

競天公誠律師事務所
JINGTIAN & GONGCHENG

Re-think your China Strategy Pull-out or New Investment Opportunities?

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|Title: Partner

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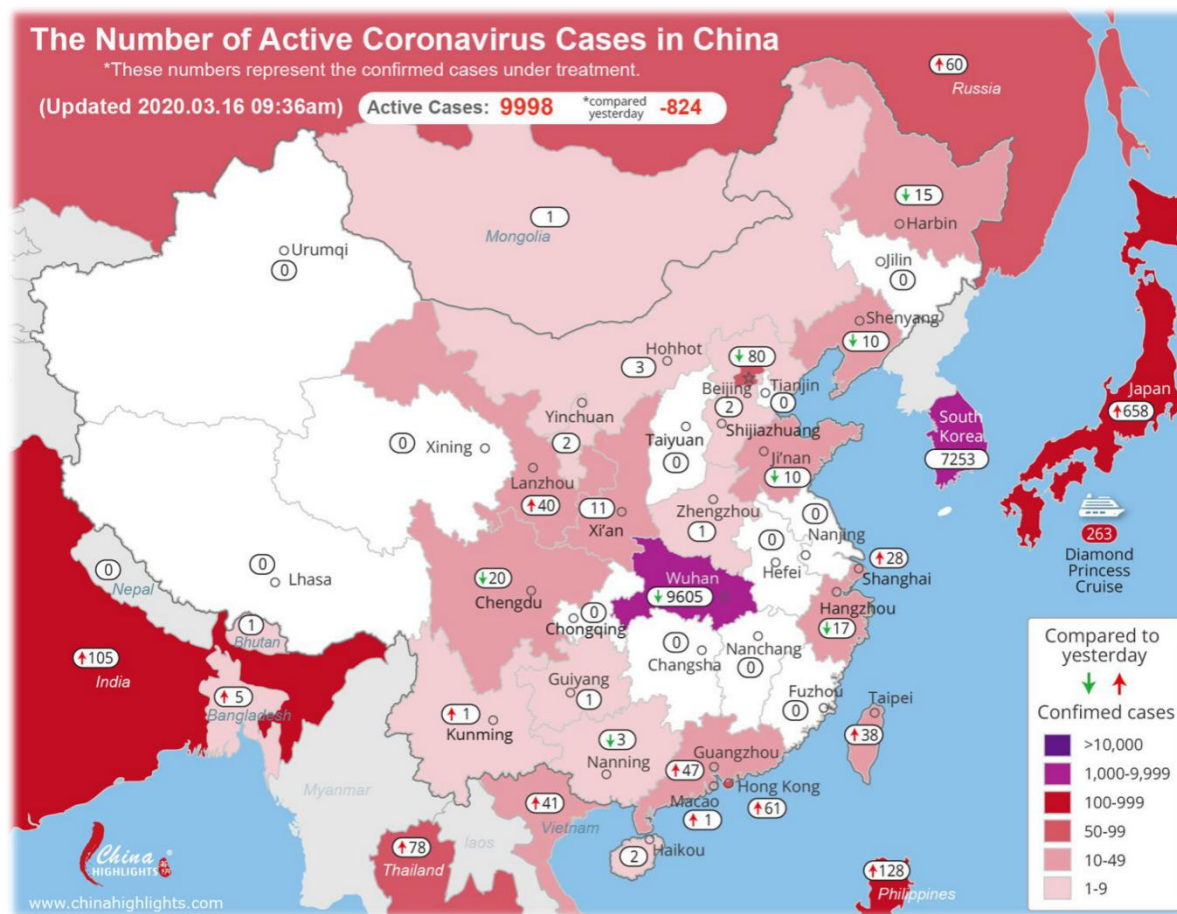
- 1 COVID-19: Current Situation in China
- 2 What to expect once the outbreak is stabilized?
- 3 Trend and Potential New Opportunities

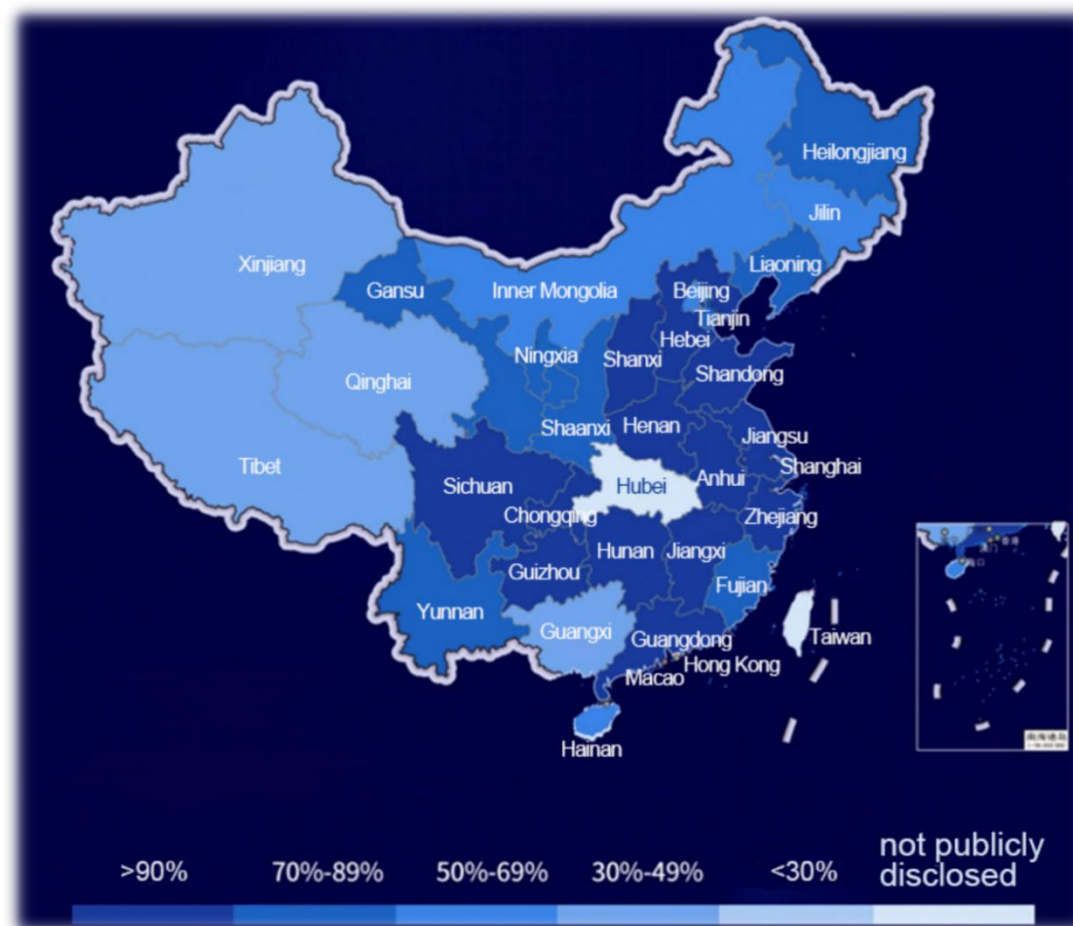
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COVID-19: Current Situation in China

China Coronavirus Map





● **Top 5** provincial-level regions in terms of resumption rate of industrial enterprises above designated size are as follows:

- **Guizhou** 100%
- **Zhejiang** 99.8%
- **Anhui** 98.1%
- **Jiangsu** 96%
- **Chongqing** 95.1%

Date calculated: March 2

Influence on income of notable industry

Tourism ↓
64.7% (income
forecast of Q1)



Cinema ↓ 34.5%
(income of Jan.)



Catering ↓ 43.1%
(income of Jan. & Feb.)



17.6%
(income of Jan. & Feb.)



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What to expect once the outbreak is stabilized?

GDP Growth Rate



Dropped to 9.1% in the second, and **rebounded slightly** to around 10% in the third and fourth quarter

Capital Market



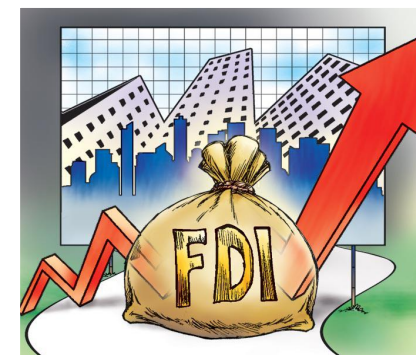
The **stock market** was hit heavily, while the **bond market** rebounded significantly

Emerging Industry



Create a large number of **new business opportunities**

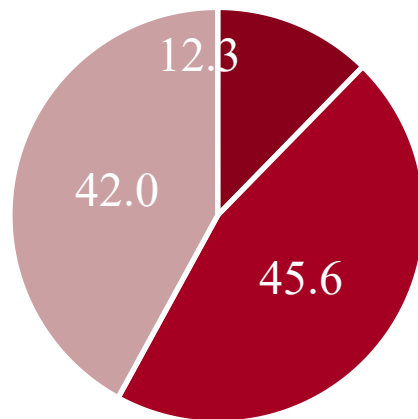
Foreign Investment



Increase steadily during the first half of 2003

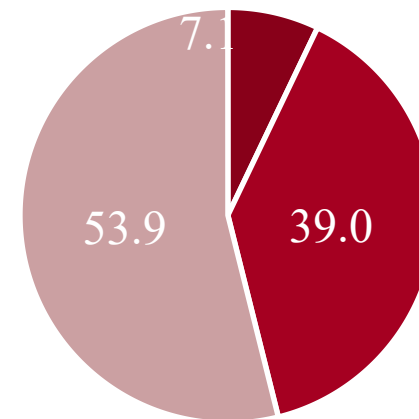
- As for the **economic structure** in 2019 is quite different from that in 2003, which means the impact from COVID-19 should **be lighter** this time.

Economic Structure in 2003



- Primary Industry
- Secondary Industry
- Tertiary Industry

Economic Structure in 2019



- Primary Industry
- Secondary Industry
- Tertiary Industry

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Trend and Potential New Opportunities



“FM Clause”

- The Supreme Court issued a notice in 2003
- Can FM Clause be invoked to waive liability or terminate the contract?



Global Supply Chain

- Reconsider to adjust current supply chain for second/backup source



Strengthen Insurance Coverage

- Cover profit losses/business disruption

● Cash Flow

- Quickly address subsidiary's financing needs and step in to provide bridge financing
- Look for alternative financing, such as bank loans, debt and equity financing

● Labor

- Pay attention to new government policies
- Employee dismissal

● Breach of Contract

- Notify the counterparty in a timely manner
- Gather and provide corresponding proofs
- Take possible remedial measures as soon as possible

● Commercial Term

- Revisit commercial terms of the supply/sales contract to see whether improvement can be made to better cope with the outbreak

● Contingency Plan/System

- Responsive reporting system
- Special crisis management committee
- Remote working facilities in place
- Absence of key man issue

● M&A Opportunities

- Technological solutions to reduce reliance on physical interaction
- Manufacturing and logistics
- Food safety

● Governmental Subsidy, Counter-measures/Policy

- Social insurance and housing fund reduction
- Tax preference
- Rent reduction
- Bank loans support

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Thank you !

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