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**NEWSLETTER – OCTOBER 2018**

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**Jesa**

**Chinese Wine Production is Taking Off**



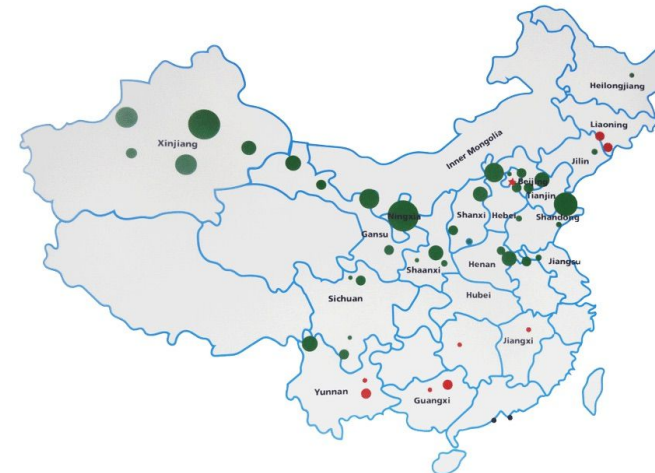
The history of wine in China is long and finds roots in antiquity in which its production was destined only for a social elite. At a commercial level it was introduced for the first time in 1892, imported from California as a product destined for Westerners who lived in that time in China.

Nowadays the local Chinese wineries have doubled compared to only ten years ago and the country has become the seventh largest producer in the world! With its 847,000 hectares of vineyards, China is today the second largest wine area in the world (Spain in command, France in third place and Italy in fourth), thanks also to some French producers who have understood that, with the increased consumption of wine, in a short time European production could no longer be able to meet local needs at competitive prices.

China is now a potential market of 200 million consumers in the growing middle class, it is now the fifth country in the world for wine consumption with an estimated growth of around 15% per year. Ac-

ording to the International Organization of Vine and Wine (OIV), the area cultivated in China is growing (+ 17,000 ha between 2015 and 2016), to the point of becoming "the main area of growth of the world vineyard" .

At the moment Chinese wines arrive abroad only as a curiosity, so it is said that in the future they will not find the strength to impose themselves on the international market.



**Where is the production growing up?**

The south of China is considered wet during the summers and in the north, however, the winters are very harsh. To overcome the climatic difficulties, some vintners bury vines. This happens, for example, in Ningxia, Shandong and Hebei, where the plants are unearthed in early spring.

Among the 11 most important viticultural regions there are certainly the provinces of Shandong, Hebei, Beijing, Tianjin, Shanxi, Shaanxi, Ningxia and Jilin.

Shandong is then the region with the highest number of wine sales in terms of both volume and value.

Ningxia is undoubtedly the region with the highest development rate, with currently over 80 active wineries and many others in the process of being established. The intention is to plant another 67,000 hectares of vineyards and reach at least 100 wineries operating by 2020. A decidedly ambitious plan.

### **Future forecasts?**

The Chinese market is dominated by perception, which is why the competition of French wines is still very strong. After more than 20 years of direct investment and local commercial presence of French wine producers in China, these are the results.

However we need to slowly start getting to know these Chinese wines, this is a trend that needs to be monitored carefully. Based on the current growing rate of local wine producers, we will soon need to compete not only with French producers, but also with Chinese producers.

French producers know this well and have been investing in local products in Yunnan, Shandong and other places for 10 years, creating local French / Chinese brands to become more competitive by meeting the growing demand for wines from a larger market, not only restricted

to elite segments as in the past. The great value will be to exploit the image and the French names to serve Chinese consumers daily.



### **La produzione di vino cinese sta decollando**

La storia del vino in Cina è lunga e trova radici nell'antichità in cui la sua produzione era destinata solo a una elite sociale. A livello commerciale fu introdotto per la prima volta nel 1892, importato dalla California come prodotto destinato agli occidentali che vivevano in quel tempo in Cina.

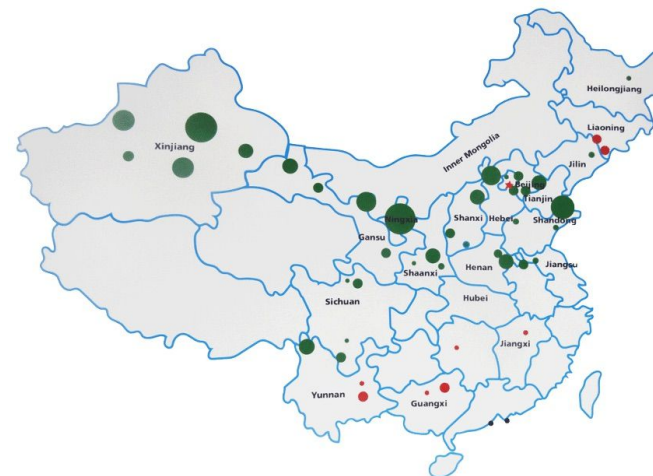
Al giorno d'oggi le cantine cinesi locali sono raddoppiate rispetto a solo dieci anni fa e il paese è diventato il settimo produttore mondiale! Con i suoi 847.000 ettari di vigneti, la Cina è oggi la seconda area vinicola più grande del mondo (Spagna al comando, Francia al terzo posto e

Italia al quarto), questo grazie anche ad alcuni produttori francesi che hanno capito che, con l'aumento del consumo di vino, in breve tempo la produzione europea avrebbe potuto non essere più in grado di soddisfare le esigenze locali a prezzi competitivi.



La Cina è ora un mercato potenziale di 200 milioni di consumatori nella classe media in continua crescita, è ora il quinto paese al mondo per consumo di vino con una crescita stimata attorno al 15% all'anno. Secondo l'Organizzazione Internazionale della Vigna e del Vino (OIV), l'area coltivata in Cina è in continua crescita (+ 17.000 ha tra il 2015 e il 2016), al punto da diventare "la principale area di crescita del vigneto mondiale".

Al momento i vini cinesi arrivano all'estero solo come curiosità, perciò si dice che in futuro non troveranno la forza di imporsi sul mercato internazionale.



### **Dove sta crescendo la produzione?**

Il sud della Cina è considerato umido durante le estati, nel nord, tuttavia, gli inverni sono molto rigidi. Per superare le difficoltà climatiche, alcuni viticoltori seppelliscono le viti. Questo accade, ad esempio, a Ningxia, Shandong e Hebei, dove le piante vengono dissotterrate all'inizio della primavera.

Tra le 11 regioni viticole le più importanti ci sono certamente le province di Shandong, Hebei, Pechino, Tianjin, Shanxi, Shaanxi, Ningxia e Jilin.

Shandong è poi la regione con il maggior numero di vendite di vino sia in termini di volume sia di valore.

La Ningxia è indubbiamente la regione con il tasso di sviluppo più alto, con attualmente oltre 80 aziende vinicole attive e molte altre in via di costituzione. L'intenzione è quella di piantare altri 67.000 ettari di

vigneti e raggiungere almeno 100 aziende vinicole che operano entro il 2020. Un piano decisamente ambizioso.

### Previsioni future?



Il mercato cinese è dominato dalla percezione, ecco perché la concorrenza dei vini francesi è ancora molto forte. Dopo oltre 20 anni di investimenti diretti e presenza locale commerciale dei produttori francesi di vini in Cina, questi sono i risultati.

Tuttavia abbiamo bisogno di iniziare lentamente a conoscere questi vini cinesi, si tratta di una tendenza che deve essere monitorata attentamente. In base all'attuale tasso crescente dei produttori locali di vino, presto avremo bisogno di competere non solo con i produttori francesi, ma anche con quelli cinesi.

I produttori francesi lo sanno bene e già da 10 anni investono anche in produzioni locali nello Yunnan, nello Shandong e in altri luoghi, creando marchi locali francesi/cinesi per diventare più competitivi soddisfacendo la crescente domanda di vini da un mercato più grande, non solo ristretto ai segmenti elitari come in passato. Il grande valore sarà sfruttare l'immagine e i nomi francesi per servire quotidianamente i consumatori cinesi.

### Healthcare Equality on Sight – Less Queue, Healthier Lives

It may look like a movie, but it is not. The frontier of healthcare accessibility in China extended its boundaries to some limits nobody could ever imagine in the near future. Specifically, the trend of joining AI and cloud computing in hospital activities and services, for the sake of a more efficient service for patients in the urban and the rural areas, is being addressed as "Smart Hospitals" phenomenon. It looks like an easy process, at least a disruptive innovation that could help more people getting assisted. As it is known, China is one of the most populous countries in the world, and interestingly speaking, the most part of Chinese citizens lives in conditions far more different with respect to those people living in metropolis or the urban areas.

As it could be easily inferred, people living in developed cities, where also healthcare creates real clusters of development and services, are far more eased to access such sites, for the benefit of their health and, so to speak, thanks to their wealth. On the contrary, people living in the rural areas are sometimes "condemned" to travel across the country to get healthcare treatment. Notwithstanding the costs incurred to sustain such travels to the big cities, the time incurred in the

whole process can be very long, as concentration in the main hospitals gets more and more intense from both these two different kinds of patients, increasing queue and reducing the overall efficiency of the healthcare system in China.



In this sense, what we can call cloud hospitals synthesizes a revolutionary idea with some powerful technologies and power of will. Ningbo Hospital was one of the first hospitals to carry out this project, as it started cloud operations last March. As Wu Yan, journalist of The Telegraph, reports: "Patients can go through the entire process from online appointment, video consultation and diagnosis to e-prescription, online payment and medicine delivery at home. They can also go to a nearby community clinic for a physical examination before talking to doctors at big hospitals on the internet." Right now, also hospitals like Hangzhou, Guangzhou and Wuhan have introduced their own online service. The service got the blessing of several doc-

tors, among the best doctors in the country, as patients now can get cures and healthcare treatment could reach some improvement nationwide for the benefit of the whole country. As a matter of fact, we know that medical resources are heavily unequally distributed, as 70% of those fall in the hands of people living in cities. The idea is getting interest also from the market and investors, as data report that by the end of 2017 mobile medical market reached an amount of 10 billion yuan.

Incredible numbers for and incredible outbreak of digital service. Of course, this is just a starting point for China. In December 2017, the Ministry of Industry and Information Technology released a document regarding future moves of the country towards smart hospitals and healthcare services. By 2020, there is a target for AI systems to be able to diagnose more than 95% of common diseases, related to brain, lungs, eye, bone, cardiovascular system etc., with false negative rate of less than 1%. It may look like a movie, but it is not.

### **Uguaglianza sanitaria in arrivo - Meno code, vite più sane**

Può sembrare fantasia, ma non lo è. La frontiera dell'accessibilità sanitaria in Cina ha esteso i suoi confini lì dove nessuno avrebbe mai immaginato potesse arrivare. Si tratta dell'unione di intelligenza artificiale e cloud computing per la gestione e il supporto delle attività e nei servizi ospedalieri, al fine di offrire efficienza e professionalità ai pazienti nelle aree urbane e rurali. Il fenomeno è conosciuto come "Smart Hospitals". Il processo è semplice e consiste in un'innovazione dirompente designata ad aumentare il numero di persone richiedenti assistenza sanitaria. Come è noto, la Cina è uno dei paesi più popolosi

del mondo e la maggior parte dei cittadini cinesi vive in condizioni molto diverse rispetto a quelle che vivono nelle metropoli o nelle aree urbane.

Come si potrebbe facilmente dedurre, le persone che vivono in grandi città, dove l'assistenza sanitaria fornisce veri e propri centri di sviluppo e servizi, a cui risulta facile accedere, non hanno difficoltà a far fronte alle proprie necessità, sostenuti dalla propria situazione di benessere. Al contrario, le persone che vivono nelle aree rurali sono talvolta "condannate" a viaggiare attraverso il paese per ottenere cure mediche. Nonostante i costi sostenuti per sostenere tali viaggi nelle grandi città, il tempo necessario per l'intero processo può risultare molto lungo, poiché la concentrazione nei principali ospedali diventa sempre più intensa nutrita dalla confluenza di entrambi i tipi di pazienti. Aumentano così i tempi di attesa e riducendo l'efficienza complessiva del sistema sanitario.



A soluzione di tale problema nascono i *cloud hospitals* che sintetizzano un'idea rivoluzionaria attuata tramite l'utilizzo di nuove tecnologie. L'ospedale di Ningbo è stato uno dei primi ospedali a realizzare questo progetto, poiché ha iniziato le operazioni sul cloud lo scorso marzo. Come scrive WuYan, giornalista di The Telegraph: "I pazienti possono usufruire di molti servizi dall'appuntamento online, alla consultazione video e alla diagnosi, alla prescrizione elettronica, al pagamento online e alla consegna di medicinali a domicilio. Possono anche andare in una clinica vicina per un esame fisico prima di parlare con i medici dei grandi ospedali tramite Internet". In questo momento, anche ospedali come Hangzhou, Guangzhou e Wuhan hanno introdotto i propri servizi online. Il servizio ha ricevuto l'approvazione di diversi tra i migliori medici del paese, poiché i pazienti ora possono ottenere le cure necessarie garantendo al sistema sanitario la possibilità di raggiungere un miglioramento a livello nazionale, a vantaggio straordinario di coloro che vivono all'interno del paese. In effetti, sappiamo che le risorse mediche sono distribuite in modo ineguale, poiché il 70% è destinato alle città. L'idea sta suscitando interesse anche da parte del mercato e degli investitori, in quanto i dati segnalano che durante la fine del 2017 il mercato medico su dispositivi mobili ha raggiunto un importo di 10 miliardi di yuan.

Ciò costituisce solo un punto di partenza per la Cina. Nel mese di dicembre 2017, il Ministero dell'Industria e dell'Information Technology ha pubblicato un documento riguardante le future mosse del paese verso gli ospedali *Smart* e i servizi sanitari. Entro il 2020, l'obiettivo per i sistemi di IA è quello di essere in grado di diagnosticare oltre il 95% delle malattie comuni, relative al cervello, ai polmoni, agli occhi, alle ossa, al sistema cardiovascolare, ecc. Con una percentuale di falsi negativi inferiore all'1%. Sembra fantasia ma non lo è.

### Hangzhou GreatStar Industrial Co., Ltd buys Lista Holding AG from Capvis Equity Partners AG

Capvis Equity Partners AG has sold its majority stake in Lista Holding AG, the leading European manufacturer and distributor of high-quality workspace and storage systems for the industrial and service sector, to Hangzhou GreatStar Industrial Co., Ltd. (杭州巨星科技股份有限公司) for 184,5 million Swiss Francs (approximately 1200 million yuan). The deal was announced at the beginning of June 2018. It is still pending and the two parts should deliver by the end of June 2018.

*Audit Data of Lista Holding AG for 2016, 2017, January-March 2018 (thousands of Swiss Francs)*

Items	31/03/2018	31/12/2017	31/12/2016
Total amount of assets	111,731	109,643	105,469
Total amount of liabilities	54,395	56,500	66,598
Net assets	57,336	53,143	38,871
Items	January to March 2018	2017	2016
Operating Income	30,126	113.868	106,739
Net profit	4,146	10,470	9,677

Lista Holding AG is a Swiss company founded in 1945 by Fredy Lienhard and was formerly known as Lienhard Steelworks. Its headquarters are in Erlen (Thurgau, Switzerland) and has subsidiaries in Germany, Austria, the United Kingdom, Italy, France and Spain. It has partnerships all over Europe, Russia, Saudi Arabia, China, Thailand, Japan, Australia, New Zealand, Morocco and South Africa. It has three production facilities in Switzerland, Germany and Italy with total employment of 500. It offers drawer cabinets, drawer storage walls, workshop trolleys, storage and transport systems, workbenches and workstation systems, cabinet systems, shelving systems, partition material and labelling systems, access control systems, and dynamic systems.

Capvis Equity Partner is a Swiss based private equity firm focusing on buyout, succession and expansion investments with offices in the United Kingdom, Luxembourg, Germany and China. It was founded in 1999 as the successor organization to SBC Equity Partners (it was a spin-off of UBS after the merger between the two Swiss banks, UBS and SBC).

It acquired a majority shareholding in Lista in 2006. (Capvis, 2018)

Hangzhou GreatStar Industrial Co., Ltd. is a Chinese manufacturer with headquarters in Hangzhou. It is part of the GreatStar Group. It was established in 1993. The company develops, manufactures and supplies tools for the DIY and machinery. It provides plumbing, electrical, measuring, painting and auto tools. In addition, it also manufactures safety and lighting tools. It is the largest hand tool company in Asia and the sixth in the world. In 2010, GreatStar Industrial Co., Ltd. went public in Shenzhen.



According to Champin Chou (majority shareholder, CEO and Chairman of the Board of Directors of GreatStar Group) said that Lista’s acquisition fits perfectly in GreatStar strategy of expanding in the European market. (Bloomberg, 2018).

### **China's Individual Income Tax Law Reform**



On June 19th, 2018, the draft amendment to the Individual Income Tax Law (“IIT”) has been submitted to the National People’s Congress Standing Committee for reviewing. At the end of August, it was successively submitted to the National People’s Congress Standing Committee for second-round reviewing.

Hereafter we are reporting the relevant information related to foreigners only.

#### **I. New IIT system for foreigners**

The current IIT system, that adopts the five-year tax standard, will be reviewed.

In the new IIT system, “individual residents” and “non-resident individuals” will refer to the following general definition.

- Individual residents (Resident taxpayers)

Foreign individuals reside in China  $\geq$  183 days (within a tax year)

- Non-resident individuals (Non-resident taxpayers)

Foreign individuals reside in China  $<$  183 days (within a tax year)

Non-resident taxpayers are subject to pay IIT on income earned in China; resident taxpayers are required to pay IIT on their income earned in China and abroad (worldwide).

#### **II. Deductibles**

For resident taxpayers, with effectiveness since October 1st, 2018, the personal deduction on comprehensive income will raise from RMB 4,800 for foreign individuals to RMB 5,000 per month and raise the annual threshold to RMB 60,000 per year.

Additional itemized deductions for specific expenditures will include:

- Education expenses for children
- Expenses for further self-education
- Health care costs for serious illness
- Housing loan interest
- Housing rent

#### **III. Tax rate**

For comprehensive income and operation income, with effectiveness since October 1st, 2018, the lower taxes will be applied on a wider range of income levels, while the higher tax rates remain the same.

Remarks:

*Annual bracket = Annual comprehensive incomes – RMB 60,000 – Allowance (including existing deduction and new additional itemized deductions)*

*For non-resident individuals, comprehensive incomes and bracket shall be calculated by monthly.*

Remark:

*Annual bracket = Annual operation incomes – annual costs – annual expenses – annual losses.*

The additional itemized deductions for specific expenditures will be coming into effective on January 1st, 2019.

After a certain period of testing, the National People's Congress Standing Committee will issue the final version of the amendment to the Individual Income Tax Law ("IIT").

We will keep you informed about the further development of the tax reform and its eventual implementation procedure.

### **State Council of China Issues New Regulation on Work Permits**

Another step towards the opening was made by the progressive Chinese government. On 3 August 2018 the Chinese State Council announced a new implementation for the rules governing the entry of non-resident workers on Chinese soil. The purpose of this reform is to alleviate the bureaucratic procedures related to the phases and times

required for a work visa for those who work on the continent but are resident in Taiwan, Hong Kong and Macao.



The employment of a non-resident was a difficult process both for companies and for workers, since it required the fulfillment of 5 different modules and many complications in case of changes. Today, with the new regulation, the employees of Taiwan, Hong Kong and Macao will no longer have to apply for the permit issued by the Ministry of Human Resources and Social Security.

As a result, the application of the new law will affect employees with regard to staff placement services, social security, unemployment registration and protection of employee rights.

The new rules effectively simplify the paperwork in favor of a more convenient system of online compilation and realignment of the identification codes of the different categories of workers in one.

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