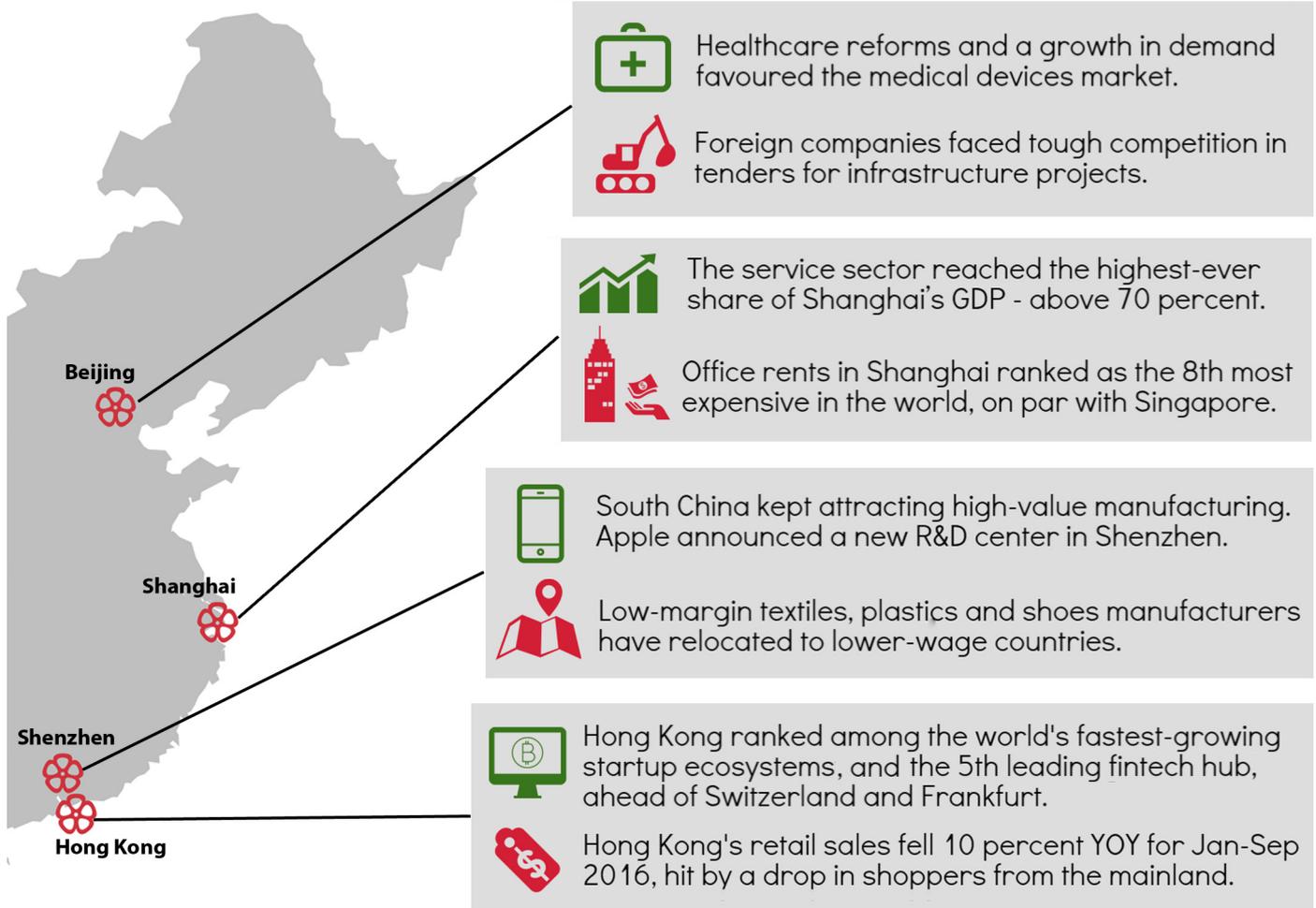


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2016 Highs and Lows:

regional insights from Fiducia's four offices



Expanding our footprint in Northern China with a Beijing branch office has been a milestone in 2016. Putting Beijing back on our map allows us to cater closely to the growing needs of our clients in the Bohai region and monitor developments in the capital.

The pressing business topics we shared in seminars range from taxation, the medtech market, and the impacts of additive manufacturing and Industry 4.0, to a Beijing edition of the "Fiducia Leaders' Circle", our C-level and opinion leader discussion.

These encounters allow us to provide solutions that are close to current needs and now also close by. The "Fiducia Accounting Health Check", for example, is a new service born out of concerns within the European SME business community in Beijing over China's continuously changing regulations. With this service, we apply a one-time check-up at the same accounting standards that we follow in our ongoing services, and put together an action plan on improvements. ☘



Beijing's Rules: Opportunity or Challenge?

For our clients active in industries deeply influenced by government regulation – such as the automotive, power, construction, communications, and healthcare sectors – the impact of Beijing's decisions is never straightforward.

On the one hand, new regulations often create new opportunities. The government's renewed push for ambitious infrastructure plans, for instance, brought fresh optimism into construction-related sectors. But the prospect of higher demand has been dampened by restrictive regulations and challenging tender procedures.

Government policy regarding the healthcare sector has been equally bittersweet. China's public and private healthcare sectors have grown, and transparency in the healthcare system has improved, thanks to Beijing's policies. But continuously challenging CFDA regulations and reforms such as the "Two Invoices System" have and will pose market access and distribution challenges for foreign players in the pharma, medical consumables and medtech sectors.

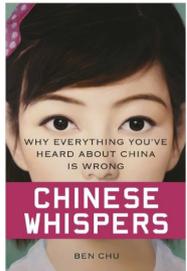
As Stefan Kracht says, "One lesson that foreign firms learn quickly after setting root in China is this: the biggest challenge is not that the rules of the game here are different; it's that they never stop changing."

That is why corporations large and small, new to China or firmly established, continuously rely on advice and support grounded in our nearly 35 years of experience. ☘

Book Recommendations

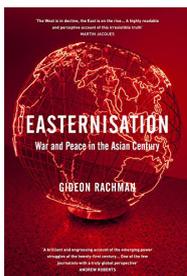
Here we share some of our top book picks for the holidays:

Chinese Whispers: Why Everything You've Heard About China is Wrong



Ben Chu
By examining seven modern myths, or "whispers", that dominate Western views of China and its people, Ben Chu forces us to question everything we thought we knew about the world's most populous nation. The result is a surprising, penetrating insight into modern China.

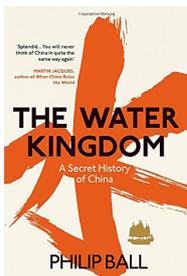
Easternisation: War and Peace in the Asian Century



Gideon Rachman
According to Rachman, chief foreign affairs commentator for the Financial Times, the defining trend of our age is "Easternisation". In this book, he demonstrates how the world is being redrawn

by the shift in power from the west to the east, and maps out how turbulent this process could turn out to be.

The Water Kingdom



Philip Ball
From the Yangtze to the Yellow River, China's waterways have defined its politics and ways of life for centuries. Ball takes a journey along the history, politics and culture of China's waterways, and

argues that China's fate, like its past, can be read in its water problems.

The Pearl River Delta Kept its Lustre

In 2016, we saw a clear surge in the number of foreign companies wanting to set up in southern cities on the Pearl River Delta.

High-end manufacturing and sourcing companies that would have previously considered setting up in Shanghai were increasingly put off by higher labour and property costs, and lured by the strategic benefits of southern Chinese cities that have moved up the value chain.

Although Shenzhen and Dongguan have also become costlier, both cities offer a convenient proximity to Hong Kong, easy re-exporting, large pools of qualified talent, and beneficial ripple effects from being close to innovators and high-tech giants. Our Shenzhen team helped a record number of companies to set up in the area and make the most out of its many opportunities.

With 40 percent of Shenzhen's GDP already generated by innovative industries such as biotech and new energy, and given the region's strong shift towards automation and increased productivity, we believe the Pearl River Delta will continue to attract high-end manufacturing and sourcing companies, keeping its lustre despite rising labour and property costs. ❁



China's Biggest Tax Reform in 20 Years

As of May 1st, 2016, China introduced two big changes to its tax system. In the services sector, it replaced its revenue-based Business Tax (BT) system with a modern Value Added Tax (VAT) system. And in the manufacturing sector, where a VAT structure was already in place, it introduced tax incentives to promote research and development (R&D).

The reforms were widely welcomed: they solved inefficiencies in the previous tax system, eased corporate payments, and reflected the government's push for innovation and a more service-based economy.

Nevertheless, businesses had to deal with significant adjustments. Our Shanghai team organised a record number of tax seminars - nine in one year - and grew the reach of its tax advisory service to help national and international corporations adapt successfully. Our Tax Advisory team also supported customers to either reach or retain their high and new technology enterprise (HNTE) status, allowing them to benefit from the government's R&D tax incentives. ❁



Bigger, better, brighter!

To make room for 2017 and the Year of the Rooster, and better service our growing client base, our Shanghai team expanded into new, larger premises (in the same building!) in December.

Find us at:

Unit 604-605, Central Plaza
No. 227 North Huangpi Road
Huangpu District, Shanghai
Telephone: +8621 6389 8288

Fiducia Goes Vietnam



The Fiducia Managers Team attended the annual Manager Offsite in Ho Chi Minh City, Vietnam to discuss business strategies, and meet with senior local business leaders to learn more about opportunities in the fast-growing South East Asian economy.

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Kick off the Year of the Rooster with us in an enjoyable evening in our new Shanghai office!

When? Jan 11th, 2017.
6:00 - 9:00 pm

RSVP: Email us by January 4th
at contact@fiducia-china.com

Fidu-Share: Our Community Support

2016 was another active and eventful year for our Fidu-Share CSR programme.

Hong Kong



We proudly continued working with our NGO partners for a variety of causes. With Green Power, Moontrekker and Sowers Action, we hiked Hong Kong's beautiful country parks to remind ourselves of the importance of protecting our environment. With Treats, we enjoyed cooking together with children with mental and physical challenges. Together with the Shenzhen Fiducia team and Plastic Free Seas, we took part in the International Coastal Cleanup effort. To close the year with laughter, and a caring thought for our community, we joined hands again with HOPE Worldwide HK for the Great Santa Run - a fun and festive fundraiser! ❀

Shenzhen



For the third consecutive year, the Shenzhen team held a Tree Planting Event to nurture environmental awareness in children.

Shanghai



The Shanghai team has been joining the CIIC's 3km Charity Run for a decade now! Nothing beats working out for a good cause.

Beijing

For our Beijing team, engaging with the local community has been a big part of putting down roots in the capital. The team's visit to the Beijing Qirui Therapy Centre was a memorable experience. They were impressed by the passion and highly individual teaching approach of the staff. Through warm-hearted lessons in daily life, one-on-one music classes, and a good amount of sports, they teach and care for the children and adults at the Centre while respecting and knowing their needs. We thank everyone at the Qirui Centre for the time we shared! ❀



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