

JESA INVESTMENT & MANAGEMENT CO., LTD.

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Greetings from Shanghai



Walking around Shanghai, or Beijing, or Guanzhou, today, many people are out shopping, going to restaurants, the mood feeling is positive and seemingly relaxed.

Go back only two months and half, the scenario was very different. The

idea was of a nation working as one to contain the virus. The outlook however felt uncertain. Could the situation really be brought under control and when could the economy really resume? In March under strict protocols the companies day by day restarted the operations.

It has been the people in that time of high crisis to come together and help the whole country during its journey back to a 'new normality'.

Now, May 2020, wearing masks remains widespread and temperature checks and health status QR codes are still in place. The reality is of a 'new normal' spreading across China's cities.

For the first time since January, a major exhibition was held in the country as it begins to reopen. The provincial government in Hunan allowed the 2020 Hunan Auto Show to take place April 30-May 5 at the Hunan International Convention and Exhibition Centre in south central China. The event drew more than 62,000 attendees over the course of five days.

From the end of the last week, in Shanghai, the Public Emergency Response Plan for COVID-19 has changed from level 2 to level 3, a safer level. Mask is no more mandatory in some areas if social distancing is respected. Life becomes more and more normal.

In terms of provincial travel restrictions inside China, from a different province or city, from May on, except few cases (such as Jilin, Heilongjiang) it's possible to travel easily without special travel policy and requirements. Although, the situation keeps changing so everyone is checking on a daily basis before arranging travel/business trips.

As general mood, you can feel the more optimistic outlook of the Chinese people to the local and global economy. Everyone is somehow aware of the approximate Chinese economy's numbers and industries trend.

On April 17, the National Bureau of Statistics released the China's seasonal GDP. Total GDP in Q1 2020 was CNY 20.65 trillion, a year-to-year decrease of 6.8 %.

By industry, the value added of the primary industry decreased by 3.2%; that of the secondary industry and of the tertiary industry went also down by 9.6% and 5.2% respectively.

Referring to the industrial production, it dropped by 8.5% year on year. In terms of sectors, mining, manufacturing, production and supply of electricity, thermal power, gas and water went down. While, for instance the output of natural gas, chemical medicine materials, crude oil, ethylene and crude steel, vending and ticket machines, and electronic components went up.

In March, the high-tech manufacturing increased by 8.9% year on year. Specifically, the manufacturing of computers, communication equipment, and other electronic equipment went up by 9.9 percent. A special note is worth to be spent on the output of industrial robots and power generation equipment which went up by 12.9% and 20.0% respectively.

In Q1 2020, the total value added of the tertiary industry dropped year on year; although that of the information transmission and services as well as software increased by 13.2%. Also that of financial intermediation increased. In the first two months, the business revenue of service for internet and related services as well as software and information technology services increased.

In March, the index of services production dropped by 9.1%.

Still referring to March, the Business Activity Index for services was 51.8%, 21.7 percentage points higher than the previous month. The percentage is even higher if considering transportation and storage.

The most of the Chinese people believe that China's economy has returned to its almost pre-pandemic state. From one side, it's commonly believed that, China's supply chain and the Chinese technology firms have played an important role in bringing the country at post-pandemic up-to-date status. Intelligent logistics and unmanned

logistics were and will keep being essential. On the other, companies operating in China were also pushed to rethink how to hedge risks focusing further on robotics, automation, intelligent logistics solutions, 3D printing, etc.

During the pandemic, Chinese entrepreneurs and managers realized that "Just in Time" is no longer safe.

The demand increase for data service center services has been widely detected. The FinTech (or Internet Finance) industry is also outperforming. Software-as-a-service (SaaS) underwent an unprecedented period: DingTalk, Tencent Conference, Wechat Work, Feishu and Zoom. In the same way, the penetration rate of the online education market has affected the whole country, for both "to Business" and "to Consumers" online education companies.

The e-commerce platforms raised further especially for those with instant's delivery capacity. WeChat miniprograms have been used by many retailers to offer contactless pickup to contain operational risks and ensure safe delivery to consumers.

Paid Online entertainment, social networking ecommerce, and online healthcare service also generated new opportunities.

Taking a look to the healthcare industry, the COVID-19 has accelerated a path already undertaken at national level, creating further space of development. Lab diagnostics and cyber-health firms (ex. Medlinker,

TTD, Miaoshou Doctor, Wedoctor, Ping An Good Doctor) performed further their sales and service. On purpose, it's not discussed here the vaccine makers' development, along with the manufacturers of medical protection equipment.

As proven in the past several times, the Chinese people generally believe that also this crisis presented an opportunity to adjust and improve the economic structure, focusing on the more strategic emerging industries. The support provided by the government, at central and local level, played an important role, indeed taking also into account the favorable policies to support companies (such as some social insurances exemption, Subsidy of Employment Stability). At the same time the Chinese people focus on analyzing the development of the economic situation and trends for eventually adapt rapidly to a new multilevel contest (personal and working).

Un saluto da Shanghai


Passeggiando per Shanghai, Pechino o Guangzhou, oggi, molte persone vanno a fare shopping, frequentano i ristoranti, l'umore è positivo e apparentemente rilassato.

Ripensando solo a due mesi e mezzo fa, lo scenario era molto diverso. La realtà era caratterizzata da una nazione che quasi all'unisono si adoperava per cercare di contenere la diffusione del virus. Le

prospettive future, tuttavia, erano incerte. Ci si chiedeva come e quando la situazione avrebbe potuto considerarsi realmente sotto controllo e quando l'economia sarebbe ripartita. A marzo, sottostando a rigidi protocolli, le aziende hanno ripreso giorno dopo giorno le attività.

Sono state le persone durante quel periodo di forte crisi a fare la differenza e ad aiutare l'intero paese nel passaggio a questa una "nuova normalità".

Oggi, maggio 2020, l'utilizzo delle mascherine protettive rimane così come i controlli della temperatura corporea e dei QR code sullo stato di salute sono ancora in atto. La realtà è che una "nuova normalità" è già in essere in tutte le città cinesi.

Per la prima volta da gennaio, una grande fiera commerciale si è tenuta nel paese mentre iniziava la fase di riapertura. Il governo provinciale di Hunan, nella Cina centro-meridionale, ha consentito lo svolgimento dello "Hunan Auto Show 2020" che si è tenuto dal 30 aprile al 5 maggio presso lo "Hunan International Convention and Exhibition Centre". L'evento ha attirato più di 62.000 partecipanti nel corso dei cinque giorni.

A partire dal 9 maggio, a Shanghai, il piano di risposta per l'emergenza pubblica per COVID-19 è passato dal livello 2 al livello 3, un livello più basso. Pertanto, la mascherina protettiva non è più obbligatoria nelle circostanze in cui viene rispettata la distanza sociale (serve tuttora ad

esempio in metropolitana). La vita quindi sta diventando sempre più normale.

In termini di restrizioni ai viaggi provinciali all'interno della Cina, da una città all'altra entro o fuori una certa provincia, ad eccezione di alcuni casi (come Jilin, Heilongjiang, Wuhan), da maggio è possibile viaggiare facilmente senza politiche restrittive o quarantene da rispettare. Tuttavia, la situazione è in continua evoluzione; quindi è richiesto un controllo costante della situazione prima di organizzare viaggi sia di lavoro sia personali.

In generale, si percepisce che il popolo cinese ha prospettive ottimiste per l'economia locale e globale. Tutti sono in qualche modo consapevoli dei numeri indicativi attuali dell'economia cinese e quali sono i trend dei vari settori.

Il 17 aprile, il "National Bureau of Statistics" ha pubblicato il PIL stagionale della Cina. Il PIL totale nel primo trimestre del 2020 è stato di 20,65 trilioni di CNY, con un calo del 6,8% su base annua.

Per quanto concerne i settori economici, il valore aggiunto dell'industria primaria ha registrato un calo del 3,2%; il calo per quello dell'industria del secondo settore e del terziario è stato rispettivamente pari al 9.6% e 5.2%. La produzione industriale ha visto un calo dell'8,5% su base annua. In termini di specifici settori, la produzione per quello che riguarda l'industria mineraria, manifatturiera, la produzione e la fornitura di elettricità, energia termica, gas e acqua è diminuita.

Mentre ad esempio è aumentata la produzione di gas naturale, materiali chimici per il farmaceutico, petrolio greggio, etilene e acciaio grezzo, distributori automatici e biglietterie automatiche, componenti elettronici.

A marzo, l'industria high-tech è cresciuta dell'8,9% su base annua; in particolare la produzione di computer, apparecchiature di comunicazione e altre apparecchiature elettroniche è aumentata del 9,9%. Inoltre, la produzione di robot industriali e apparecchiature per generazione di energia sono aumentate rispettivamente del 12,9% e del 20,0%.

Nel primo trimestre del 2020, il valore aggiunto totale dell'industria terziaria è diminuito anno su anno, mentre è aumentato del 13.2% quello dei servizi di trasmissione di informazioni, software e tecnologie dell'informazione.

A marzo, l'indice della produzione di servizi è calato del 9,1% mentre l'indice delle attività commerciali per i servizi è stato del 51,8%, 21,7 punti percentuali in più rispetto al mese precedente. E il valore è ancora più alto, se si considera ad esempio quello specifico per i trasporti e lo stoccaggio.

La maggior parte della popolazione cinese ritiene che l'economia del paese sia quasi tornata al suo stato pre-pandemico. Da un lato, è comunemente condivisa l'opinione che la filiera interna produttiva e di distribuzione, insieme alle aziende cinesi che forniscono tecnologia,

abbiano svolto un ruolo chiave nel portare il paese allo stato post-pandemia attuale. Sistemi logistici intelligenti sono stati altrettanto essenziali e lo continueranno ad essere anche in futuro. Dall'altro, e' altresì convinzione generale che le aziende operanti in Cina siano state costrette a ripensare ad un modo più efficace per prevenire e contenere i rischi concentrandosi ulteriormente su robotica, automazione industriale, soluzioni logistiche intelligenti, stampa 3D, ecc.

Durante la pandemia, imprenditori e manager cinesi hanno capito che il modello gestionale "Just in Time" non è più sicuro.

L'aumento della domanda dei servizi dei data center è stato ampiamente percepito. Anche l'industria "FinTech" (o Internet Finance) ha visto un avanzamento. I "Software-as-a-service" (SaaS) hanno subito uno sviluppo senza precedenti: DingTalk, Tencent Conference, Wechat Work, Feishu e Zoom.

Allo stesso modo, il tasso di penetrazione del mercato dell'istruzione online ha interessato l'intero paese, sia verso società/strutture sia verso consumatori singoli privati. Le piattaforme di e-commerce hanno visto un ulteriore sviluppo soprattutto per quelle con capacità di consegna immediata. I mini-programmi di WeChat sono stati utilizzati da molti venditori per offrire per garantire ridurre i propri rischi operativi e garantire una consegna più sicura ai consumatori. Anche l'intrattenimento online a pagamento, così come il social networking

on-line e l'assistenza sanitaria online hanno generato nuove opportunità.

Svolgendo lo sguardo al settore sanitario, il COVID-19 ha solo accelerato un percorso già avviato a livello nazionale, creando ulteriori aree di sviluppo. Laboratori di diagnostica e imprese di cyber-salute (ad es. Medlinker, TTD, Miaoshou Doctor, Wedoctor, Ping An Good Doctor) hanno aumentato ulteriormente le vendite dei propri servizi. Di proposito, non vogliamo qui parlare e trattare il tema dello sviluppo dei produttori di vaccini e dispositivi di protezione medica.

Come dimostrato più volte in passato, il popolo cinese per lo più ritiene che anche questa crisi abbia offerto l'opportunità di adattare e migliorare la struttura dell'economia nazionale, concentrandosi sulle industrie emergenti più strategiche. A favore di questa visione gioca anche l'attuazione da parte del governo, sia a livello centrale che locale, di misure a sostegno delle imprese (come agevolazioni sui contributi per ridurre il costo del lavoro). Allo stesso tempo, il popolo cinese analizza attentamente e costantemente come la situazione economica cambia, insieme ai suoi trend, per eventualmente adattarsi nel modo più rapido possibile sulla base di quanto richiesto dal nuovo contesto (sia a livello personale sia lavorativo).

China Raises Export Tax Rebate on Many Products

(I*)



To ease the pressure on companies due to the COVID-19 outbreak, according to the joint Announcement [2020] No.15 of the Ministry of Finance and State Taxation Administration, the Chinese government has increased export tax rebates on almost 1.500 products from March 20, 2020 on.

1.084 tariff items have the rebate raised to 13% (I*) and 380 tariff items are entitled to a 9% export tax rebate (II**). The export tax rebate rate applicable to the goods listed in this announcement is defined by the export date indicated on the export goods declaration form.

- Fixed vegetable fats and oils and their fractions;
- Inorganic chemicals (such as: silicon dioxide, calcium chloride and commercial calcium hypochlorite);
- Petrochemical (such as: ethylene, propylene and ethylene glycol);
- Essential oils;
- Insecticides (subject to VAT 13%);
- Polymers in primary forms (such as: ethylene, propylene, styrene, vinyl chloride, vinyl acetate, acrylic);
- Synthetic rubber in primary forms;
- Plywood and wooden packings, windows and their frames, tableware and kitchenware;
- Toilet paper and facial tissues;
- Stone, plaster, cement and asbestos products;
- Pearls, precious/semiprecious stones, precious metals and imitation jewelry (subject to VAT 13%);
- Porcelain sanitary ware;
- Glass and glass fibers products;
- Steel, stainless steel, copper and nickel products;
- Tools and miscellaneous articles of base metal.

(II**)

- Livestock and poultry;
- Fresh or frozen meat;
- Flower and seed;
- Other foods products (egg, nuts, vegetables, fruits, coffee and tea);
- Insecticides (subject to VAT 9%);
- Pearls, precious/semiprecious stones (subject to VAT 9%).

Preferential Income Tax Policy Extended for Enterprises in Chinese Western Regions

In order to further promote the development of the encouraged enterprises in western regions, the State Council of China has decided to extend the implementation period of the preferential policy of levying income tax at a reduced rate of 15% from January 1, 2021 to December 31, 2030. Based on the executive meeting, held on April 14 2020, the threshold for enjoying this policy is also lowered by reducing the current year main business income limit of encouraged industrial projects from 70% of the total corporate income to 60%.

Get back to us if you need support to identify if your business activity can benefit from this extension.



CIT Annual Filing

Since the end of May is approaching, we take the chance to remind that based on the P.R.C. Corporate Income Tax Law, the Annual tax return has to be filed on before May 31 following the end of a tax year (subject to local variation). The deadline has not been extended or influenced by the COVID-19 outbreak.

We have added a simple chart as an overview of the Corporate income tax (CIT) due dates in China.

CIT Annual Filing and Return Due Date	CIT Final Payment Due Date	CIT Estimate Payment Due Dates
<p>For annual CIT filing, within five months following the end of the tax year.</p> <p>Provisional reporting and payments have to be made on a quarterly basis.</p>	<p>Within five months following the end of the tax year.</p>	<p>Provisional payments shall be settled with 15 days following the end of each quarter.</p>

Please note that the maximum carry-forward period of accumulated loss incurred by enterprises in 'difficult industries (transportation/catering/accommodation/travel agencies and related services)' affected by the epidemic is extended from 5 years to 8 years.

Temporarily Ban Policy to Enter China

Many of you have wrote to us asking for an update on the Temporarily Ban Policy to Enter China, effective since March 28th 2020. Actually, no official information has been released about when it will be lifted.



COVID-19 and HR Management

At this moment, apart from diplomatic, service, courtesy or C Visa holders as well as foreigners with permanent resident, in theory only foreign nationals who overcome the application for Special Temporary Visa - due to the significant and essential presence - can enter China. The application shall be submitted to the local Chinese consulate out of China mainland.

It is also worth to be noted here that if a foreigner (no diplomatic, service, courtesy or C Visa holders), currently in China, leaves the country, then he/she should be able to get this Special Temporary Visa for being allowed to enter again.

For foreigners blocked out of China with Work Permit in expiration, the related application can be done completely online, without the necessity to submit originals on-site. The application for the new visa can be postponed later, once the Temporarily Ban Policy is cancelled.

As stated by the Ministry of Foreign Affairs a fast-track system should be soon implemented at local level for foreign nationals who need to return for urgent and necessary purposes. We will keep you posted.

The spread of Covid-19 has created many difficulties for firms, such as cash-flow challenges linked to the slow-down of the sales, inability of continuing the normal business operations to serve customers, and supply chain re-visitation.

Most firms have implemented a task force designated to gather information and make decisions based on which specific resources were allocated with the aim to survive the crisis.

Among the key concerns that the top management had, and still has, to address on a priority basis is the HR management.

Communication, prevention, and planning are the key for your HR response planning.



Here we are not entering into the details of the obligations that employees and employers have respectively. Rather, we prefer to make a brainstorming exercise in terms of actions and measures. Our aim is to help you while re-defining your HR policy to manage a crises as the current one:

- Local government requirements
- Health and Safety Measures
- Security Measures
- Psychological support and other assistance
- Workforce planning
- Required skills redefinition
- Flexible working schedule
- Holiday carry-over planning
- Online working tools
- Training on remote working
- Update cybersecurity programs
- Offer additional insurance coverage
- Business performance target adjustment
- Travel policy
- Employees privacy
- Beware of discrimination
- Incentive Definition.

We are available to deepen a discussion on the subject, your personal reflections and tangible challenges and the potential difficulties you are facing. We are here to support you while defining a clear policy and clear directives, step by step, with full transparency and uniform messaging and implementation. We will work with you in partnership with all your company's departments.

The current level of complexity is unprecedented and all companies are called to implement new practices to make the most of the opportunities provided by this crisis.



Canton Fair Spring Session: Online Event from June 15 to 24

On April 15th, 2020, the 127th Session of the China Import and Export Fair, also known as the Canton Fair, was supposed to start. Although, given the global situation related to the COVID-19 outbreak, it has been rescheduled and will be hosted all online from June 15 to 24, 2020. With the purpose to create more business opportunities, from one side the companies from China and around the world will exhibit their products online. On the other, the fair will provide around-the-clock services of online promotion, matchmaking, and negotiation.

According to the Chinese Ministry of Commerce, the government selected Tencent as the technical service provider to support the fair in developing technological application and supporting service through R&D platform, cloud services and 24-hour livestreaming platform for the exhibitors.

The Canton Fair has been uninterrupted arranged for 63 years and it's very important to international trade cooperation. The previous edition (126th) had 186.015 participants from 214 countries and the export turnover reached 207,1 billion yuan (\$29,3 billion). The link for the registration is <https://intl.cantonfair.org.cn/#/importLogin>.



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