Going Out - the global dream of a manufacturing power

2016 China Outbound Investment Outlook
March 2016
Contents

Foreword 4

1. 2015 Review and 2016 Outlook: The booming Chinese overseas investment despite global slowdown 6
   1.1 Prosperity against downturn, favorable policies are driving China’s overseas investment into a new phase 6
   1.2 High-end diversification, Chinese capital is climbing up the global value chain 7
   1.3 New opportunities along the Belt and Road 9

2. Going out - the upgrade of the global dream of "Made in China 2025" 10

3. International cooperation in machinery manufacturing is leading China’s overseas investment 13
   3.1 Capacity cooperation is accelerating China’s expansion overseas 13
   3.2 China’s new business card - Nuclear power and high-speed rail 16

4. Region insights: opportunities of “Golden Era” in the UK 20
   4.1 Investment fever and the steady recovery in the post-financial crisis era 20
   4.2 Industrial complementation is building a “Golden Era” of Sino-UK cooperation 22
   4.3 UK as a holding company jurisdiction for Chinese investments 24

5. EY Overseas Investment Growth Navigator: Merger Integration 25

Conclusion: Forge ahead towards the next step of “Go Global” 30

China Overseas Investment Network (COIN) helps Chinese businesses navigate through global markets 32
In 2015, China implemented the “One Belt One Road” national strategy, which has had remarkable success and generated a new wave of overseas investment. China invested USD 14.8 billion in countries along the Belt and Road in 2015, up 18.2% from the previous year. Simultaneously, outward foreign direct investment (FDI) from the machinery manufacturing industry grew by 154.2% in the same year.

In 2016, due to the global financial markets unrest and continuous weak economic growth in emerging markets, the international investment environment becomes more complex and uncertain. However, in the first quarter of 2016, numerous Chinese enterprises entered into many significant overseas acquisitions and two of the biggest deals year to date by Chinese enterprises were announced: ChemChina’s acquisition of the Swiss giant Syngenta for more than USD 43 billion and Tianjin Tianhai Investment (a subsidiary of HNA Group)’s acquisition of Ingram Micro for USD 6.3 billion in the US.

According to China’s 13th Five-Year Plan, which focuses on innovative and all-round opening-up development, more Chinese enterprises are expected to “Go Global” to upgrade their technology and develop international capacity cooperation. As a result, we believe China’s outbound investment is likely to hit another historical high in 2016.
2015 was special for Chinese investors. Due to the unrest in the global market, China’s economic growth rate has been slowing. China’s economy grew by 6.9% in 2015, the lowest in the last five years. However, China’s outward FDI grew by 13.3% in 2015, hitting a historical high of USD 139.5 billion. Over the past five years, China’s average annual economic growth has been 7.4%, but its outward FDI CAGR reached as high as 16.9%. EY predicts China’s growing outbound investment would become the key driver of future domestic economic growth and acceleration of the globalization.

In 2016, the global economic recovery remains uncertain. However, China’s outbound investment was strong in the first quarter of 2016. One of the announced key deals was ChemChina’s acquisition of the Swiss giant Syngenta for more than USD 43 billion, the biggest-ever overseas acquisition by a Chinese enterprise. EY expects the imperative need to upgrade, transform and improve Chinese enterprises’ international competitiveness is propelling them to “Go Global”. In the next few years, China's outbound investment is expected to show the following trends:

- **Sustainable high growth** - Under the “Go Global” policy, national strategies of “One Belt One Road” and “Made in China 2025” were gradually implemented. China’s outbound investment is expected to grow by more than 10%, and maintain a sustainable high growth for the next five years.

- **Invest in wider areas** - Chinese enterprises will allocate their capital more widely around the world in the coming years. On one hand, Chinese investors will find more investment opportunities along the Belt and Road, focusing on economic and capacity cooperation with developing countries. In the meantime, they will increase their investment in developed countries such as the UK, Germany and the US.

- **High-end but diversified investments** - Nowadays Chinese enterprises have diverted their investment into acquiring high value-added factors such as advanced technology and marketing networks. They now focus on bringing overseas technology, brand and talents into China in order to improve their competitiveness in the global market. In the next few years, Chinese enterprises are expected to enter into more acquisitions in sectors such as consumer products, technology, and the services industry. In the future, China's outbound investment will become more diversified, and high-end.

- **High-speed rail (HSR) and nuclear power “Go Global”** - Due to the “One Belt One Road” strategy, China is expected to put more investment in overseas infrastructure and manufacturing area such as HSR and nuclear power. China HSR has big advantages to “Go Global”: It possesses advanced technologies and rich construction experience at lower costs. It also obtains fiscal and financial support from the government. China is also accelerating the overseas expansion of its nuclear power technology. There are 24 nuclear power units under construction in China, ranking the first in the world; it is also planning to build 30 units in countries along the Belt and Road by 2030.

- **Reshape “Made in China”**. Facing the urgent need of transformation, China is committed to reshape the global manufacturing value chains and brand image. China is taking intelligent and service-oriented manufacturing as the priority to enter high-end sectors and overseas markets, accompanied by the new international image of “China service”, “China brand” and “Made in China”.

With national strategies being carried forward, Chinese enterprises are being presented with new opportunities to expand overseas. However, risks always exist. The economic and geopolitical risks in the target countries and fierce competition in the global market will bring uncertainties to overseas investment. To realize the dream of a global manufacturing power, Chinese enterprises need wisdom and courage, on their way to the globe.
Prosperity against downturn, favorable policies are driving China's outbound investment into a new phase

Global economic growth slowed in 2015 due to the unrest in international commodity and financial markets. The growth rate of China's economy has also slowed under the downward pressure; the economic growth slowed down to 6.9% in 2015. However, China's outward FDI grew by 13.3% in 2015 to a historical high of USD 139.5 billion. Over the past five years, China's average annual economic growth is 7.4%; in comparison, the CAGR of China's outward FDI has reached 16.9%; and at the end of 2015, China's accumulated outward FDI had exceeded USD 1 trillion. China now becomes the new force in the international investment market.

China’s economic growth rate vs. China’s outward FDI growth rate

Source: Ministry of Commerce of China, State Administration of Foreign Exchange, National Bureau of Statistics, EY analysis
China’s outbound investment is continuing to grow rapidly, reflecting Chinese enterprises’ desire to upgrade, transform, and improve their international competitiveness. It also indicates that China’s “Go Global” strategy is generating positive effects:

- The production cost in China is rising. The needs of exploring global markets and upgrading business models are driving an increasing number of Chinese enterprises to reallocate their assets globally. In fact, Chinese enterprises' overseas production plants and distribution networks are all over the world now. It is also quite common for Chinese companies to establish R&D centers overseas, or to acquire foreign brands and technology through M&A. In 2015, China’s overseas M&A value grew by 74% from 2014’s, which is a strong sign that Chinese capital is marching abroad rapidly.

- The Chinese government is actively improving the strategy of outbound investment to facilitate Chinese enterprises to “Go Global” by launching fiscal and financial support policies and establishing cooperation platforms. In 2015, China began to comprehensively implement its “One Belt One Road” strategy. It also introduced the “Made in China 2025” plan and “Guiding Opinions on Promoting International Cooperation in Industrial Capacity and Machinery Manufacturing”, aiming at encouraging the manufacturing industry to “Go Global” and to develop international capacity cooperation. These efforts have already had some effects: In 2015, Chinese enterprises invested USD 14.8 billion along the Belt and Road territories, up 18.2% from 2014; meanwhile the outward FDI from the machinery manufacturing industry has grown by 154.2%.

In 2016, due to the uncertainty in the global economic recovery, the continuing unrest in the financial markets and the weak economic rebound in emerging markets, the international investment environment is becoming more complex and uncertain. However, China’s outbound investment continues to grow and a particularly substantial deal was recently announced: ChemChina’s purchase of the Swiss giant Syngenta for more than USD 43 billion, a new record in Chinese enterprises’ overseas M&A. With the implementation of the “Go Global” strategy, the improvement of economic transformation and SOE (state-owned enterprises) reform, and the acceleration of interest rate liberalization and RMB internationalization, China’s overseas investment is likely to grow by more than 10% in 2016.

Under government guidance and promotion, China’s outbound investment will continue to evolve from scattered activities to the 2.0 era of a large-scale multinational industrial system driven by the government in the coming years. A new outbound investment pattern is being formed by accelerating industrial upgrades and deepening international capacity cooperation. In short, China’s overseas investment will keep growing rapidly, and China will become a major player in the global investment market.

High-end diversification, Chinese capital is climbing up the global value chain

In 2015, China’s overseas investment continued to focus on the high-end sectors: technology, media & telecommunications (TMT), auto & transportation, and financial services continued to occupy the top three sectors for overseas M&A; furthermore, these sectors grew, by 163%, 128% and 101% respectively from 2014’s. In the meantime, Chinese buyers are also interested in the power & utilities, oil & gas, and machinery manufacturing sectors.

Some of the major outbound transactions in 2015 are listed below:

- ChemChina acquired a nearly 60% stake in Pirelli, the Italian tire giant for EUR 4.6 billion (USD 5 billion).
- Bohai Leasing acquired Irish aircraft leasing company Avolon for USD 2.6 billion.
- Anbang Insurance Group acquired US Fidelity & Guaranty Life for USD 1.6 billion.

These transactions reflect the strategic visions of Chinese enterprises as they expanded overseas into high-end markets and gained access to advanced technologies, services, and marketing networks in developed countries.

Over the past five years, Chinese investors have already upgraded their global strategies from acquiring basic production essentials into accessing advanced technology, brands and markets. From 2011 to 2013, the energy and mining sectors accounted for the majority of China’s outbound M&A. However, this proportion has dropped to less than 11% in the last two years. Instead, the increased investment in science and technology, services, and consumer products reflects that China’s outbound investment is shifting upstream in the value chain, indicating the future direction of Chinese overseas investment.

---

7 Source: Mergermarket, includes data from Hong Kong, Macau and Taiwan.
8 Source: Ministry of Commerce of China
10 Source: Mergermarket, includes data from Hong Kong, Macau and Taiwan.
11 Source: Ministry of Commerce of the PRC, official website of Bohai Leasing, Xinhua News Agency
12 Source: Mergermarket, includes data from Hong Kong, Macau and Taiwan.
Chinese enterprises have adjusted their investment objectives as they wish to access high value-added factors such as advanced technologies and marketing networks. This new objective is aimed at bringing foreign technologies, brands and top talents into China, and strengthening the competitiveness of Chinese enterprises in the global market. Therefore M&A will grow substantially in sectors including consumer products, science and technology, and services industries. On the other hand, the declines in commodity prices have created an opportunity for countercyclical acquisitions, which makes it possible for investors to revisit the energy and mining sectors. However, resource acquisition is no longer the main overseas investment objective for Chinese enterprises as their main aim now is to form a comprehensive and balanced international industrial structure.

Furthermore, the “One Belt One Road” strategy and “Made in China 2025” plan are stimulating overseas investment in infrastructure and manufacturing, and will significantly influence the sector distribution of China’s outbound investment. In 2015, China’s outbound investment in manufacturing and machinery manufacturing industries grew by 105.9% and 154.2%, respectively\(^\text{13}\). At present, China is developing international cooperation on production capacity and machinery manufacturing. It is expected that more fiscal, financial and industrial policies will be introduced in the near future, and overseas investment in infrastructure and manufacturing will remain intense.

**Industrial distribution of China’s overseas M&A (in terms of deal value, 2011-2015)**

![Graph showing the industrial distribution of China’s overseas M&A (2011-2015)](image)

In the past five years, the proportion of mining and energy in China’s total overseas M&A value dropped from 47% to 10.5%, indicating that China’s overseas investment is shifting to high-end sectors, which is bringing innovations in the global industry chain.

---

\(^\text{13}\) Source: Ministry of Commerce of China
New opportunities along the Belt and Road

In 2015, the non-financial outward FDI from China has invested in 6,532 overseas enterprises in 155 countries and regions around the world\(^\text{14}\), among which the investment in the US and countries along the Belt and Road grew rapidly:

- The recovery of the US economy has made the inward FDI into the US hit a historical high since year 2000\(^\text{15}\). In 2015, China’s non-financial FDI into the US grew by 60.1% to a record of USD 8.4 billion. In the past five years, the CAGR of China’s investment in the US has exceeded 46%, much higher than the overall growth rate of China’s outbound investment\(^\text{16}\) in the same period. In recent years, the developed economies have been recovering from the downturn. These economies’ favorable investment environments and advantages in technology, market and brands align with Chinese enterprises’ growing demand to move upstream. From 2011 to 2015, China’s M&A investment in North America and Europe grew by 137% and 98% respectively; meanwhile, its M&A investment in resource-based developing regions such as South America and Africa declined by 87% and 81% respectively (see the graph below).

- With the promotion of the “One Belt One Road”, “Made in China 2025” and other national strategies, infrastructure investment and production capacity cooperation along the Belt and Road is rising. In 2015, China directly invested USD 14.8 billion in 49 countries along the Belt and Road, up 18.2% from 2014, which is higher than the overall outbound investment growth in the same period. In 2015, Chinese enterprises signed 3,987 EPC (engineering, procurement and construction) projects in countries along the Belt and Road. The total value of these contracts reached USD 92.6 billion, and accounted for 44.1% of China’s newly signed overseas EPC projects worldwide in the corresponding period\(^\text{17}\).

In the next five years, as Chinese enterprises will be more deeply blended into the global industry chain, China’s capital will be more broadly and diversely allocated. With the economic recovery in Europe and the US and the signs of interest rate rises, Chinese investment will continue to draw much attention to developed countries and markets. On the other hand, with the implementation of new policies and strategies, the economy and capacity cooperation between China and other developing countries and the infrastructure investment along the “Belt and Road” will continue to be fascinating.

---

\(^{14}\) Source: Ministry of Commerce of China

\(^{15}\) Source: United Nations Conference on Trade and Development (UNCTAD)

\(^{16}\) Source: Ministry of Commerce of China, base data in 2011 includes financial outward FDI

\(^{17}\) Source: Ministry of Commerce of China
Over the past three decades, 40% of China’s economic growth has been contributed by the manufacturing industry, and manufactured goods have accounted for 90% of China’s total exports. Today, the value added in the manufacturing sector by China accounts for more than 20% of the global figure. “Made in China” well deserves its name. However, most Chinese manufacturing enterprises are in the mid/low-end positions in the global industry chain where cheap labor is the main advantage. In recent years, China’s labor costs have been increasing and many companies wish to relocate their low-end manufacturing into other developing countries where costs are lower. On the other hand, developed countries are carrying out “reindustrialization” strategies to pull high-end manufacturing back. The Chinese manufacturing industry is under pressure in the middle of the sandwich. At the same time, China’s economic slowdown and overcapacity are encroaching on the limited profitability of its manufacturing industry. Furthermore, the information technology revolution led by the Internet of Things (IoT), cloud computing and “Big Data” are challenging the business model of traditional manufacturing. From July 2015 to February 2016, China’s Purchasing Managers’ Index (PMI) has been under 50 for eight consecutive months, which indicates its manufacturing industry is being challenged and high-end transformation is a key priority.

### Strategic goals for manufacturing industry till 2025

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote integration of informatization and industrialization</td>
<td>- Improve the overall quality, innovation ability and labor productivity of the manufacturing industry; further integrate its informatization and industrialization</td>
</tr>
<tr>
<td>Enforce green manufacturing</td>
<td>- In key sectors, the incremental energy consumption, material consumption, and pollutant discharge per unit reach world-class high standards</td>
</tr>
<tr>
<td>Improve international competitiveness</td>
<td>- Build a group of competitive multinational enterprises and industries; upgrade their positions in the global industrial workflow and value chain</td>
</tr>
</tbody>
</table>

Source: State Council: Made in China 2025

---

“Source: Ministry of Industry and Information Technology of China; manufacturing value-added data from World Bank, updated in 2013.

Source: National Bureau of Statistics; PMI under 50 is a sign of recession.
In May 2015, China's State Council unveiled a ten-year national plan: “Made in China 2025”. The plan puts forward that in the next decade, China will focus on nine major tasks including integration of informatization and industrialization, enforcement of green manufacturing, and improvement of international competitiveness. The plan has also identified ten key sectors including information technology, through the development of which to achieve transformation from a large-scale manufacturer to a superior manufacturer. It’s the first time China has launched a national strategy outlining the routes and targets of manufacturing transformation. Taking intelligent manufacturing as the gateway, it’s an historic opportunity for “Made in China” to improve its international influences.

In China’s way to become a high-class manufacturer, one critical step is the internationalization of the manufacturing industry. The upgrade of manufacturing technologies and cross-border operating capabilities can build a solid foundation for overseas expansion. The “Made in China 2025” plan has clearly elaborated that Chinese enterprises will enhance their multinational operating capabilities and international competitiveness by “Go Global” activities, including outbound acquisition, establishing overseas R&D centers, and building international marketing networks. China’s manufacturing industry is initiating a new wave of overseas investment together with its “One Belt One Road” strategy, capital liberalization and SOE reform.
Internationalization of manufacturing industry according to “Made in China 2025”:

To improve international cooperation
- Encourage enterprises to issue stocks and bonds overseas
- Encourage technical cooperation with foreign enterprises

To improve operating capability and international competitiveness
- Develop multinational corporations; promote integration between industry chains and capital market operations
- Support overseas M&A, equity and VC investment; build R&D centers and global marketing and service systems; conduct design, marketing, service innovation and brand promotion via the internet
- Encourage competitive enterprises to develop EPC projects and integrate their business globally
- Promote localization and encourage social responsibility awareness and risk management

To strengthen industry international cooperation and accelerate enterprises’ “Go Global” actions
- Strengthen top-level strategic planning, develop strategies and overall coordination
- Facilitate industry cooperation and infrastructure connectivity such as the “One Belt One Road”
- Build overseas manufacturing cooperation zones
- Encourage to relocate high-end machinery, technology and capacity abroad
- Promote industry cooperation expanding towards high-end, such as R&D and branding
- Extend the domestic value-added chain of processing and trade

What does it mean for manufacturing to “Go Global”?
- Speed up the “Go Global” pace
- Overseas investments enter high-end sectors
- More powerful cross-border operating capability

Under the increasing pressure of transformation, China’s manufacturing industry is going global by means of industry and capital exports, with the mission of revitalizing its industry chain and reshaping its brand image globally.

New direction for Made in China to “Go Global”

- Develop intelligent manufacturing and other new manufacturing modes; improve enterprises’ competitiveness in R&D, design, services, and other high-end sectors
- Reinforce the construction of innovation capability and standardization systems, and strengthen the awareness of intellectual property rights
- Encourage value-added sectors such as railway, power, and communications to “Go Global”
- Shift towards product design, storage and logistics, financing services, and other high value-added sectors
- Adopt IoT and big data concepts in the process of design, manufacture and service delivery
- Build overseas after-sales service systems with unified standards which are open for sharing; and provide convenient services to global clients
- Carry out international level quality, security and environmental protection standards
- Develop self-owned brands, quality, value-added and popularity
- Enhance enterprises’ awareness of localization and social responsibility in host countries, and protect reputation

For a long time, “Made in China” has been regarded as “cheap and low quality” due to the rough and low-end development mode of China’s manufacturing industry. The urgent need to transform from low-end to high-end, and from manufacturing to services have become the key drivers for Chinese enterprises to “Go Global”. Intelligent manufacturing and service-oriented manufacturing industries are key targets in Chinese enterprises’ overseas expansion plans. On the other hand, China intelligent manufacturing, China service and China brand are becoming the new image of “Made in China” all over the world.
Capacity cooperation is accelerating China’s expansion overseas

After introducing the “Made in China 2025” strategy, the State Council issued the *Guiding Opinions on Promoting International Cooperation in Industrial Capacity and Machinery Manufacturing* (the “Opinions”). The Opinions stated that China should facilitate cooperation in core sectors including steel, non-ferrous metals, construction materials, railway, power, chemicals, textile, auto, communications, engineering machinery, aerospace & aviation, and shipping & oceaneering, with developing countries that match China’s industrial structure and have good cooperative conditions, as well as developed countries.

Through promoting international cooperation in industrial capacity and machinery manufacturing, China’s competitive industries and capacities will be expanded to other countries. China is transferring from being a receiver of developed international capacity to a builder and regional leader of the international industrial system. This not only reflects China’s needs for economic upgrade and transformation, but also reveals that China’s machinery manufacturing industry is making full use of its comparative advantages to help satisfy the needs of the global infrastructure market. The Opinions will promote the implementation of other national strategies like “One Belt One Road” and “Made in China 2025”, and become an important engine to facilitate China’s opening-up and economic growth.

**Key sectors of international cooperation in industrial capacity and machinery manufacturing**

- Steel
- Non-ferrous metals
- Construction materials
- Railway
- Power
- Chemicals
- Textile
- Auto
- Communications
- Engineering machinery
- Aerospace & aviation
- Shipping & oceaneering

Source: Guiding Opinions of the State Council on Promoting International Cooperation in Industrial Capacity and Machinery Manufacturing
Driving force and rationale of capacity and machinery “Go Global”

Chinese economy needs new growth engines
- Chinese economy has entered into the “New Normal”: export growth is slowing down and overcapacity needs to be released. China is in urgent need to find new growth engines.

China's machinery manufacturing is capable of being exported
- China's machinery manufacturing output accounts for 1/3 of the world's total.
- China's generator machinery manufacturing output accounts for 61% of the world's total.
- China's shipbuilding industry output accounts for 41% of the world's total.
- China has built 19,000 km high-speed rail, ranking as No.1 in the world.

Global infrastructure needs Chinese capital and technology
- From 2010 to 2030, there will be an incremental need of USD 1 trillion investments in infrastructure globally every year.
- This includes both the need for facility maintenance and upgrade in developed countries, and the basic need brought by growing populations and economies in developing countries.

With the implementation of policies and positive reaction of enterprises, China’s overseas investment grew significantly in its competitive industries in 2015: the outward FDI in transportation, power, and communications amounted to USD 11.7 billion, up 80% from 2014; and the outward FDI of machinery manufacturing amounted to USD 7 billion, up 154% from 2014. By the end of 2015, Chinese enterprises are active in 75 overseas cooperation zones, with a total output of USD 42.1 billion, which has facilitated the outward transfer of the capacities of traditional industries such as textiles, clothing, light industry, and household appliances.

In addition, China has established bilateral capacity cooperation mechanisms with Kazakhstan and another 16 countries, and is in negotiation with 33 countries on framework agreements of production capacity cooperation. Furthermore, China's tax and financial policy framework has been built: the China-initiated Asian Infrastructure Investment Bank (AIIB) was established in December 2015; the Silk Road Fund has already invested in several projects; the New Development Bank (also known as the “BRICS Bank”) established in July 2015 will announce its first batch of projects in April 2016; the first round China-Latin America Industrial Capacity Cooperation Fund of USD 10 billion has made its first investment; the first round China-Africa Industrial Capacity Cooperation Fund of USD 10 billion has been initiated; and China is also setting up industrial cooperation funds with Kazakhstan, Europe, France and Brazil.

The industrial capacity and financial cooperation led by the government is strongly encouraging enterprises to invest overseas, and is guiding China's outbound investment into a new phase - large scale and high growth rate. The “Three-Year Action Plan” of international capacity cooperation carried out by the NDRC (National Development and Reform Commission) estimates that the CAGR of China's outbound industrial investment will exceed 10% over the next three years and the investment scale will reach USD 160 billion in 2018.

China's outward FDI in competitive industries including transportation, power, and communications

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment amount (billion USD)</th>
<th>Grew by</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>11.7</td>
<td>80%</td>
</tr>
</tbody>
</table>

China's outward FDI in machinery manufacturing industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment amount (billion USD)</th>
<th>Grew by</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>7.0</td>
<td>154%</td>
</tr>
</tbody>
</table>

Source: Ministry of Industry and Information Technology of China, Organization for Economic Cooperation and Development (OECD)
China’s recent achievements in bilateral and multilateral capacity cooperation

<table>
<thead>
<tr>
<th>Country</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>Since the end of 2014 when China and Kazakhstan reached a consensus on production capacity cooperation, they have reached 52 project agreements in steel, cement, plate glass, chemicals, and machine manufacturing, with a total value exceeding USD 24 billion.</td>
</tr>
<tr>
<td>Belgium</td>
<td>Premier Li Keqiang paid an official visit to Belgium in June 2015. During his visit, China and Belgium signed 12 bilateral cooperation agreements on connectivity, finance, communications, microelectronics, and education, with a total value exceeding EUR 18 billion.</td>
</tr>
<tr>
<td>France</td>
<td>In June 2015, China and France signed a cooperation agreement on developing third-party markets. Both countries will conduct trilateral cooperation in fields such as nuclear power and high-speed rail.</td>
</tr>
<tr>
<td>Latin America</td>
<td>In May 2015, Premier Li Keqiang paid an official visit to Brazil, Columbia, Peru and Chile, and put forward the “3*3 Model” for capacity cooperation between China and Latin America and the Caribbean, focusing on cooperation in the machinery manufacturing and infrastructure sectors. Li announced a USD 30 billion special fund for industrial cooperation between China and Latin America and the Caribbean.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>In November 2015, Premier Li Keqiang paid an official visit to Malaysia, and negotiated cooperation in construction of the high-speed rail (HSR) linking Malaysia and Singapore, the railway network in Southern Malaysia, as well as Chinese and Malaysian port alliances.</td>
</tr>
<tr>
<td>Africa Union (AU)</td>
<td>In January 2015, China and the African Union signed a memorandum of understanding to work together on continental transport, HSRs, highways, aviation, and industrialization. In January 2016, with an initial capital of USD 10 billion, the China-Africa industrial capacity cooperation fund became active.</td>
</tr>
<tr>
<td>Europe Union (EU)</td>
<td>In the 17th China-EU Summit in June 2015, EU announced to forge synergies between China’s “One Belt One Road” Initiative and the EU’s EUR 315 billion Investment Plan. Both sides have decided to found a China-EU joint investment fund and the China-EU Connectivity Platform, to promote capacity cooperation between China and the EU.</td>
</tr>
<tr>
<td>ASEAN (Association of Southeast Asian Nations)</td>
<td>China has achieved several consensuses with ASEAN on capacity cooperation. In November 2015, Premier Li Keqiang attended the 18th China-ASEAN Summit (10+1). During the meeting, China sealed a deal with ASEAN to upgrade the China-ASEAN free trade area (FTA). In addition, Li urged concerted efforts by China and ASEAN to conclude negotiations for the Regional Comprehensive Economic Partnership (RCEP) in 2016.</td>
</tr>
<tr>
<td>CEE (Central and Eastern Europe)</td>
<td>The first China-CEE leaders’ meeting was held in 2012. Now China and the 16 countries in central and eastern Europe are strengthening their cooperation on infrastructure, and focusing on forging a new pattern for capacity cooperation in the future.</td>
</tr>
<tr>
<td>Some developed countries</td>
<td>China has reached important consensuses with South Korea, UK, Spain, Germany, Australia and other countries on jointly expanding the third-party markets.</td>
</tr>
</tbody>
</table>

Source: Xinhuanet.com, People.cn, Sina.com
China's new business card – Nuclear power and high-speed rail

2015: the first booming year for China's high-speed rail to "Go Global"

Since China officially put forward its high-speed rail (HSR) “Go Global” strategy in 2009; HSR cooperation has become a hot topic between high-level officials of China and other countries. In 2015, China achieved a series of big achievements in HSR cooperation: from the Moscow-Kazan HSR project in Russia, to the XpressWest HSR project in the US. In October 2015, a consortium led by China Railway Corporation won the bidding for the Jakarta-Bandung HSR project in Indonesia, which is the first time that China has exported a comprehensive HSR system abroad. 2015 is a dominant year for the “Go Global” strategy of China's HSR. By exporting trains, joining railway construction and providing financing, China is extending its HSR networks worldwide.

Behind the increase of China's overseas HSR projects, is strong international competitiveness, including four major advantages: experience, cost, technology and mechanism, which have been developed over the last decade:

Looking forward, China HSR has a bright future in international cooperation. It is estimated that from 2016 to 2030 or 2035, the total length of overseas HSR will reach 80,000 km, and the investment value will reach USD 2.4 trillion23. There are huge demands for HSR in the US, Europe, Russia, South America and Southeast Asia. China is likely to expand its business in the US, Russia and South East Asia and enter the markets in Europe and South America. Now CRRC Corporation Limited is bidding for Britain's High Speed Two (HS2) project, whose total budget is GBP 50 billion (USD 71.3 billion)24. Premier Li Keqiang has promoted China HSR on many occasions. In November 2015, he invited leaders from 16 CEE (Central and Eastern Europe) countries to travel by HSR while they were having a meeting in China25. It can be anticipated that China's “HSR diplomacy” will continue to boom, and China will expand its HSR map globally.

China's HSR is also improving its quality along with its geographically expansion: the Jakarta-Bandung HSR project (started in January 2016) indicates China HSR has stepped up from exporting construction and design to exporting the whole industry chain including high-tech train manufacturing. This is a historic breakthrough for China HSR as it showed the great potential of Chinese machinery to "Go Global" in high-end sectors, and also strengthened China's influence in both Asia and the world.

The 150km Jakarta-Bandung HSR is the first high-speed rail in Indonesia. Its total cost is USD 5.5 billion and the maximum designed speed is 350km per hour. On October 2015, China Railway Corporation signed an agreement with four state-owned enterprises in Indonesia to jointly build and operate the Jakarta-Bandung HSR, in which China will hold a 40% stake. The project started in January 2016, and will be completed by the end of 2018 and operate in 2019.

Normally HSR “Go Global” has three stages: project design, infrastructure construction and train manufacturing, of which train manufacturing is the most technology-intensive part. Previously China has only been in charge of HSR design or infrastructure construction. However, the Jakarta-Bandung project includes the export

23 Source: International Union of Railways (UIC), EY analysis.
of train manufacturing and other high-end tasks, which realizes China’s dream of being responsible for complete overseas expansion: from technical standards, exploration and design, project construction, machinery manufacture, materials supply, to operations management, talent training and overall development along the railway. The Jakarta-Bandung project can be regarded as China HSR’s first deal to “Go Global” with the whole industry chain.

The business model and financing scheme also helped China HSR overcome competitors from developed countries in the bidding. The Jakarta-Bandung project is co-invested and managed by Chinese and Indonesian companies. It will not take a penny from Indonesia’s national budget, nor need the Indonesian government’s guarantee.

Source: Caixin.com, ifeng.com, Xinhua News Agency

---

China extends its HSR network across five continents

**Hungary-Serbia railway**
- China, in cooperation with Hungary and Serbia, will build a railway linking Budapest and Belgrade.

**Moscow-Kazan HSR Project**
- A pilot project in the Eurasian High-speed Transport Corridor, linking Moscow and Kazan.

**Ankara-Istanbul HSR**
- Turkey’s HSR project connecting Ankara and Istanbul, of which China undertook the construction of 158 km of railway.

**Trans-Asian Railway**
- Built in Southeast Asia, focuses on improving the traffic conditions in Vietnam and Burma.

**(US) XpressWest HSR**
- China and the US will jointly construct the HSR project connecting Las Vegas and Los Angeles.

**(Brazil) Twin Ocean HSR Project**
- Stretching across South America and linking the Pacific Ocean and Atlantic Ocean, from Peru to east Brazil.

**Khunjerab Railway (China-Pakistan)**
- A railway linking Kashgar in China’s Xinjiang Region and the Gwadar port in southeast Pakistan.

**Indonesia HSR Project**
- The 150km HSR project links Jakarta and Bandung. China holds a 40% stake.

**Railways in Africa**
- The railways in South Africa, Tanzania and Zambia are the earliest railways that China built overseas.

**Haramain HSR Project (Mekka-Medina)**
- The HSR under construction in Saudi Arabia connecting Mekka, Jidda and Medina.

**Hungary-Serbia railway**
- The railways in South Africa, Tanzania and Zambia are the earliest railways that China built overseas.

Source: Xinhuanet.com, ifeng.com, CRI Online, Takungpao.com, chnrailway.com, EY analysis
Nuclear power industry is in recovery and its overseas expansion is booming

Since the “Go Global” strategy for nuclear power was launched in 2013, the Chinese government has considered nuclear power cooperation an important topic in political and economic interactions with other countries and has been actively promoting China’s nuclear power brand. In 2015, China has accelerated its overseas expansion of nuclear power facility construction:

- In August, the construction of the Karachi-2 project in Pakistan supported by China National Nuclear Corporation (CNNC) started, which is the first time that China’s “Hualong One” nuclear power technology has been exported.
- In October, a Chinese consortium led by China General Nuclear Power Corporation (CGN) signed an agreement with French nuclear plant operator EDF to co-invest in the British Hinkley Point C Nuclear Power Project (HPC Project).
- In November, CNNC signed an agreement with Nucleoeléctrica Argentina SA (NASA) for cooperation in the construction of Argentina’s fourth and fifth nuclear power plants.
- Shanghai Electric has acquired the subcontract to manufacture six steam generators for South Africa’s Koeberg nuclear power station, which is the first time for China’s major nuclear power equipment to enter the global market in scale26.

Following HSR, nuclear power is another new business card for China’s machinery manufacturing industry. After thirty years of development, China has greatly improved its nuclear power capabilities in R&D, project construction, machinery manufacturing, operation, and maintenance. The full nuclear power industry chain has been formed, and China is now globally competitive with the ability to provide a complete series of nuclear power equipment. Today, China has 31 nuclear power units in operation (5th worldwide) and 24 units under construction (1st and comprises 36% of total units under construction worldwide)27.

The boom in China’s nuclear power industry is revitalizing the global nuclear power market: By 2030, total nuclear power capacity will reach 1350 GW worldwide, 3.5 times the current capacity, with an expected investment of up to USD 1.5 trillion. Currently more than 70 countries have already or are planning to develop nuclear power. Nearly 80% of the world’s total newly-built nuclear power facilities are in countries along the Belt and Road26; Saudi Arabia plans to build 16 GW-level nuclear power units; Sudan will build two 0.6 GW-level nuclear power units in phase one and two 1 GW-level units in phase two; Malaysia is going to to build two GW-level nuclear power units in 2021; Egypt and Kazakhstan want to build a 5 GW-level unit and a 0.6 GW-level unit respectively in 2027; Burma and Cambodia are also working on their own nuclear power programs26. China is striving to build 30 nuclear power units in countries along the Belt and Road by 203026. There is no doubt that China’s nuclear power industry will have big achievements globally.

China has remarkable advantages in nuclear power

| Advantage in the entire industry chain | Equipped with a complete nuclear technology system, from geological exploration, uranium mining and refining, uranium purification / conversion / concentration, component manufacture, reactor design and manufacture, and post-processing. |
| Advantage in technology and manufacture | Possesses advanced nuclear power technology like “Hualong One”, with proprietary intellectual property rights; has strong capability in nuclear equipment manufacturing and plant construction. |
| Advantage in experience | More than 20 years safety record and rich experience in multi-reactor management; one of the leading nuclear operators in the world. |
| Advantage in policy | Nuclear power "Go Global" has been upgraded to a national strategy; top-level leadership is promoting China’s nuclear power in the global market. |

China has world’s largest number of nuclear power units under construction (units)

<table>
<thead>
<tr>
<th>Country</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>24</td>
</tr>
<tr>
<td>Russia</td>
<td>8</td>
</tr>
<tr>
<td>India</td>
<td>6</td>
</tr>
<tr>
<td>USA</td>
<td>5</td>
</tr>
<tr>
<td>UAE</td>
<td>4</td>
</tr>
<tr>
<td>South Korea</td>
<td>3</td>
</tr>
<tr>
<td>Ukraine</td>
<td>2</td>
</tr>
<tr>
<td>Slovakia</td>
<td>2</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2</td>
</tr>
<tr>
<td>Japan</td>
<td>2</td>
</tr>
<tr>
<td>Belarus</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: International Atomic Energy Agency

---

27 Source: International Atomic Energy Agency
29 Source: CNNC: Consideration and advice for China’s nuclear power “Go Global” strategy, 12th Issue, 2015
30 Source: same as Footnote 28
Recent export and cooperation of China's nuclear power technology

<table>
<thead>
<tr>
<th>Country</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>In January 2016, China and Saudi Arabia signed a memorandum of understanding (MOU) on the construction of a high-temperature gas-cooled reactor (HTR), making China's fourth generation HTR project “Go Global”.</td>
</tr>
<tr>
<td>South Africa</td>
<td>In December 2015, South Africa opened the bidding for its nuclear power plant, at a budget of USD 83 billion. China SPIC said it would actively join in the project development. Back in December 2014, China and South Africa signed a framework agreement on nuclear cooperation.</td>
</tr>
<tr>
<td>Argentina</td>
<td>In November 2015, China National Nuclear Corp (CNNC) signed an agreement with Argentine partners on the construction of a pressurized heavy water reactor (PHWR) at a nuclear power plant in Argentina. The reactor will use China's homegrown pressurized-water nuclear technology, known as Hualong One, marking Hualong One's successful entrance into the Latin America market, it is estimated that the agreement will drive the export of nuclear power equipment worth RMB 30 billion (USD 4.6 billion).</td>
</tr>
<tr>
<td>Romania</td>
<td>In November 2015, China General Nuclear (CGN) signed a life-style framework agreement for a Romanian nuclear power project with a total investment of EUR 7.2 billion. The agreement marked that China nuclear power technology and service had successfully entered the EU market.</td>
</tr>
<tr>
<td>UK</td>
<td>In October 2015, the CGN-led Chinese consortium signed an agreement to invest 6 billion pounds (USD 8.6 billion) in the British Hinkley Point C Nuclear Power Project (HPC Project), giving it a 33% stake. It was the first time Chinese nuclear power enterprises have joined in nuclear power construction in developed countries.</td>
</tr>
<tr>
<td>Kenya</td>
<td>In October 2015, CGN signed an MOU with the Kenya Nuclear Electricity Board (KNEB). Both sides will conduct all-around cooperation in respect of Kenya's nuclear power development and capacity building based on CGN's “Hualong One” nuclear power technology.</td>
</tr>
<tr>
<td>Pakistan</td>
<td>In August 2015, the Karachi-2 project supplied by CNNC started construction, which for the first time realized the export of China’s “Hualong One” nuclear power technology. Pakistan is the largest export destination of China's nuclear power facilities, up till now China has exported six nuclear power units to Pakistan.</td>
</tr>
<tr>
<td>Egypt</td>
<td>In May 2015, CNNC signed an MOU with Egypt's Nuclear Power Plant Authority (NPMA), which indicated CNNC has become one of the official partners for Egypt's nuclear power projects.</td>
</tr>
<tr>
<td>Algeria</td>
<td>In April 2015, CNNC and the Algerian Atomic Energy Commission signed an all-round agreement to cooperate in areas including nuclear power, research reactors, nuclear safety, nuclear technology, nuclear fuel, nuclear security and water desalination. CNNC has signed several cooperation agreements with Algeria since 1987.</td>
</tr>
<tr>
<td>France</td>
<td>In January 2015, CGN signed an agreement on the cooperation of nuclear power plant design with EDF. According to the agreement, by focusing on their nuclear power technology, CGN and EDF will launch design cooperation in stages on the subject of specific fields or research, so as to strengthen the improvement of nuclear safety design and promote technical exchanges.</td>
</tr>
<tr>
<td>Turkey</td>
<td>In November 2014, China's State Nuclear Power Technology Corporation (SNPTC), US Westinghouse Electric Company and EUAS, the largest electric power company in Turkey, announced an agreement to enter into exclusive negotiations to develop and construct a four-unit nuclear power plant in Turkey.</td>
</tr>
</tbody>
</table>

Source: China Nuclear Energy Association, SASAC, People.cn, Xinhuanet.com, CS.com, Sohu.com, Caixin.com, heneng.net, comnews.cn, etc.

Be cautious: stay calm in the upsurge

The implementation of the “One Belt One Road” strategy and “Made in China 2025” has brought new development opportunities for China's machinery manufacturing. However, cooperation in international capacity and machinery manufacturing will face severe economic and geopolitical risks. Furthermore, the fierce competition in the global market is propelling machinery manufacturing enterprises to strengthen their competitiveness in the entire industry chain. Even though there is a good chance, it is still necessary to be cautious.

| External uncertainties | China equipment is facing many external uncertainties in overseas expansion: China’s machinery manufacturing industry will focus on developing countries as a priority in its way to “Go Global”. Some of these countries may have turbulent political systems and economic structures, so there are sizeable political, economic and social risks regarding project development. Furthermore, as infrastructure is quite a sensitive sector, there will be more geopolitical risks and trade protectionism. Meanwhile, the global economy and financial markets are becoming more volatile, and there may be foreign exchange fluctuations and increasing debt burdens, which will bring more uncertainties to any overseas investment. For example: a Chinese railway construction company had won the bidding for the Mexico high-speed rail project, which was then withdrawn and laid aside indefinitely due to the budget control of the Mexican government and external economic pressure. |
| Fierce competition | From internal perspectives, China's machinery manufacturing industry will encounter fierce competition from developed countries during overseas expansion. Although China's high-end manufacturing industry has accumulated a certain level of competitiveness, there is still a significant gap between China and world-class enterprises in terms of the refinement of key components, product standards and certification, and marketing techniques. Therefore it is essential for Chinese enterprises and government authorities to strengthen competitiveness in the entire industry chain, and improve the international recognition of China's technical standards. |
Investment fever and the steady recovery in the post-financial crisis era

The UK, located on the edge of the North Atlantic, is a gateway to the Continent of Europe and a hub connecting the Americas, Africa and Asia. As the world’s fifth-largest economy, the UK is a country with a strong economy, stable political environment, open and transparent business policies, well-developed infrastructure, and a skilled labor force; and it has a deep tradition of technology and innovation; all of which make it one of the most attractive countries for investment. In 2014, the UK’s accumulative inward FDI amounted to nearly USD1.7 trillion, ranked third in the world. According to the EY 2015 UK attractiveness survey, investors view the UK as the most attractive destination in Europe for foreign capital as it has around an 80% positive rating for all investment indicators.

The UK has built a systematic industrial structure and maintains a leading role globally in sectors such as energy, manufacturing, science and technology, finance, and services. Software, business services and finance are the UK’s traditional leading sectors in attracting foreign investment. Furthermore, the UK plays a leading role in headquarters’ development and R&D.

Since the global financial crisis, the UK government has adopted supportive monetary policies, actively promoted infrastructure construction, increased business investment, and created more jobs, so as to keep the domestic economy on the path to recovery. Meanwhile, the UK is keen to improve its investment environment. In April 2015, the UK reduced its corporate income tax rate to 20%, which is lower than the other G7 and G20 countries, and also promised to offer more tax incentives to enterprises focusing on intellectual property development and R&D investment. Benefiting from these policies, the UK’s economy has steadily recovered in recent years, and its unemployment rate has decreased each year. In 2014, the gross domestic product (GDP) in the UK expanded 2.9%, the fastest growth rate since 2006, and its inward FDI increased by 51%, ranking first in Europe by both investment value and projects volume.

In 2015, influenced by global economic unrest, especially the weak demand in emerging countries, the UK’s GDP growth slowed to 2.2%. However, benefiting from the years-long low-interest policy, the government-supported real estate industry, and people’s growing living standards which are driving economic growth, it seems the UK’s consumption and investment environments are still attractive. Meanwhile global commodity

---

31 Source: OECD
32 Source: EY 2015 UK attractiveness survey
33 Source: UK Trade & Investment, Invest in the UK: your springboard for global growth, April 2015
34 Source: Office for National Statistics, data of foreign capital from United Nations Conference on Trade and Development (UNCTAD)
35 Source: Office for National Statistics
prices are declining, which will further stimulate the UK's consumption and investment patterns. In addition, low inflation in the UK is slowing down its pace to raise interest rates, and keep the UK recovering at a steady pace. It is estimated that the UK, which is expected to become the biggest economic entity in Europe by 2030, currently has the fastest economic growth in the G7. Based on the open investment policies, its well-established industrial structure, systematic infrastructure and advantages on finance and talent, the UK will continue to be a highly competitive investment focus for global investors, and will realize more development potential in the future.

### The attractiveness of different aspects of the UK for the next three years of investment projects, as ranked by existing and potential investors

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Very attractive</th>
<th>Fairly attractive</th>
<th>Not very attractive/ Not at all attractive/ Can't say</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of life, diversity, culture and language</td>
<td>54%</td>
<td>36%</td>
<td>10%</td>
</tr>
<tr>
<td>Stability of social climate</td>
<td>39%</td>
<td>47%</td>
<td>14%</td>
</tr>
<tr>
<td>Technology and telecommunications infrastructure</td>
<td>47%</td>
<td>38%</td>
<td>16%</td>
</tr>
<tr>
<td>Education in trade and academics</td>
<td>43%</td>
<td>42%</td>
<td>15%</td>
</tr>
<tr>
<td>Access to European market</td>
<td>47%</td>
<td>36%</td>
<td>17%</td>
</tr>
<tr>
<td>Stability and transparency of political, legal and regulatory environment</td>
<td>35%</td>
<td>47%</td>
<td>19%</td>
</tr>
<tr>
<td>Transport and logistics infrastructure</td>
<td>41%</td>
<td>40%</td>
<td>19%</td>
</tr>
<tr>
<td>Local labor skills level</td>
<td>33%</td>
<td>47%</td>
<td>20%</td>
</tr>
<tr>
<td>UK's domestic market</td>
<td>35%</td>
<td>44%</td>
<td>21%</td>
</tr>
<tr>
<td>Entrepreneurial culture, support for entrepreneurs</td>
<td>36%</td>
<td>42%</td>
<td>22%</td>
</tr>
<tr>
<td>Subtotal attractive</td>
<td>90%</td>
<td>86%</td>
<td>85%</td>
</tr>
</tbody>
</table>

Source: EY 2015 UK attractiveness survey

### The top 10 investment-attraction sectors in the UK in 2014

<table>
<thead>
<tr>
<th>Sectors</th>
<th>2014 Projects</th>
<th>% share of 2014 projects</th>
<th>% change on 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software</td>
<td>199</td>
<td>22%</td>
<td>7%</td>
</tr>
<tr>
<td>Business services</td>
<td>88</td>
<td>10%</td>
<td>-34%</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>64</td>
<td>7%</td>
<td>100%</td>
</tr>
<tr>
<td>Automotive assembly</td>
<td>52</td>
<td>6%</td>
<td>79%</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>51</td>
<td>6%</td>
<td>24%</td>
</tr>
<tr>
<td>Food</td>
<td>33</td>
<td>4%</td>
<td>65%</td>
</tr>
<tr>
<td>Other transport services</td>
<td>33</td>
<td>3%</td>
<td>-12%</td>
</tr>
<tr>
<td>Retail</td>
<td>29</td>
<td>3%</td>
<td>107%</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>26</td>
<td>3%</td>
<td>37%</td>
</tr>
<tr>
<td>Publishing</td>
<td>20</td>
<td>2.5%</td>
<td>-20%</td>
</tr>
</tbody>
</table>

Source: EY’s Global Investment Monitor 2015, *business services include professional services such as accounting, consulting and legal.

---

36% Source: UK Trade & Investment, Invest in the UK: your springboard for global growth, April 2015
Industrial complementation is building a “Golden Era” of Sino-UK cooperation

In recent years, we have seen fast growth in the economic and trade cooperation between China and the UK. At present the UK is China’s second-largest trade partner and the second-largest actual investor and investment destination in the EU. From 2010 to 2014, China’s direct investment into the UK increased from USD1.4 billion to USD12.8 billion, and now more than 500 Chinese companies have put down roots there. During the first eight months of 2015, China’s non-financial outward FDI into the UK grew by 10.5%, which fully demonstrates the stability and sustainability of the Sino-UK economic and trade relations.

Benefiting from the economic complementation between China and the UK, China is growing its investment in the UK: As a developed economy, the UK is attractive for its capital, technology, managerial experience and market capacity. Along with the upgrading and reform of China’s economy, its market demand for consumer products and services sectors is expanding, bringing big opportunities for the competitive sectors (services, finance, culture, etc.) in the UK. In the meantime, Chinese capital and technologies are playing a more important role in the UK, bonding the two countries even more closely for their future value chain cooperation.

The multi-layer complementarity is well reflected in the diversified industrial distribution of China’s outbound investment in the UK. The major sectors range from consumer products, finance, energy, science and technology to manufacturing and real estate. As Chinese companies shift upstream, and transform from “Made in China” to “Made for China”, the M&A activity in the TMT, consumer product and auto industry sectors has increased greatly in the past five years, and now accounts for 47% of all Chinese companies’ M&A deals in the UK. Meanwhile the services industry is also emerging as an engine driving China’s economic growth; therefore, Chinese companies also maintain strong interest in investing in the UK’s finance, services and real estate industries. Although the M&A proportion has decreased in sectors such as energy and metals, with China’s growing strength in capital and technology, we also expect massive opportunities for cooperation in the energy and infrastructure sectors.

<table>
<thead>
<tr>
<th>Year</th>
<th>Stock of FDI (billion USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1.4</td>
</tr>
<tr>
<td>2011</td>
<td>2.5</td>
</tr>
<tr>
<td>2012</td>
<td>8.9</td>
</tr>
<tr>
<td>2013</td>
<td>11.8</td>
</tr>
<tr>
<td>2014</td>
<td>12.8</td>
</tr>
<tr>
<td>2015</td>
<td>13.9</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics of China, 2015 data from EY analysis

The UK rose from No. 13 in 2010 to No. 7 in 2014 among China’s outbound FDI destinations:

Multi-layer complementation in Sino-UK economy, providing broad space for industry cooperation:

- Consumer products
- Manufacturing
- Technology
- Infrastructure
- Finance
- Services
- High-end machinery
- China’s economic transformation and industrial upgrading are spurring more demands for investment.
- UK’s great demand for improving its infrastructures may connect with China’s investment.

---

40 Source: Mergermarket, includes data from Hong Kong, Macau and Taiwan.
On one hand, the economic interdependence and cooperation between China and the UK are deepening. On the other hand, with the frequent exchanges between the leadership, the political relationship is also warming, which acts to promote the economic and trade cooperation between China and the UK. In March 2015, the UK announced it would join the China-initiated AIIB. In October 2015, Chinese President Xi Jinping visited the UK, the first Chinese head of state to visit the UK in a decade. 2015 was a “Golden Year” for Sino-UK relations. During Xi Jinping’s visit to the UK, 59 agreements were achieved. The total amount of signed business contracts reached around 40 billion pounds in the energy, finance, auto industry, culture and technology sectors. Cooperation in the infrastructure and finance sectors has been given special attention.

The new era of Sino-UK cooperation coincides with Chinese companies’ rapid growth in overseas investment. Led by a top-level strategic blueprint and deepened by economic complementation, there will be a new wave of Chinese companies investing in the UK, which ensures a promising “Golden Era”.

UK as a holding company jurisdiction for Chinese investments

Over the last 10 years, successive UK governments have implemented a number of targeted tax changes to improve the attractiveness of the UK as a holding company jurisdiction for investments from China into the UK and the EU. This has resulted in the UK now being considered by many global businesses to be the preferred choice for inward investment. Using the UK as a holding company jurisdiction may help to manage tax leakage on profit and income flow, i.e., collectively, it is possible for a UK company to receive income tax free, to then distribute it tax free and be exempt i.e., collectively, it is possible for a UK company to receive capital gains on share disposals.

Ongoing Tax Issues

- Corporate tax rate – From 1 April 2014, the UK’s main rate of corporate tax was 21%. The rate decreased to 20% on 1 April 2015.
- Patent Box – Companies with certain profits in respect of patents may be able to pay a reduced corporate tax rate of 10%.
- Advance Agreements Unit (AAU) – Significant inward investors can apply to the AAU for a range of services. For example, to fast track an application toward agreement on given tax issues, where otherwise there may be uncertainty as to the interpretation and application of a given law.
- Tax groups and efficient use of losses – The surrender and offset of losses between group members may be available. Company losses can be carried back and forward.
- UK controlled foreign company (CFC) – UK CFC laws have been subject to a major rewrite, thereby making them much more favorable. Broadly, their purpose is to now only impose a CFC charge in the UK on the “artificial” diversion of UK profits.
- Overseas branches of UK companies – Subject to an election being made, it may be possible to exclude the profits or losses of overseas branches from UK corporate tax.
- Stamp duty – Generally stamp duty at 0.5% is payable on the acquisition of shares; this is not an annual charge and is only payable by a buyer on the initial acquisition or transfer of shares. There is no capital duty. Special rules apply for shares traded on junior markets.

Withholding tax (WHT)

- WHT – Dividends paid by UK resident companies are not subject to withholding tax. WHT at 20% on interest payments may apply, but the rate may be reduced by reference to the relevant double tax treaty.
- EU Parent-Subsidiary exemption – WHT on dividends from EU subsidiaries may be exempt, provided certain criteria are met.
- Dividend income – A dividend or other income distribution received is generally exempt from UK corporate tax, provided a number of conditions are satisfied.

Exit

- Capital gains tax – Where a UK company disposes of a substantial shareholding (more than 10%), any gain or loss on disposal may be exempt (the “substantial shareholding exemption”).

The UK Patent Box regime is a UK corporation tax deduction regime for businesses that own patents (and certain other IP that is innovative, subject to independent examination and centrally registered). The Patent Box provides an effective rate of 10% for profits generated by qualifying patents or other protected rights, such as data exclusivity under a European marketing authorization, which is far lower than the 21% corporate basic tax rate (the rate was lowered to 20% since April 1, 2015). For multinational corporations, the Patent Box regime is an important part of the UK’s global intellectual property strategy.

<table>
<thead>
<tr>
<th>What type of IP qualifies for the Patent Box regime?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primarily patents registered in the UK, EU or certain EEA states.</td>
</tr>
<tr>
<td>The regime also applies to holders of a broad range of pharma / agricultural IP such as data exclusivity and SPCs.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Does the IP have to be registered in the name of the UK Patent Box company?</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. The UK Patent Box company can either legally own the qualifying IP; or enter into an exclusive license agreement or a cost-sharing arrangement to qualify.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Which profits qualify for the 10% rate?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The product only needs to contain one patented component for all of the profits from product sales to qualify. An adjustment is made for routine returns and any brand-related return (usually minimal for pharmaceutical companies).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Does it matter when the patent(s) was granted?</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, there are no restrictions based on when patents were granted.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Does it matter which company developed the IP?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under the current rules, if another group company developed the IP, the British company can qualify for the Patent Box provided it performs a significant amount of management activity in relation to the IP. This will start to change from 2016.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Is a ruling needed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Patent Box is a statutory regime - there is no requirement to obtain a ruling. However there is flexibility to interact with the UK tax authority at various levels to seek a degree of comfort on areas of uncertainty.</td>
</tr>
</tbody>
</table>

*Her Majesty’s Revenue and Customs released the new draft of Patent Box in December 2015, in which relevant provisions of the Patent Box were overhauled according to OECD’s minimum requirements about “Harmful Tax Practices”.

42 Source: Tax-Helping Chinese business in the UK, EY, 2014
A successful M&A deal is not achieved in one day. It will be influenced by factors including politics, economics, the industrial variation cycle, and corporate strategy and capabilities. Of all these factors, whether an enterprise can effectively integrate the target after M&A is a key factor to its success in overseas M&A activity. It’s a common challenge for enterprises to achieve integration after M&A, and it is EY Overseas Investment Growth Navigator’s job to help enterprises deal with it.

### Key factors for successful integration after M&A

#### Financial integration
- Analyze and adjust accounting policies
- Change accounting statement criteria
- Manage financial report and its process
- Establish internal control system
- Integrate financial information system

#### Human resources integration
- Keep and incent core talents
- Confirm alternatives for key management positions
- Examine and update senior executives’ remuneration contracts
- Refine senior executives’ tasks and benchmarks
- Arrange positions for expatriates

#### Cultural integration
- Evaluate the cultural difference between M&A buyers and sellers
- Formulate targeted cultural integration scheme and put into implementation

#### Analysis and practice of synergy effect
- Draw a list for initial synergy effect
- Propose a hypothesis on synergy effect
- Make priorities for the embodiment
- Formulate the implementation outline and concrete scheme for the synergy effect

#### Corporate control
- Design the control framework for target company
- Clarify the responsibility and authority of the board of directors and the management
- Clarify the reporting lines of both buyers and sellers in M&A

---

**EY Overseas Investment Growth Navigator:**

- Attract talents
- Assume social responsibilities
- Introspection
- Expand channels
- Multi-leveraging
- Take precautions
- Sound planning
Establish an effective corporate governance framework, to prevent and mitigate risks

Corporate governance formulates the rules and structure for corporate operations. Establishing a corporate governance framework is the foundation for investors to control the acquired enterprise. To separate stakeholders’ power and clarify the power operation mechanism of the acquired enterprise is an important premise to achieve its organizational and managerial framework. It will directly influence the enterprise's operating efficiency and economic benefits by setting a suitable governance structure, rules of order, decision-making mechanism and functional framework, according to the acquired enterprise's actual needs.

Restructure the board of directors

- To clarify the candidates and number for the new board of directors as soon as possible
- To focus on the candidates for independent director
- When restructuring the board of directors, redefine the power and responsibility between shareholders meeting, the board of directors and the management

Clarify the authorization and decision-making mechanism

- Before final delivery, to clarify the major events authorization and decision-making mechanism of the acquired enterprise
- To ensure the acquired enterprise can make fast decisions and effectively prevent risks after delivery

Establish the governance structure

- To become familiar with the acquired enterprise’s governance framework in the due diligence process
- To plan for the acquired enterprise’s governance framework before signing the acquisition agreement

Source: EY analysis

Clarify the requirements for financial management, and timely access to relevant information

Financial integration is the key section in the buyer's integration process after M&A. To achieve the integration, the buyer should evaluate the financial management system of itself and the acquired enterprise, clarify its financial management requirements and access relevant data, on the premise that the acquired enterprise's financial management system is in steady operation, to ensure the financial management system of the acquired matches the buyer's strategic goals and management demand.

Financial accounting and reporting system

- Reporting management: To ensure the operation and management stability and continuity of the acquired enterprise, the buyer is likely to keep and follow its original daily reporting management system, and avoid adding extra workload in this field to the acquired enterprise
- Join-Cheer financial statements: To strengthen supervision and administration of the state-owned assets, China's regulator requires SOEs to regularly report their financial statements. It is a complicated process which can make it difficult for SOEs to integrate their overseas financial statements. Therefore the buyer must help the acquired enterprise get familiar with the statements after delivery, from sectors such as accounting standard conversion, subjects mapping and designing Join-Cheer financial statements

Budget management

- Buyer's directors and financial staff will communicate with the acquired enterprise about its goals and requirements for budget management
- Buyer should reach an agreement with the acquired enterprise in advance on the budget program. After being approved by the acquired enterprise's board of directors, the buyer should supervise its implementation and ensure the budget goals could be achieved

Capital management

- Capital recovery: To carry out capital recovery in the acquired enterprise based on frequency capping. According to the buyer’s control goals, it will recover funds from the acquired enterprise monthly or weekly
- Capital redistribution: Funds of the acquired enterprise will be included into the group's capital pool. The acquiring firm can redistribute the idle funds within the group to increase the usage efficiency of the capital
- Capital supervision: Through connecting the financial information system with the acquired enterprise, ensure its account disposal related to fund receipts and payments is under the buyer’s supervision and control

Financial information system

- In the integration process, the buyer is inclined to follow the current systems of the acquired enterprises after deliberating the necessity, feasibility and needs of self-management to integrate the financial information system of both sides. The buyer can monitor and acquire the financial information of the acquired enterprise by limited system connection and setting remote access, administration authority and key users

Internal audit control

- Conduct regular/contingent internal audits of the acquired enterprise, and help the enterprise improve its internal control system, ensuring its internal management and business operation is in compliance
- Successful internal audits: the buyer sends its own audit team and asks a local audit institution for assistance when necessary; set an audit commission under the board of directors of the acquired enterprise; conduct special audits of the major contracts of the acquired enterprise
Steadily promote business coordination, and gradually achieve synergy effect

For many enterprises, achieving business coordination is why they make overseas M&A. After the deal, the buyer and the acquired enterprise can enhance coordination through integrating their brand marketing strategies, account resources, channels and networks, procurement models, and R&D, to improve their core competitiveness.

It is a step-by-step process to achieve business coordination. An enterprise that has achieved this aim will focus on integrating the basic managerial sections in the early stages, such as corporate governance, financial management and human resources; and then form the managerial synergy effect including financial coordination, which aims at realizing corporate control. With the integration being carried forward, both the buyer and the acquired enterprise have a deeper understanding of each other's business management model and processes. In some areas, they can achieve mid/short-term synergies and improve their operating capabilities. After the M&A, it can be difficult to integrate sales & marketing, production & operations, or R&D, and harder to achieve the desired synergy. It takes time, effort, thought and preparation to achieve all these integrations.

Focus on communication and cultural integration, motivate the core team, and accelerate the Chinese enterprise's international talent training

In overseas M&A, each stakeholder may have a different cultural background, working habits and cognitive perspective. To achieve an overseas M&A, the Chinese enterprise should establish an effective internal/external communication mechanism, coordinate well the stakeholders with different cultural backgrounds, stabilize the core team after delivery, and gradually integrate different teams. Meanwhile, it should strengthen the management of expatriates to ensure projects are implemented according to the integration schedule, and then finally achieve its M&A goals. We will elaborate these issues in the coming EY reports.
Case Study: A Chinese enterprise achieved integration after M&A: A state-owned materials group acquired a commodity trade giant in the UK

Transaction background

The buyer is a state-owned materials group with comprehensive logistics businesses, and has set up nationwide logistics and delivery networks. It is one of the leading warehouse operators in China, and is also the major delivery warehouse operator on the Shanghai Futures Exchange (SHFE). It has set up logistics distribution centers and business & trade institutions in major cities and ports and established relationships with financial institutions, at home and abroad.

The target company is one of the world’s leading warehouse-based logistics providers with a long history of more than 300 years, and focuses on the logistics and warehousing services of metals and commodities. It was part of the world’s largest unlisted energy and commodity trading groups before the deal, and it provides all-round services including warehousing, logistics, customs clearance and transportation in over 16 cities in 8 countries around the US, Europe, Southeast Asia and the Middle East. The target company is also licensed by the world’s premier commodity exchanges, including LME, LIFFE, ICE and CME to store commodities and issue exchange-traded warrants for metals and commodities.

Strategic rationale of this deal

The buyer intends to follow the opening-up measures of the SHFE’s nonferrous metal futures market; and to expand business in Asia, Europe, and the Americas through major overseas delivery warehouse operators with international non-ferrous metals futures markets licenses. This acquisition is in line with the buyer’s strategy to become a multinational logistics operator and to promote its global influence. The target company is intended to further expand customer base globally.

Challenges after the acquisition

- How to identify the synergy effect, by integrating the superior resources of both sides strategically?

As the major delivery warehouse operator on the SHFE, the buyer secures the leading position in China’s warehouse market and has stable and extensive customer resources; the target company is licensed by the world’s premier commodity exchanges and is experienced in the commodity trading business. The primary challenge and the key factor of achieving strategic synergy after the acquisition is how to integrate the customer resources, exchanges networks and the advantages in commodity trading effectively.
How to make a realizable business plan in accordance with both sides’ strategic interests and maximize the value of the acquisition?

As a large-scale SOE, the buyer has made a five-year plan in detail to support its development strategy. After the acquisition, the buyer becomes the controlling shareholder of the target company, therefore, the target company should make a realizable business plan and financial forecast for the upcoming five years, which shall be accepted by both sides and integrated with the buyer’s strategic plan as well as mutual business collaboration. The business plan will be used as a tool to supervise and review the target company’s management performance.

How to maximize the value from the effective operational level integration?

The operational level integration is key to the success of an acquisition. Integrating systematically in the operational modules and business functions of corporate control, business development, financial management, HR management, IT and procurement, etc. is the essential way to maximize the value of the acquisition.

Systematical and comprehensive M&A integration

A successful M&A with maximized value depends on a systematical integration, which is usually composed of three key components: 1) analysis and implementation of the synergy effect; 2) operational level integration; and 3) M&A integration management.

The synergy effect: Analysis and implementation

Before the integration, the buyer’s senior executives had in-depth discussions with the target company on the strategic positions and stakeholder cooperation after the M&A. Both sides agreed to strive for deep cooperation and strategic coordination.

In the early stages, the buyer analyzed the global commodities delivery business, especially the nonferrous metal futures market. It then formulated an initial coordination list in combination with each sides’ business development situations, and by recognizing the possible synergies in sales, procurements, operations and maintenance, and investment. The buyer estimated the earnings, costs and expenses of the synergy; and given the difficulties and time needed to achieve effective change, the buyer confirmed the implementation priorities. Accordingly, the buyer drew an implementation roadmap and developed a detailed action program based on the map.

Operational level integration

Corporate control - The buyer developed its overseas investment program through tax planning, and founded its wholly-owned Hong Kong-based subsidiary in December 2015, as the entity to acquire the target company. Meanwhile, based on British laws regulations and its own strategic goals, the buyer outlined the governance structure for the target company. According to governance requirements and strategic consideration, the buyer needs to determine the responsibilities of the board and management team, set rules for authority and jurisdiction and verify the reporting outlines of both sides.

In the integration process, the buyer attached great importance to communication with the target company: it discussed its strategic considerations on the target company's further development; it encouraged the target company to actively participate in the significant post-acquisition events; and it responded promptly to the target company's concerns. By those active communicating actions, the buyer was further recognized by the target company, which ensured stable development of the team and business. The buyer would also consider integration of other operational topics such as financial reporting and control, HR and IT at later stages in order to align both organizations in an effective manner.

M&A integration management

The buyer set up a Project Integration Office soon after the acquisition process was started, and monitored the business processes and fed back the information to the Integration Office. The Integration Office communicated with the buyer and the target company, realized synergies and operational level integration plans by breaking down into different key initiatives and projects, and coordinated the schedule of the relevant departments.
In 2015, encouraged by policy benefits and the need to upgrade and transform, Chinese enterprises are undergoing a new round of overseas expansion. Despite the downward economic pressure, China’s outward FDI has recently been at an all-time high. With Chinese economic growth slowing and finding a “new normal”, it is critical to find new growth engines. The Chinese government is optimizing its top-level strategic blueprint for “Go Global”. From the “One Belt One Road” strategy to the “Made in China 2025” plan, from promoting cooperation in capacity and machinery manufacturing to fostering high-speed rail and nuclear power as new business cards to “Go Global”, the upgrading and transformation of the domestic economy is a key part of the reason for Chinese enterprises’ overseas expansion. The government-guided international industrial capacity cooperation is establishing a new pattern of outbound investment featuring huge investment value and high growth rates.

For Chinese enterprises on the “Go Global” tide, a clearer national strategy and more mature supporting policy can provide favorable opportunities for them to expand globally. Enterprises should wisely leverage the opportunity and seek changes by improving their innovation and management abilities in order to transform and upgrade the industry chain and foster a world-respected China brand.

In the next five years, China’s outbound investment will continue to grow, and it will become a new source of opportunity as Chinese economic growth slows. This new round of overseas expansion and policy implementation will encourage an increasing number of Chinese enterprises into a new stage of internationalization and create opportunities for them to upgrade and transform.

**Conclusion:**
Forge ahead towards the next step of “Go Global”
The China Overseas Investment Network (COIN) links EY professionals around the globe, facilitates collaboration, and provides consistent and coordinated services to our clients with overseas investment from China. Building on the existing China Business Group in the Americas, EMEIA, Asia-Pacific and Japan areas, COIN has expanded our network in 65 countries and territories around the world.

美洲区
Americas Area

- 美国
- 加拿大
- 加勒比海地区
- 以色列
- 墨西哥
- 阿根廷
- 玻利维亚
- 巴西
- 智利
- 厄瓜多尔
- 秘鲁
- 委内瑞拉
- The United States
- Canada
- Caribbean Region
- Israel
- Mexico
- Argentina
- Bolivia
- Brazil
- Chile
- Ecuador
- Peru
- Venezuela
Our globally integrated structure enables us to deploy dedicated teams with strong local experience, and profound industry knowledge to provide our clients with onestop professional service from planning stage to execution stage to integration stage, helping our clients navigate through global markets.
Our global COIN network

For more information on our China Overseas Investment Network, please visit our website at www.ey.com/cn/coin or contact:

**China**

Albert Ng
Chairman, China
Managing Partner, Greater China
+86 21 2228 3288
albert.ng@cn.ey.com
Shanghai

Loletta Chow
Global COIN Leader
+852 2629 3133
loletta.chow@hk.ey.com
Hong Kong

Erica Su
Transaction Advisory Services Leader
Greater China
+86 21 2228 2205
erica.su@cn.ey.com
Shanghai

Yew Poh Mak
Transaction Advisory Services Leader
China North
+86 10 5815 3002
yew-poh.mak@cn.ey.com
Beijing

Andrew Choy
International Tax Services Leader,
Greater China
+86 10 5815 3230
andrew.choy@cn.ey.com
Beijing

Jesse Lv
Co-Leader, China Tax Outbound Center
+86 21 2228 2798
jesse.lv@cn.ey.com
Shanghai

**Lucy C Wang**
Co-Leader, China Tax Outbound Center
+86 10 5815 3809
lucy-c.wang@cn.ey.com
Beijing

**Sunny Chow**
Risk Leader, China North
+86 10 5815 3302
sunny.chow@cn.ey.com
Beijing

**Michelle Ho**
China Overseas Investment Network
+852 2846 9660
michelle.ho@hk.ey.com
Hong Kong

**Area leaders**

**Americas**

**Shau Zhang**
Americas Area COIN Market Leader
+1 617 375 3792
xiaoqing.zhang@ey.com
Boston, USA

**Eric Xiao**
Canada COIN Leader
+1 416 943 2943
eric.c.xiao@ca.ey.com
Toronto, Canada

**Fernanda Chang**
South America COIN Leader
+55 11 9625 2084
fernanda.chang@br.ey.com
Sao Paulo, Brazil
> **EMEIA**

Qinghua Xu-pionchon  
EMEIA Area COIN Leader  
+33 1 4693 4363  
qinghua.xu-pionchon@fr.ey.com  
Paris, France

Yi Sun  
Germany, Switzerland and Austria COIN Leader  
+49 211 9352 20153  
yi.sun@de.ey.com  
Dusseldorf, Germany

> **Asia-Pacific**

Loletta Chow  
Global and Asia-Pacific Area COIN Leader  
+852 2629 3133  
loletta.chow@hk.ey.com  
Hong Kong, China

John Li  
Oceania Area COIN Leader  
+61 8 9429 2184  
john.li@au.ey.com  
Perth, Australia

> **Japan**

Ying Huang  
Japan Area COIN Leader  
+81 3 3503 1100  
huang-yng@shinnihon.or.jp  
Tokyo, Japan
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2016 Ernst & Young, China
All Rights Reserved.

APAC no. 03003088
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com/coin

Scan this QR code to subscribe to our wechat public platform