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5G: News from the Chinese Government

China currently has more than 160,000 5G base stations covering over 50 cities and Han Xia, with the Ministry of Industry and Information Technology (MIIT), has said China will fast-track the development of 5G technology also through supporting local government in the collection of resources. Beijing alone has 26,000 stations in operation with over 800,000 users currently (*Beijing Municipality*).

The increase in construction of base stations is met with an increase in 5G devices. In 2019 alone, 8.355 million 5G smartphones were shipped, with 24 different models including very affordable options costing less than 2,000 yuan (about \$282.95). As of January 2020, 13.77 million 5G smartphones had been shipped, showing rapid growth in users as well as 5G infrastructure. Furthermore, Miao Wei, Minister of Industry and Information Technology, announced that in November of 2019 870,000 users signed up for 5G packages within a month of their launch. For the end of 2020, the Chairman of Huawei, Xu Zhijun, believes there will be about 200 million users nationwide.

Additionally, 550,000 base stations are expected to be built, by the end of 2020, by the companies driving 5G implementation, namely China Mobile, China Unicom and China Telecom (*Xinhua*). While infrastructure investment is expected to scale further, reaching 120 billion yuan (*S&P Global Inc*). With these plans, about 70% of the

world's 5G connections in 2020 will be in China and the Global System for Mobile Communications Association forecasts an investment of more than \$180 billion from China's carriers in the coming 5 years (*Xinhua*).

By 2025, 5G connections in China are expected to exceed 400 million (*GSMA*), more than double the expected 200 million in Europe and 190 million in the US (*CGTN*). Also, China is building its 5G network from scratch while most countries are simply updating their existing infrastructures.

Needless to say, with rapidly growing 5G accessibility from an increase in base stations complemented by a rise in users, China is on track to become the leading nation in 5G technology, despite the complications from the COVID-19 pandemic. China is currently at the forefront of communication technology with a nationwide active 5G network and already starting development on 6G technology.



Applications and 5G in the fight against Coronavirus

With the data transferring opportunities 5G offers, there are countless applications of the network, some already in use in China.

The network has already proven to be useful in the fight against the Coronavirus. The technology allowed for greater communication efficiency and stability in various sectors ranging from healthcare to transportation, with Guangzhou Gosuncn 5G-powered robots, for example, aiding in temperature screening and enforcing the face mask policy in the airports and shopping centres of various cities (*SmartCitiesWorld*).

Network coverage and capacity is also expected to develop with the government's pledged support, as explained by Han Xia. Also, the MIIT urges businesses to focus on developing and incentivising consumption of information in sectors such as online education and health services. The ministry also says that, other than for interpersonal communications, the applications will focus primarily on the Internet of Vehicles (IOV) and industrial internet, among other areas.

China has already launched a vehicle using an application of 5G technology, a 5G smart hydrogen-powered tractor (*Xinhua*). The technology is used in its self-driving mode as well as for its remote-

controlled function, but primarily it is used to monitor the vehicle's real-time running status, allowing for greater reliability.



Opportunities for international companies

While the initial opportunities to participate in the construction of the 5G network are limited for foreign companies as the majority of the contracts were given to Huawei and ZTE and only about 11.5% were awarded to Ericsson, the only foreign company participating (*Financial Times*). There are countless opportunities with the applications 5G technology arising in sectors such as automation, healthcare, and robotics.

Furthermore, the MIIT urges the development of 5G opportunities in consumption industries ranging from virtual reality shopping platforms to tourism.

China also intends to develop the industrial data trading market with national big data centres with the use of 5G technology. These centres would allow big data, primarily production data, to be used in developing more efficient industries (*South China Morning Post*), creating new opportunities in big data sectors.

Notizie dal governo cinese sul 5G

Attualmente la Cina ha più di 160.000 stazioni base 5G che coprono oltre 50 città e Han Xia, con il Ministero dell'Industria e della Tecnologia dell'Informazione (MIIT) che afferma che la Cina farà avanzare rapidamente lo sviluppo della tecnologia 5G anche attraverso il sostegno dato ai governi locali per la raccolta delle risorse necessarie. La sola Pechino ha attualmente 26.000 stazioni in operazione con oltre 800.000 utenti (Beijing Municipality).

L'aumento della costruzione di stazioni base viene accompagnato da una crescita dei dispositivi 5G. Solo nel 2019 sono stati consegnati 8,355 milioni di smartphone 5G, con 24 modelli diversi a prezzi accessibili sull'ordine dei 2.000 yuan (circa € 250,00). A gennaio 2020, il totale è salito a 13,77 milioni di telefoni, dato che mostra una crescita rapida anche in termini di utenti oltre che di infrastrutture. Inoltre Miao Wei, Ministro dell'Industria e della Tecnologia dell'Informazione, ha annunciato che nel novembre 2019 ben 870.000 utenti si sono iscritti

a servizi 5G entro un mese dal loro lancio. Entro la fine del 2020, il Presidente di Huawei Xu Zhijun, ipotizza che ci saranno circa 200 milioni di utenti a livello nazionale.

Più oltre, entro la fine del 2020, è in programma la costruzione di 550.000 stazioni base da parte delle tre compagnie incaricate della realizzazione del progetto 5G, ovvero China Mobile, China Unicom and China Telecom (Xinhua). Inoltre è previsto che gli investimenti in infrastrutture crescano ulteriormente, raggiungendo quota 120 miliardi di yuan (S&P Global Inc). A seguito di queste misure, circa il 70% delle connessioni 5G mondiali saranno in Cina e la Global System for Mobile Communications Association prevede un investimento di oltre \$180 miliardi da parte degli operatori cinesi nei prossimi 5 anni (Xinhua).



Entro il 2025 le connessioni 5G in Cina dovrebbero superare le 400 milioni di unità (GSMA), più del doppio delle 200 milioni e 190 milioni di connessioni previste per Europa e Stati Uniti rispettivamente. La Cina sta anche costruendo le infrastrutture 5G da zero mentre gli altri paesi adattano semplicemente le loro infrastrutture esistenti.

Di conseguenza grazie alla rapida crescita dell'accessibilità al 5G, garantita sia da un aumento delle stazioni sia da una crescita del numero di utenti, la Cina è sulla strada giusta per diventare la nazione leader nella tecnologia 5G, nonostante le complicazioni causate dal COVID-19. La Cina è attualmente all'avanguardia nel campo delle tecnologie di comunicazione, vantando un network 5G attivo a livello nazionale e avendo già iniziato a sviluppare la tecnologia 6G.

Applicazioni e 5G nella lotta contro il Coronavirus

Con le opportunità di trasferimento dati che offre il 5G ci sono innumerevoli applicazioni esplorabili, alcune delle quali già in uso oggi in Cina.

Il network ha già dimostrato di essere utile nella lotta contro il Coronavirus. La tecnologia permette sia una maggior efficienza nella comunicazione sia un maggiore controllo in diversi settori, dalla sanità ai trasporti, come per esempio con il robot 5G creato da Guangzhou Gosuncn che aiuta a misurare la temperatura e a controllare l'utilizzo

delle mascherine negli aeroporti e nei centri commerciali di varie città (SmartCitiesWorld).



Si prevede che la copertura e la capacità del network si sviluppino grazie al sostegno promesso dal governo, spiega Han Xia. Inoltre, il MIIT sollecita le aziende a focalizzarsi sullo sviluppare e incentivare il consumo di informazione nei settori dell'educazione online e dei servizi sanitari. Il ministero spiega anche che, oltre alle comunicazioni interpersonali, le applicazioni si concentreranno principalmente sull'industria, come il cosiddetto internet dei veicoli (IOV) e internet industriale.

La Cina ha già lanciato un veicolo che sfrutta le applicazioni del 5G, un trattore smart a idrogeno. Tale tecnologia viene usata per l'automazione del trattore permettendo che si guidi da solo oppure che venga radiocomandato, ma il 5G viene principalmente usato per

monitorare lo status del trattore in tempo reale, garantendo una maggior affidabilità.

Opportunità per le aziende internazionali

L'opportunità iniziale di partecipare allo sviluppo del network 5G è stata limitata per le aziende straniere, dato che la maggior parte dei contratti sono stati aggiudicati da Huawei e ZTE con solamente una quota dell'11.5% affidata ad Ericsson, la sola azienda straniera partecipante (Financial Times). Rimangono tuttavia numerose altre opportunità nelle applicazioni del 5G, per esempio, nei settori automotive, sanitario e della robotica.

Inoltre, il MIIT spinge per lo sviluppo delle opportunità 5G nelle industrie di consumo che spaziano dalle piattaforme per lo shopping virtuale al turismo.

La Cina intende anche sviluppare il mercato per il commercio di dati industriali con centri nazionali di 'Big Data', resi possibili dalla tecnologia 5G. Questi centri permetterebbero di sfruttare 'Big Data', principalmente con riferimento ai dati di produzione, per sviluppare industrie più efficienti (South China Morning Post), creando nuove opportunità nei settori di riferimento.

Incentives for China's Vehicles and a Quick Overview of the Industry



Many of you are already aware of the fact that, in April, the Chinese Government has introduced a new set of measures in support of automotive industries in response to the negative effects of COVID-19. Additional policies were implemented to benefit particularly New Energy Vehicles (NEV) and petrol-electric hybrid industries.

In terms of **local actions**, some supportive measures implemented across the industry include relaxed local restrictions, increasing quotas such as in Shanghai 12.1% of license plates of private vehicle applications were granted in May, a record high in six years (*Xinhua*). Also, subsidies granted for car buyers have been stimulating car sales in rural areas and promoting used cars. These policies are expected to

contribute to 790,000 car sales in 2020, which correspond to 3.5% of 2019 sales (*Xinhua*). Future policies are in turn expected to further the sales by an additional 370,000 units.

Focusing on the **new energy vehicles** (NEVs), the measures in support of NEVs include extensions of tax exemptions and subsidies that were due to expire at the end of 2020 as well as new future investment to stimulate production and market demand in the long run. The joint “Announcement about Exempting Vehicle Acquisition Tax for New-Energy Vehicles” from the Ministry of Finance, State Administration of Taxation, and the Ministry of Industry and Information Technology, issued on April 22, 2020, announced an extension of NEVs exemption from vehicle purchase tax from January 1, 2021 to December 31, 2022, significantly reducing added costs, incentivizing consumption. Additionally, the Ministry of Finance announced NEVs subsidies, which were also due to be completely eliminated in 2020, will be extended until 2022. However, they will be reduced by 10% this year, by a further 20% in 2021 and 30% in 2022, easing the costs of decrease in sales caused by the current pandemic. This decrease in subsidies, will have the likely effect of increasing prices, as seen in the US with Tesla; but, such price increase would be significantly smaller than if the subsidies were to halt completely by the end of 2020.

Also, the subsidies will only apply to passenger cars costing less than RMB 300,000, barring luxury NEVs from qualifying, potentially causing manufacturers producing vehicles at a price just above the cut-off to decrease their prices in order to qualify for the subsidy, potentially leading to a relative increase in lower-priced luxury NEV sales.

Government authorities also announced that they intend to increase the NEVs’ share of new auto sales from 5% to 25% in 5 years, achieved also by prioritizing NEVs when procuring government vehicles, contributing to growth in sales.



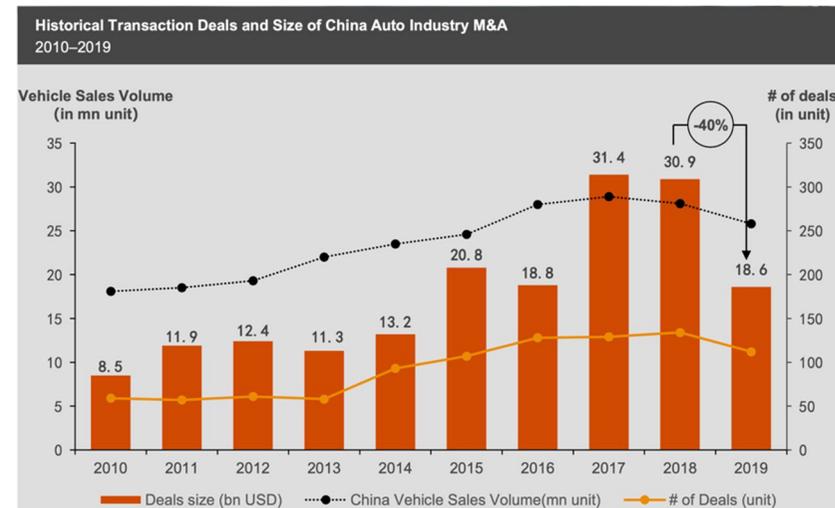
To support the **petrol-electric hybrid industry**, excluding NEVs, the Ministry of Industry and Information Technology reclassified these vehicles as “low fuel consumption passenger vehicles” (*Reuters*), less harmful than fossil-fuelled cars.

This allows manufacturers to more easily meet their environmental quota set by a point system in which production of NEVs grants positive points and production of petrol and petrol-hybrids contribute negative points. Petrol-electric hybrids will now have a reduced negative point impact.

The incentive is expected to allow for a greater production of hybrids over the more costly all-electric, beginning next year and through 2023 (*Reuters*).

Let’s have together an **up-to-date overview** of the size of the automotive industry in China.

China’s automotive industry has developed rapidly in the past decade, with growth in domestic and international Original Equipment Manufacturers (OEMs) driven by a series of mergers and acquisitions while also having the largest NEV market, selling 1.2 million NEVs in 2019 (*China Briefing*). However, since 2018 the industry has been slowing down, with a 16% decrease in M&A deals from 2018 to 2019 (*PwC*).



Source: Statista, MergerMarket, PwC Analysis

The pandemic then exacerbated this decline by decreasing demand in the whole industry leading to a relevant decrease in auto sales in the first quarter of 2020. Additionally, in the first five months of 2020, China’s production fell by 24.1% and sales by 22.6% year-on-year (*China Daily*).

Although, the industry was hampered by the pandemic, the government’s stimulus package allows the industry, particularly for NEVs, to recover and potentially grow in the long term.

Wang Xia, chairman of the automotive industry committee of China Council for the Promotion of International Trade describes how, in May, sales increased 5.9% compared from April and 14.5% year-on-year and specifically premium vehicle sales increased more than 20% year-on-year, possibly outlining a change in consumer consumption preferences towards higher quality (*China Daily*).

The Chinese Automotive Industry offers opportunities that cannot be missed.

From one side, the stimulus measures announced by the government will benefit global petrol-electric hybrid and NEV leaders Toyota and Honda as well as Chinese makers Geely Automobile Holdings Guangzhou Automobile Group, and subsequently suppliers such as Hunan Corun New Energy (*Reuters*).

On the other, the policy changes and the economic effects of the pandemic on the market create new opportunities in the automotive industry, specifically in M&A which are expected to grow in next 2 to 3 years (*PwC*).

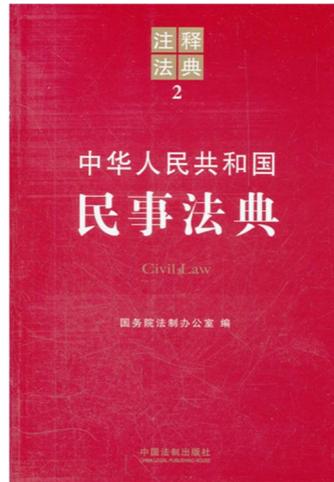
Additionally, the pandemic put significant strain on the highly integrated supply chain, applying pressure on the industry to reform. Potentially leading to greater enterprise cooperation, restructuring and integration as well as increased investment in future opportunities such as Connectivity, Autonomous, Sharing/Subscription and Electrification (CASE) trends.

Opportunities for international OEMs arise particularly as, in May 2018, the Chinese government began gradually reducing the foreign ownership limits and aims to completely eliminate them by 2022 (*PwC*). This allows foreign companies to retain ownership and strengthen their market share. Also, market competitiveness is increased, further accelerating transformation across the industry while also promoting partnerships.

The New Chinese Civil Code

In May of 2020, the National People's Congress of China passed the nation's first civil code which is planned to take effect in January 2021. The new Chinese civil code consists of laws mostly regarding civil society and their relationship with the government and the law. It is a document that sets standards for legal issues regarding:

1. General provisions
2. Real rights
3. Contracts
4. Personal rights
5. Marriage and family
6. Inheritance.



The Civil Code focuses on contemporary areas that lacked regulation in the past. This includes addressing problems that come with China’s rapid urbanization, environmental protection, the development of AI and other technologies. Furthermore, there is particular attention to the digital aspect of China’s economy and civil society, especially the protection of virtual data and property.

This new civil code has been in the process of implementation for a long time. In fact, there have been four other attempts to establish one since 1949, when the People’s Republic of China was first founded. The most recent attempt, which was just ratified, was first introduced in 2014 and has been in the works since then. The current and final version of the civil code is the final draft of six years’ worth of work,

especially considering recent efforts made to mitigate the effects of COVID-19.

An important aspect of the new civil code is its innovative laws regarding rights related to life, body, health, name, portrait, reputation and privacy.

Beyond attempting to address these concerns, the code delineates a clear and fine boundary between China’s markets and the government.

The new code, although it incorporates existing laws, is a big step forward from China’s previous state. From one side, for the private businessmen who didn’t feel safe enough, this code is supposed to offer them a legal protection.

On the other hand, the code will also be a boon to judges, serving as a single, unified body of law on which they may base their verdicts. NPC vice-chairman Wang Chen said that “Chinese courts will need to treat government bodies and state-owned enterprises as the same individuals or private businesses in civil and commercial transactions to ensure a level playing field for all”.

In April, the Communist Party said that it will increase its support for the private economy, especially in the development of infant industries. This is important news for small to mid-sized firms, which for years have been excluded from several industries and with difficulties acquiring bank credit. Hu Xingdou (a retired economics professor with

Beijing Institute of Technology) said: “The civil code could restore confidence of private business owners and to help prop up economic growth.”

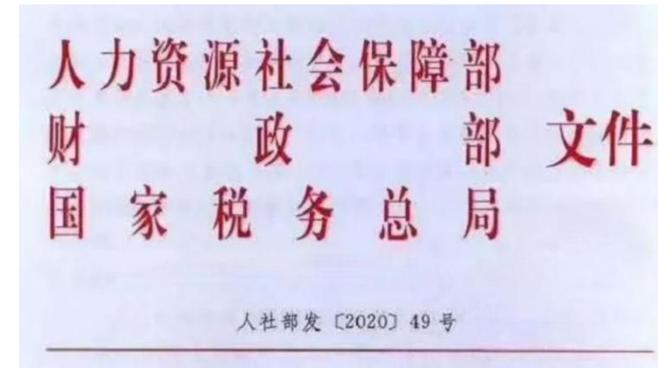
In fact, the adoption of the New Chinese Civil Code aims to be an additional element of protection not only for citizens but also for companies (including those with foreign capital) operating in China.

However, as mentioned before, the civil code is still mostly combination of existing laws, meaning its efficacy isn't guaranteed. An imminent issue is the uncertainty of its enforcement: courts around China are not independent and still respond the Chinese central government. This might still be an issue, whether it would be regarding individuals' rights or those of corporate nature.

Overall, the Civil Code addresses a large portion of the aspects of civil society and is an imperative legislative change for everyone in China. For many, the ratification of the Civil Code is considered a milestone in the development of China's legal system. Not only does it establish fundamental rules of law strengthening the protection of citizens' personal rights, but it also reinforces commercial matters, especially regarding private sector.

This legislation will undoubtedly have influence on foreign-related affairs in China, introducing a ground in which foreign investors are safer in terms of investing and opening businesses.

China: Social Security Update



As per 人社部发2020—49号文 Renshebufa No. 2020-9 issued by the Ministry of Labour and Social Security on June 22, 2020:

- 1) for the small/medium companies the social security relief (Pension/Unemployment/Work-Related Injury) at company's charge are exempted until the end of 2020, instead of June 2020 (as per the previously policy issued in February);
- 2) for big companies, the 50% decrease of social security relief (Pension/Unemployment/Work-Related Injury) at company's charge will be in force until June 2020, instead of April 2020 (as per previous the policy issued in February).

Non-Fixed Work Time Application in China



Work hour systems establish specific work hours, rest periods, and overtime rates for employees. Currently, there are three main work hour systems in China: the standard work hour system, the comprehensive work hour system, and the non-fixed (flexible) work hour system.

According to this division, employers should be aware of the different kinds of work hour systems in China in a way to find the best solution for their activities.

In this article, we want to focus on the non-fixed work hour system: it is defined as a “special work hour system” because it deals with rules which are necessary to correctly maintain staff costs and to avoid labor disputes.

The non-fixed work hours system refers to employees whose working hours are impossible to measure. Their salary is a fixed amount paid per period.

This system is not associated with overtime cost. In addition, employers must respect appropriate work and rest schedules.

This kind of system is accepted only if results prevail on working hours spent in the office. It includes different job’s areas concerning senior management, salespeople, employees in the transport, warehousing, and railway sectors.

Non-fixed working hours cannot be applied to employees who play a role referred to low-level management or non-management roles. Exceptions concern the following categories:

1. Non-production on-duty;
2. Work out of town;
3. Long distance transports;
4. Off-site sales.

However, it is necessary to acquire a local labor bureau approval before the implementation. Each Chinese city has different requirements which have to be fulfilled to get the permission. The best way to confirm if the permission is needed or not is asking the local labor bureau.

For example, the Shanghai and Beijing situations:

- In Beijing, senior managers can adopt the non-fixed hour system without getting the permission. The only issue would consist in verifying whether the staff is considered senior manager or not: the solution is given by the company's Article of Association which lists the senior's staff details;
- In Shanghai, the permission is required. Moreover, a day per week shall be provided, as it is established by the standard work hour system.

3rd CIIE Opens up to Visitors

On Wednesday June 24th, the 3rd China International Import Expo (CIIE) opened the registration for visitors and professional organizers. While organizers work on facilitating and improving registration procedures, professional visitors focus on the actual contents of the Expo. These visitors include consumers, market and industry researchers, organization representatives, public advisors and government organs.

The Third CIIE is to take place from November 5th to 10th 2020 and is already almost fully booked, with 90% of the spots already taken.

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