



ChinaTM

Virtual Event

November 1 – 4, 2022

Virtual Event

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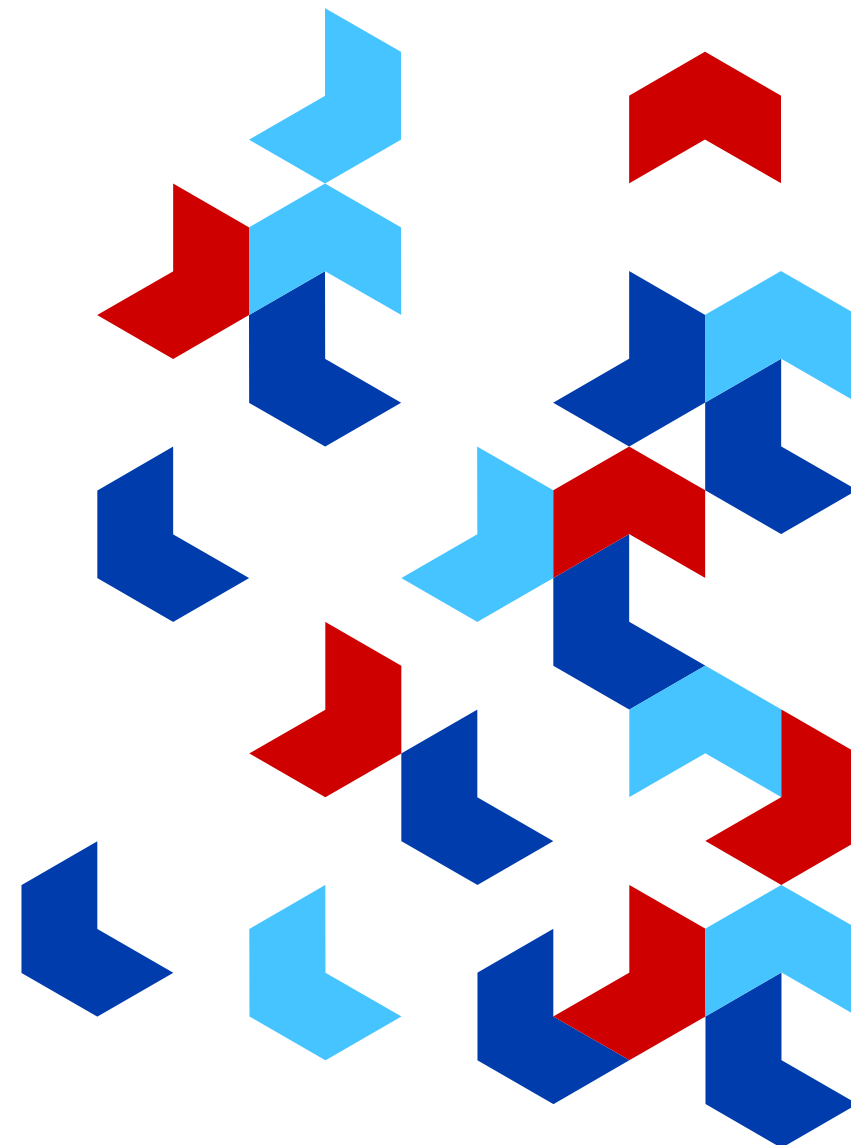
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British
Chamber
of Commerce
Shanghai

How profound, unprecedented changes in Geopolitics and Domestic Policy will reshape High-tech Industries in China

Ted Wan, Vice Chair, BritCham Shanghai
& President, Smiths Group Greater China
TestConX China 2022, November 1st, 2022





We are facing profound and unprecedented challenges



Capital Markets



Ongoing COVID concerns



Inflation and energy prices



Supply chain



Macro-economic risks



Geo-political conflict



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A **COMPLETELY** new era with new leadership,
SECURITY is on top of everything

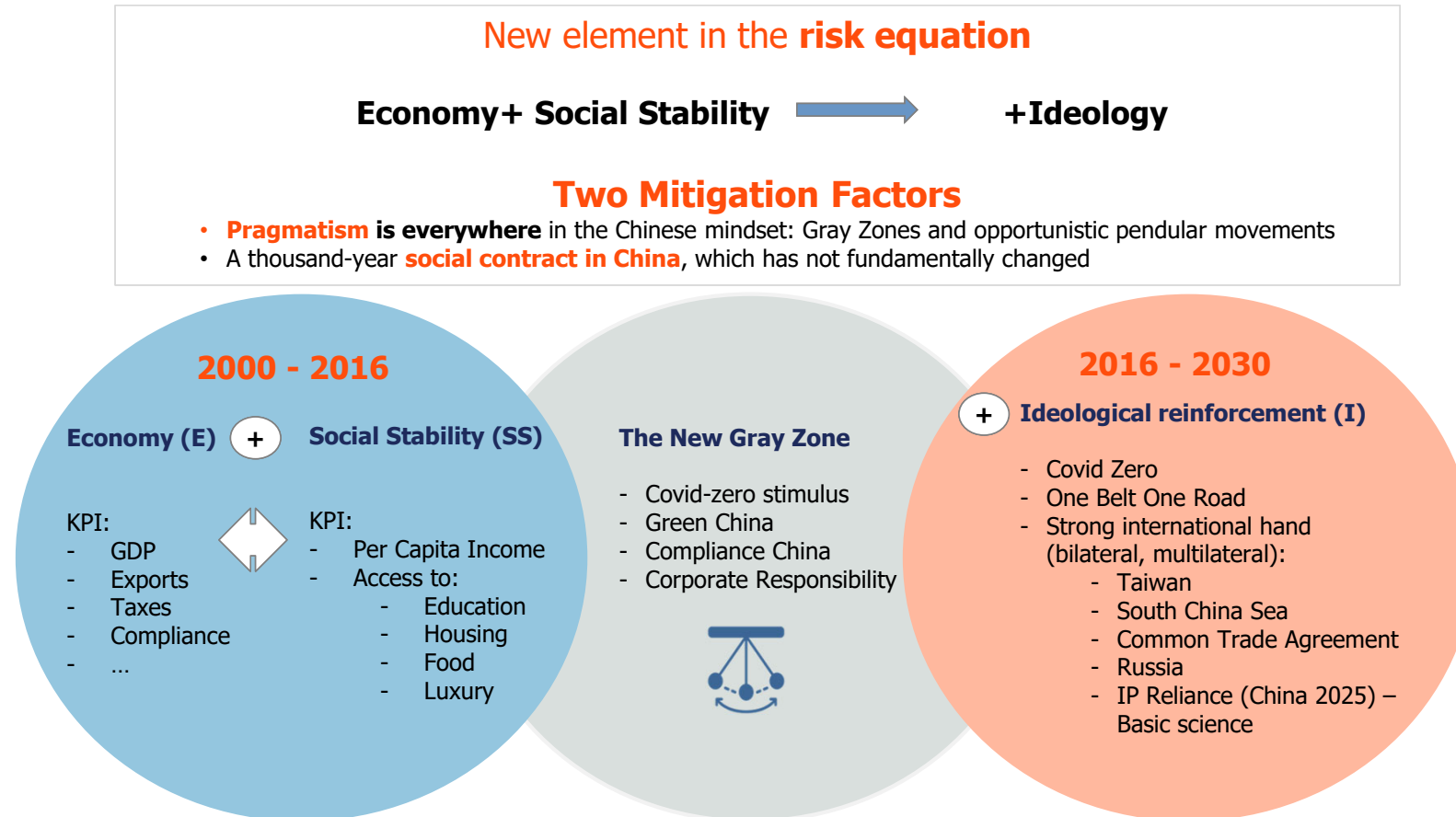


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IDEOLOGY a new element added into the China Equation



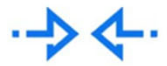


Source: InterChina's International Corporate Investment and M&A in China

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Systemic Rivalry and Decoupling: tensions are here to stay, but hard decoupling or conflict **NOT LIKELY**

Scenario / Probability	Characteristics	Role of Foreign Investors
 <p>"Constructive decoupling" 70% (most likely)</p>	<ul style="list-style-type: none"> • Semi-friendly, gradual, pragmatic decoupling • Coop. and unilateral dev't simultaneously 	<ul style="list-style-type: none"> • Continued relevance • Techn. and know-how needed
 <p>Hardcore decoupling 20% (less likely)</p>	<ul style="list-style-type: none"> • Constant crises and antagonistic attitudes • Trade barriers increase fast • Speed up of regionalization 	<ul style="list-style-type: none"> • Increased uncertainty... • ... as MNCs are political targets
 <p>Conflict 10% (unlikely)</p>	<ul style="list-style-type: none"> • As above, plus military crises / armed conflicts • Trade blockade, radical disruptions of standards 	<ul style="list-style-type: none"> • Meltdown • Full-scale boycotts

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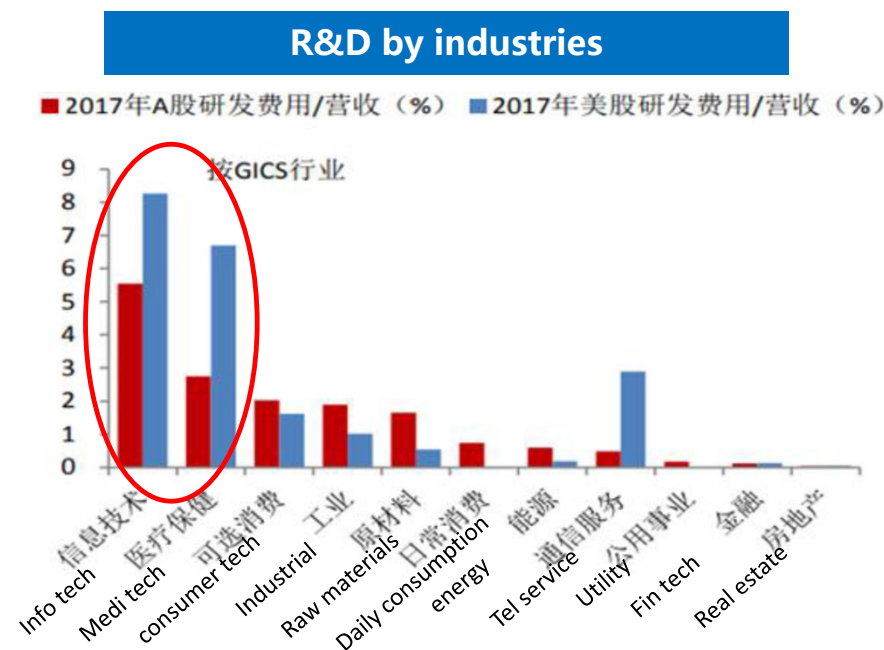
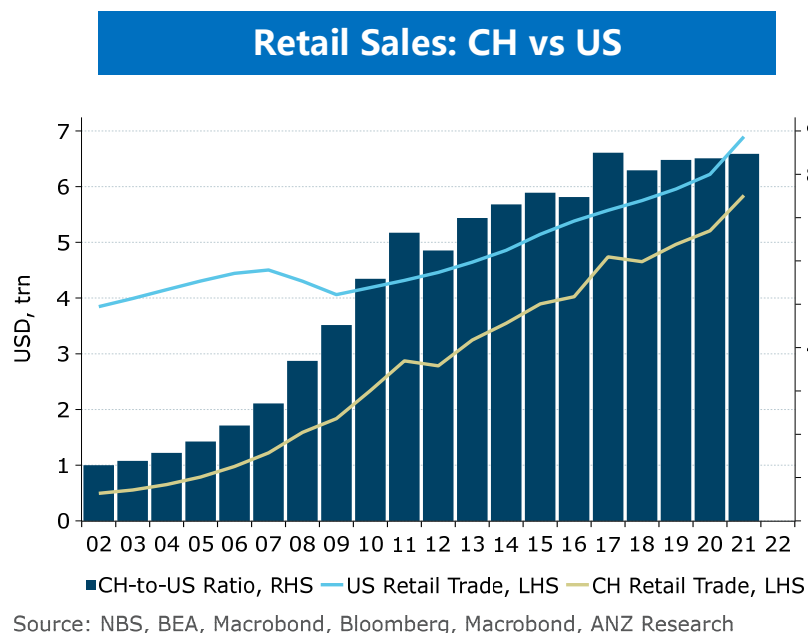


Where China stands on de-coupling?

"Global supply chain is evolving on the basis of cost and safety instead of merely the competitive advantages"

R&D determines the power on supply chains. China can dominate in most sectors

High tech bottleneck is here to stay in limited sectors"



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China's priorities are and will be mainly of **DOMESTIC NATURE**

"China is one of the few countries in the world where have a high level of political and systemic certainty... 5 Year Plans tend to be implemented"

HIGHER EFFICIENCY	HIGHER COMPLIANCE	CHINESE CHARACTERISTICS
Financial Deleverage & Sustainable System <ul style="list-style-type: none"> • Debt control • ForEx control • Stock market revamp 	Environ. Protection & Decarbonization <ul style="list-style-type: none"> • Top priority (will NOT go away) • Further closure of inefficient or polluting factories • Higher costs – cheap capacity is closed down 	Strengthen Party & Party Values <ul style="list-style-type: none"> • Grassroot CP • Anti-corruption • Alignment • Values: Common Prosperity
Consolidation & Capacity Decrease <ul style="list-style-type: none"> • Mainly from closure of private co's and "idle" capacities. • Price spikes • Supply problems 	Compliance & Governance <ul style="list-style-type: none"> • Unified code and application for personal income tax and corporate tax • Social credit systems (for co's and individuals) 	Regulated Corporate Ecosystems <ul style="list-style-type: none"> • Big Tech: Avoid state within state. Ensure co's follow rules. • Control/ regulate data economy • Common prosperity: Donations, wealth distr., tax enforcement

Source: InterChina's International Corporate Investment and M&A in China

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Key sectors to support China new leadership's strategic priorities – **reshape through policies, money and people**

NATIONAL SECURITY

- Energy
- New energy
- Critical nature resources
- Next-gen IT
- AI
- Biotech
- Green tech/decarbonization
- High-end equipment mfg

BOTTLENECK TECHS

- Info tech
- High-end medical equipment
- Semiconductor
- Sensing tech
- Aerospace
- Space
- Materials

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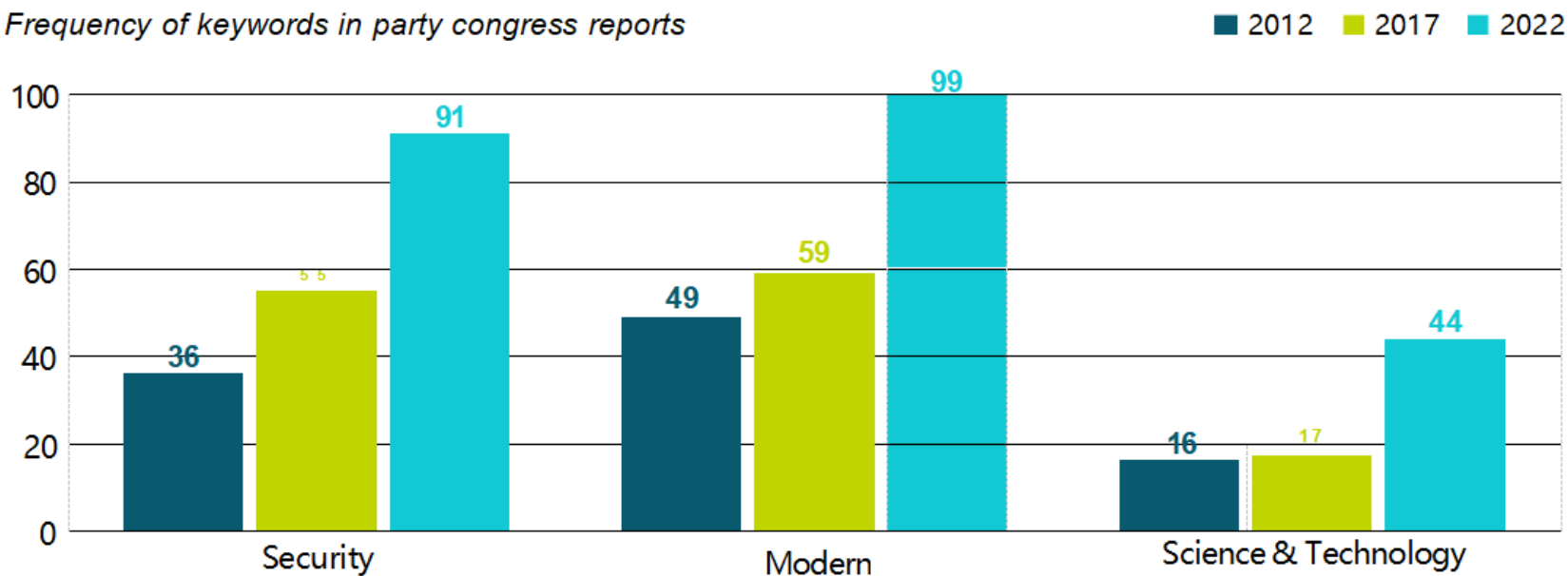
Science & Technology are pivot to China's Security and Modernization

"enhancing political control in response to rising security threats

use Chinese-style modernization to comprehensively advance the great rejuvenation of the Chinese nation"

Rising priorities show evolution of Xi's strategy

Frequency of keywords in party congress reports



Note: Hu Jintao delivered the 2012 report and Xi Jinping delivered the 2017 and 2022 reports

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China keeps building national champions.. And the New Local Premium players. Targeting the “medium high” quality segment

"To us, its not about market access or protectionism anymore; Our key threat are the emerging local premium players... they are getting really competitive on our traditional turf"

Leading Chinese groups migrate across sector boundaries and create larger ecosystems

<ul style="list-style-type: none"> • C2C Taobao • B2C Tmall • Mobile payments Alipay • Ant Financial • Big data, cloud, mobility • Smart logistics / Cainiao • Health / diagnostics 	<ul style="list-style-type: none"> • Telecom equ. • Consumer electronics • Enterprise / IoT • Supply chain / chips • Semicon prod. equ. 	<ul style="list-style-type: none"> • Chemicals • Agricultural • Energy, EPC, logistics • Real estate, finance • Light-weight, mobility
<ul style="list-style-type: none"> • Insurance • Finance • Property • Automotive • Healthcare • Smart city 	<ul style="list-style-type: none"> • Online retail • O2O retail • Big data analytics • Logistics, drones • Financial services 	<ul style="list-style-type: none"> • Rolling stock • Railway infrastructure • Water treatment equ. • Wind power • NEV, H2 buses • Logistics • Financial services
<ul style="list-style-type: none"> • Social network • Gaming • Fintech • Business services • Online advertising • Retail 	<ul style="list-style-type: none"> • Smart phones • Smart lifestyle IOT • Internet services • New retail formats • Mobility, cars 	<ul style="list-style-type: none"> • Iron and steel • EPC • Gas, coal, chemicals • Hydrogen • Financial services • Production services
<ul style="list-style-type: none"> • Search engine • Online advertising • Cloud business • Financial services • Autonomous driving • Medical & health 	<ul style="list-style-type: none"> • Construction equ. • Mining equ. • Financial services • Material handling • Wind turbines • IIOT platform Rootcloud 	<ul style="list-style-type: none"> • Cars – entry level • Cars - premium • On-demand mobility • Connected intel. vehicles • Shared ownership • Flying cars • Transport ecosystem

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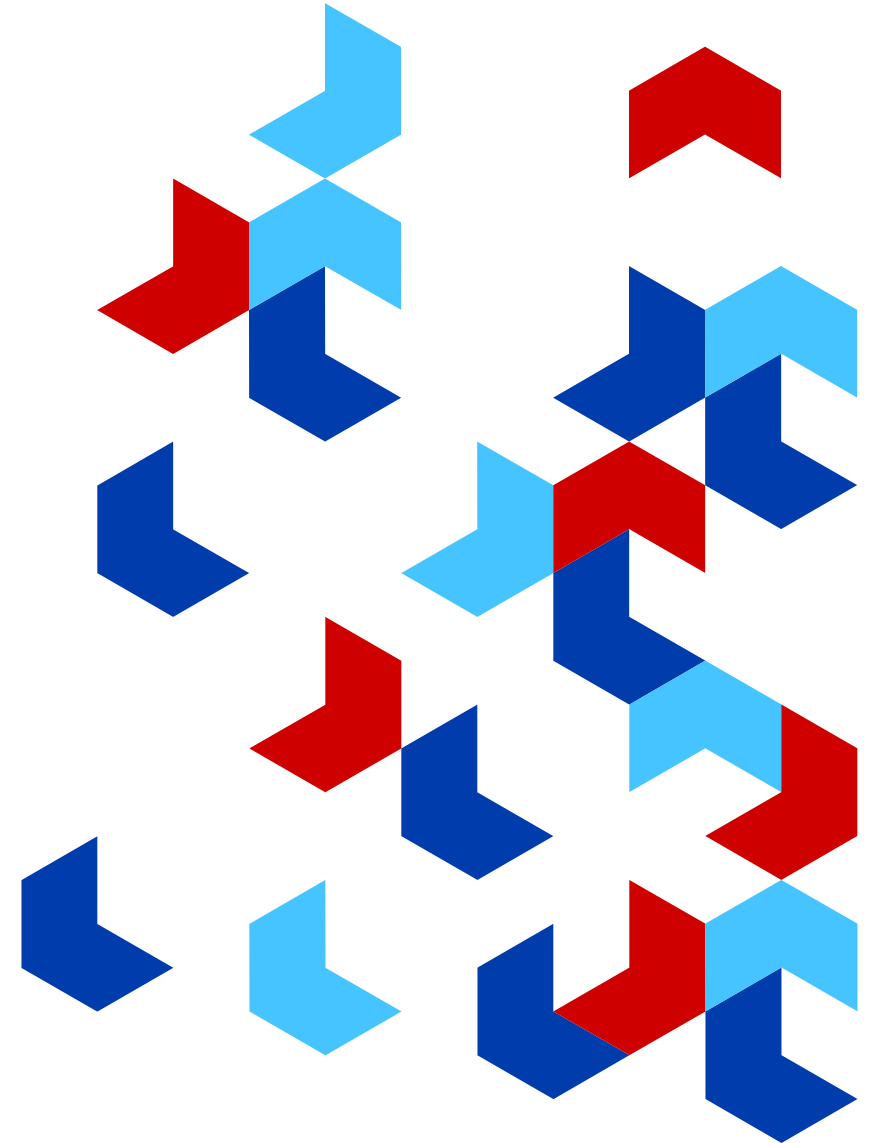
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