

JESA INVESTMENT & MANAGEMENT CO., LTD.

In this issue:

- **APEC Business Travel Card**
- **La carta APEC per i viaggi d'affari**
- **The Lithium-Batteries Market: an Outline**
- **China: Significant Cut into Auto Import Tariffs since July 1st**
- **Tax Burden Reduction: New Measures in China**
- **China and Drone Delivery For Packages**

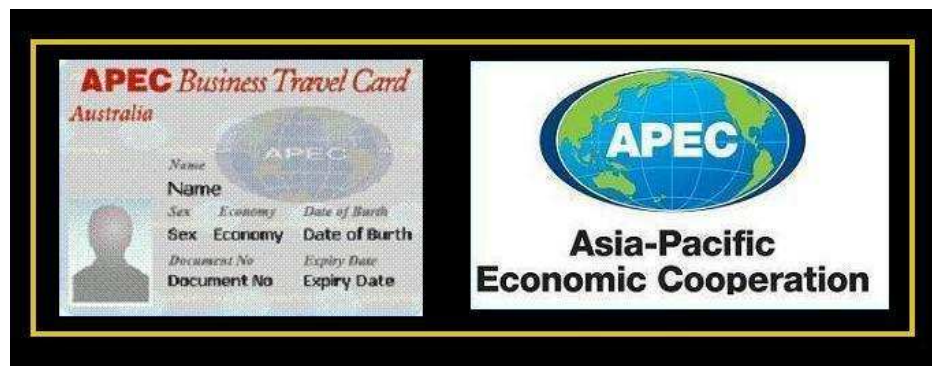
NEWSLETTER – MAY 2018

The logo for Jesa, featuring the word "Jesa" in a red, sans-serif font. A blue arc is positioned above the letter 'e', extending from the top of the 'J' to the top of the 'a'.

APEC Business Travel Card

Within the Asia-Pacific Economic Cooperation (APEC) project, which is a regional economic forum established in 1989 to leverage the growing interdependence of the Asia-Pacific to ensure that goods, services, investment and people can move easily across borders, different tools able have been implemented.

To this end APEC has created an APEC Business Travel Card (ABTC). The ABTC allows business travellers pre-cleared, facilitated short-term entry to participating member economies. The ABTC removes the need to individually apply for visas or entry permits, saving valuable time, and allows multiple entries into participating economies during the three years the card is valid. Card holders also benefit from faster immigration processing on arrival via access to fast-track entry and exit through special APEC lanes at major airports in participating economies.



Most APEC economies have joined the entire APEC Business Travel Card initiative: Australia; Brunei Darussalam; Canada; Chile; People's

Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; The Russian Federation (which started fully participating on June 1, 2013.); Singapore; Chinese Taipei; Thailand; United States of America; VietNam In this list, two economies are transitional members: the United States and Canada. The first began accepting applications for ABTCs in June 2014, while the second one announced in October 2013 that it would start a limited-participation trial program.

The main achievements are:

1. Trade and investments liberation;
2. Business Facilitation;
3. Economic and Technical cooperation.

The APEC Business Travel Card is a travel document issued to business travelers who are citizens of the economies participating in APEC. Valid for five years, the card eliminates the need for its holder to hold a visa when visiting other APEC economies as long as the preliminary clearance has been obtained during the application process. The card is valid for 3 years from the date of issue or until the expiration date of the passport (if before 3 years). Unlike the Global Entry program, which is valid for 5 years from the date of issue and which can be linked to a new passport, the APEC Business Travel Card expires with the passport itself, if it expires before the validity of 3 years. It is therefore necessary to submit the application for the APEC Business Travel Card again with the new passport.

The advantage is access to the fast track immigration lines at the airports of APEC member countries, lines that are typically reserved for

air or diplomatic crews. The card does NOT replace visa requirements, so for example it is still needed to apply for a China visa. This initiative only intends to speed up entry into the APEC countries.

Since the creation of the program in 1997, data indicate that the growth rate has continued to accelerate steadily. In 2007, the increase in applications received from participating economies was more than 100% on an annual basis.

In addition, according to the APEC Policy Support Unit which produced an in-depth study in 2011, the ABTC scheme can reduce transaction costs for ABTC holders by almost 40% on average, representing a total savings of USD3.7 million. Significant improvements were also made with regard to the time savings at the borders experienced by ABTC holders: during the period considered (March-July 2010 until March-July 2011) it reached 62,413 hours, a monetary value of almost 2 million of USD.

La carta APEC per i viaggi d'affari

Nell'ambito del progetto di cooperazione economica Asia-Pacifico (APEC), che è un forum economico regionale istituito nel 1989 per sfruttare la crescente interdipendenza dell'area Asia-Pacifico garantendo una più libera circolazione di merci, servizi, investimenti e persone oltre i confini, diversi strumenti sono stati implementati.

A tal fine l'APEC ha creato una carta da viaggio aziendale APEC (ABTC). L'ABTC consente ai passeggeri pre-autorizzati in viaggio d'affari l'accesso a breve termine alle economie membri partecipanti. L'ABTC elimina la necessità di richiedere individualmente visti o permessi di

ingresso risparmiando tempo prezioso e, inoltre, consente l'ingresso multiplo nei paesi aderenti durante i tre anni in cui la carta è valida. I titolari delle carte beneficiano anche di una più rapida elaborazione delle procedure di immigrazione grazie all'accesso rapido sia in entrata sia in uscita attraverso apposite corsie APEC nei principali aeroporti delle economie partecipanti.



La maggior parte delle economie APEC ha aderito all'iniziativa dell'intera Travel Card APEC: Australia; Brunei Darussalam; Canada; Chile; Repubblica Popolare Cinese; Hong Kong, Cina; Indonesia; Giappone; Repubblica di Corea; Malaysia; Messico; Nuova Zelanda; Papua Nuova Guinea; Perù; Filippine; La Federazione Russa (che ha iniziato a partecipare pienamente al 1° giugno 2013.); Singapore; Taipei cinese; Thailandia; Stati Uniti d'America; Viet Nam In questo elenco, due economie sono membri di transizione: Stati Uniti e Canada. Il primo ha iniziato ad accettare le domande per gli ABTC a giugno 2014, mentre il secondo ha annunciato nell'ottobre 2013 che avrebbe avviato un programma di prova a partecipazione limitata.

I principali risultati sono:

1. Liberazione del commercio e degli investimenti;
2. Facilitazione aziendale;
3. Cooperazione economica e tecnica.

L'APEC Business Travel Card è un documento di viaggio rilasciato ai viaggiatori d'affari che sono cittadini delle economie partecipanti all'APEC. Valida per cinque anni, la carta elimina la necessità per il suo titolare di possedere un visto quando visita altre economie partecipanti all'APEC purché sia stato ottenuto il nulla osta preliminare durante la procedura di richiesta. La carta ha una validità di 3 anni dalla data di emissione o fino alla data di scadenza del passaporto (se precedente a 3 anni). A differenza del programma Global Entry, che è valido per 5 anni dalla data di emissione e che è possibile collegare a un nuovo passaporto, l'APEC Business Travel Card scade con il passaporto, se esso scade prima della validità di 3 anni. Diventa pertanto necessario presentare di nuovo la domanda per la carta Business Travel APEC con il nuovo documento d'identità.

Il vantaggio è l'accesso alle linee di immigrazione in pista veloce negli aeroporti dei paesi membri dell'APEC, linee che sono tipicamente riservate agli equipaggi aerei o diplomatici. La carta NON sostituisce i requisiti per i visti, quindi ad esempio è ancora necessario richiedere un visto per la Cina. Questa iniziativa intende solo rendere più veloce l'ingresso nei paesi APEC.

Dalla creazione del programma nel 1997, i dati indicano che il tasso di crescita ha continuato ad accelerare costantemente. Nel 2007 l'aumento delle domande ricevute dalle economie partecipanti è stato superiore al 100% su base annua.

Inoltre, secondo l'Unità di supporto alle politiche dell'APEC che ha prodotto uno studio approfondito nel 2011, lo schema ABTC può ridurre mediamente i costi di transazione per i titolari di ABTC di quasi il 40%, con un risparmio totale di circa 3,7 milioni di USD. Significativi miglioramenti sono stati registrati anche per quanto riguarda i risparmi in termini di tempo alle frontiere sperimentati dai titolari di ABTC: nel periodo considerato (marzo-luglio 2010 fino a marzo-luglio 2011) ha raggiunto 62.413 ore, un valore monetario di quasi 2 milioni di USD.

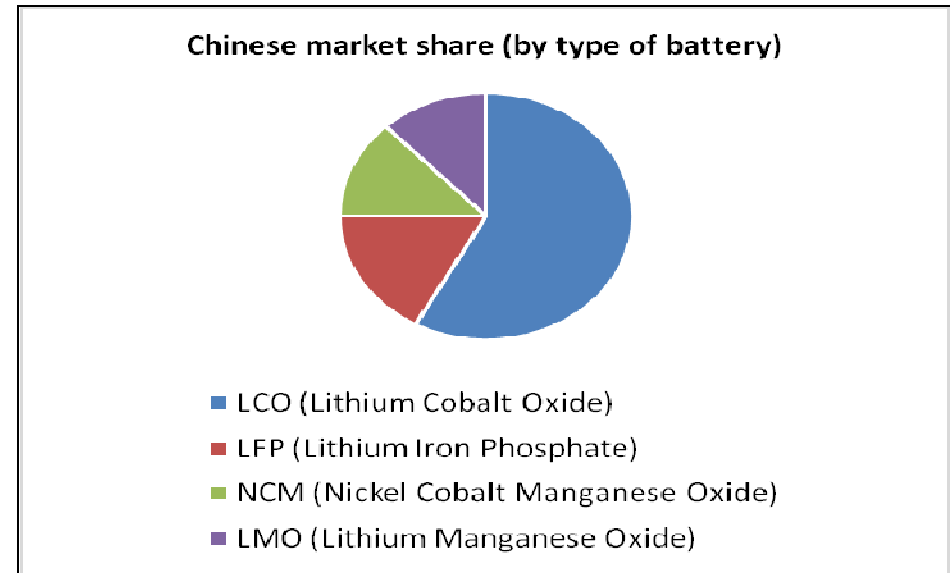
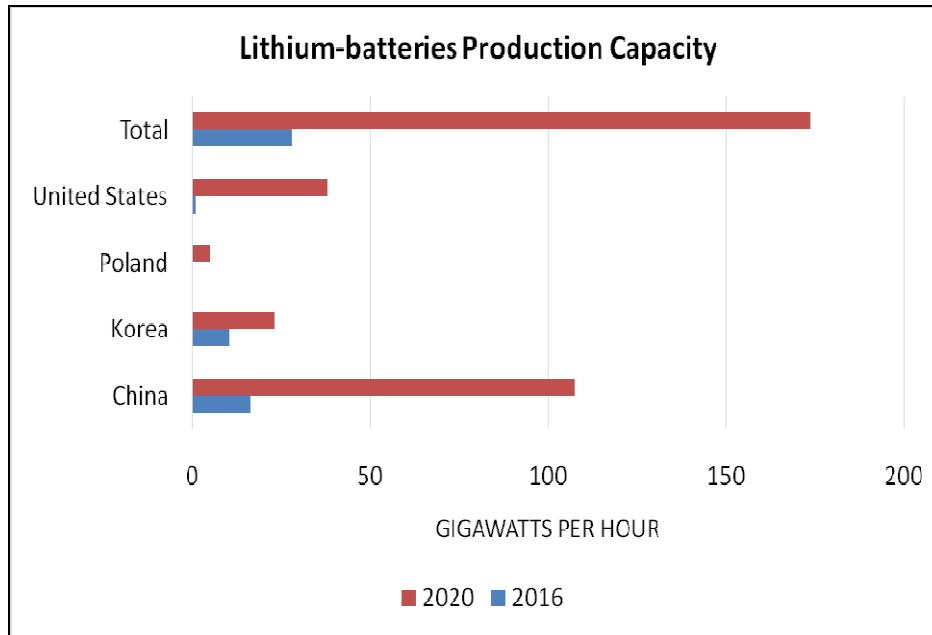
The Lithium-Batteries Market: an Outline

The market of lithium batteries in China is on the rise, and is changing really fast.

China is already the greatest producer worldwide of them, with a capacity of 16.4 Gigawatts per hour (GWh), and it is expected to grow exponentially in the next years. By 2020, it should reach 107.5 GWh, which will represent approximately 62% of the global total capacity. Moreover, revenues from the Chinese lithium-batteries market stood at 71.8 billion RMB in 2015, equal to 67.7% of the global revenues.

Parallel to this, also the prices of batteries will face changes. Indeed, in 2017 alone they are expected to be cut of as much as 40%: the probable result of this drop will be a further boost in revenues.

After having understood how China is performing in the global market, it is also worth to notice that changes will happen also in the domestic market, in terms of battery type preference.



Indeed, currently the main player is the Lithium Cobalt Oxide (LCO) battery, with a market share of 58%. This is followed by the Lithium Iron Phosphate (LFP), the Nickel Cobalt Manganese Oxide (NCM) and the Lithium Manganese Oxide (LMO), that stand all around the 15% threshold.

Things are going to change: indeed, NCM batteries are slowly replacing the LCO ones due to cost advantage, that will push up revenues even more. Given this, it should not be surprising to find out that NCM batteries, along with the LFP, will experiment the biggest capacity expansion by 2025.

China: Significant Cut into Auto Import Tariffs since July 1st

The Ministry of Finance announced that China will cut import tariffs on vehicles and auto parts since July 1st, 2018.

The tariff rate of auto vehicles with 25 percent and 20 percent will be cut into 15%; the tariff rate of auto parts with 8 percent, 10 percent, 15 percent, 20 percent and 25 percent will be cut into 6%.

After the reduction, the average tariff rate of Chinese auto vehicles will be 13.8 percent and the average tariff rate of auto parts will be 6 percent.



This policy is going to help promoting supply-side structural reforms, transforming and adjusting the auto industry as well as guiding auto products to improve quality and efficiency.

Tax Burden Reduction: New Measures in China

China will implement a further cut on 7 taxes, valued over 60 billion Yuan, to support innovation and entrepreneurship and boost the development of small and micro business, as announced by the State Council on April 25th.

The purpose is to reduce the costs of innovation and entrepreneurship, enhance the development of small and micro business, and promote employment.



The 7 tax reduction measures are as follows:

1. The per-unit value of instruments and equipment for Research & Development, newly purchased by enterprises that enjoy the one-time tax deduction, will be raised from 1 million Yuan to 5 million Yuan.
2. The annual taxable income threshold of small and micro businesses, which enjoy the preferential policy to halve the enterprise income tax, will be raised to 1,000,000 Yuan from 500,000 Yuan. These first two measures will be effective in the period of January 1st, 2018 to December 31st, 2020.
3. The regulation based on which the costs of commissioned overseas Research & Development cannot be added up for deduction will be cancelled.

4. The time limit for the capital loss carryover of high-tech enterprises and small and medium-sized technological enterprises will be extended from 5 to 10 years.

5. The tax deduction for employee training costs will be raised to 8 percent from the current 2.5 percent, the same rate as high-tech enterprises benefit from.

These three measures have been effective already since Jan. 1st 2018.

6. Since May 1st 2018, the stamp duty levied on total amount of paid-in capital and capital accumulation in capital books setup by taxpayer will be halved. Regarding other books, the stamp duty levied based on the item number of taxable vouchers will be exempted.

7. The tax incentive enjoyed by venture capital enterprises and angel investors, based on which 70 percent of their investment deducted from the taxable income of the seed and early stage high-tech start-ups by them financed, will be extended national wide.

The preferential policies referred to company income tax and individual income tax will be carried out since January 1st, 2018 and July 1st, 2018, respectively.

China and Drone Delivery For Packages

The parcel delivery via drone is a government – licensed service. On March 28, the Company Fengyu Shuntu Technology was the first to obtain the official permit to deliver packages.

“Planes will transport large quantities of goods nationwide, big drones capable of carrying 1.2 tons will distribute them to local warehouses, and small drones will make final deliveries to customers”.



Many details are still unclear, including the drone types permitted and which cities will have the first deliveries or when the service will be offered.

The goal to use drones it's for delivering goods to rural and sparsely populated area in People's Republic of China. The project is based on three stages: Planes will transport large quantities of goods nationwide, big drones will distribute them to local warehouses, and small drones will make final deliveries to customers.

CONTRIBUTORS:

Saro Capozzoli
Scott Sun
Alessandra Mischiati
Andrea Puricelli
Alessandro Bazzini
Valentina Roselli



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SHANGHAI's Headquarters



**LANE 112 FENYANG ROAD – House 4
200031 SHANGHAI - CHINA
Tel +86 21 64331555
Fax +86 21 62880072**

**Offices also in:
Hong Kong, Saudi Arabia, Finland**

**Partnerships in:
Germany, Spain, Chile**

For inquires and suggestions regarding this newsletter or for any other concerns, please contact us anytime at:

saro@jesa.com.cn
alessandra@jesa.com.cn
andrea@jesacapital.com

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www.jesa.com.cn
www.jesacapital.com

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