

# Conzzeta General Meeting

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**conzzeta**

# Disclaimer

The information in this presentation about the business performance of the Conzzeta Group is of a summary nature only. The information in the Annual Report and half-year report of Conzzeta AG and on the website [www.conzzeta.com](http://www.conzzeta.com) prevails.

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The presentation also contains statements about expected future financial and operational developments which are based on subjective assessments. Any liability for loss or damage arising directly or indirectly from the information in this presentation is expressly excluded.

# Agenda

- 1. Historical facts about China**
- 2. Economic facts on present-day China**
- 3. China's 2050 strategy**
- 4. Human rights: Reference: UN Convention on Human Rights**
- 5. How should Conzzeta AG conduct itself in China?**
- 6. Conclusions**

## Historic facts about China

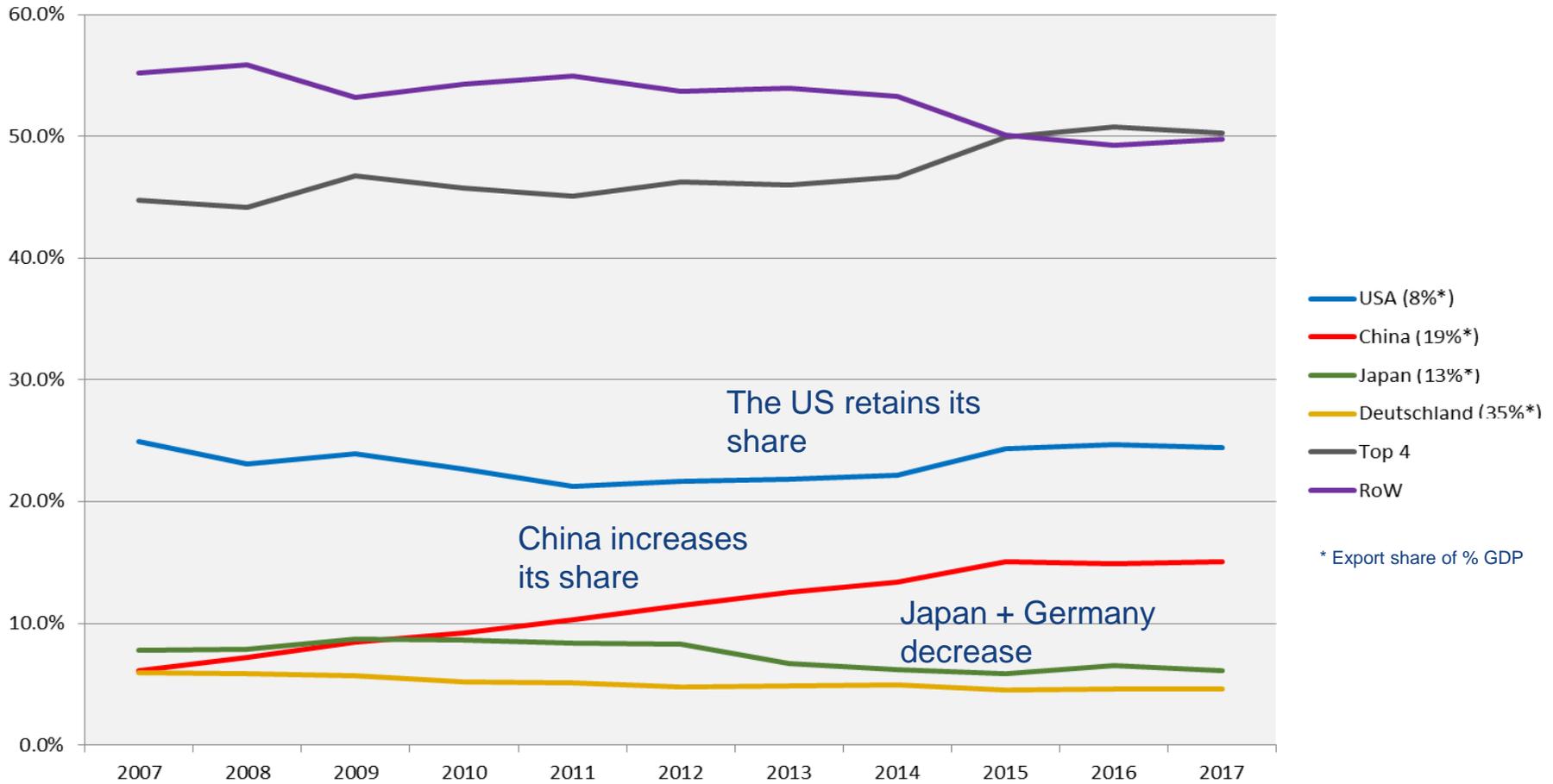
1. **China has dominated** the economic and cultural development of the world **in 18 of the last 20 centuries**
2. **Most global discoveries** were made in China between 500 and 2,000 years before the West! (agriculture, astronomy, engineering, medicine, household items such as porcelain, whiskey...)
3. **The first Chinese god-emperor** (Qin dynasty) was **Shi Huang Di** who united China in 221 BC. He conquered seven realms that had been divided for centuries (the border of China was already discernible at the time – with the exception of Xinjiang, Tibet and Manchuria)
4. **There has never been democracy in China** – and things went well for the Chinese when they had strong, prudent, experienced and strict leaders **(or a credible ruling elite)**

## Economic facts on present-day China

1. **60% of the world's population** currently lives in Asia
2. **Cities in China with > 1 million inhabitants: 85**  
US 10, Germany 4, Europe 33 (of which 16 in the EU and 10 in Russia)
3. **Population of China: 1.4 billion** (no. 1 worldwide)
4. **High-speed rail network in China: 20,000 km** (no. 1 worldwide)
5. **Internet penetration in China 2016:**  
773 million inhabitants (no. 1 worldwide in absolute figures): US 246 million
6. **Mobile payments China 2016:**  
5,500 billion Payments by mobile phone (no. 1 worldwide): US 112 billion
7. **Tourism expenditure:** China represents 22% of tourism spend worldwide
8. **Goods exported from China:** USD 2.3 trillion, 13.8% (no. 1 worldwide);  
no. 2 US USD 1.5 trillion, 9.1%;  
no. 3 Germany USD 1.3 trillion, 8.1%;  
no. 16 Switzerland USD 0.3 trillion, 1.8%

# GDP from 2007 to 2017 in % Total GDP worldwide (global market share)

Top four countries increase GDP from 45% of GDP (2007) to 50% of GDP (2017)

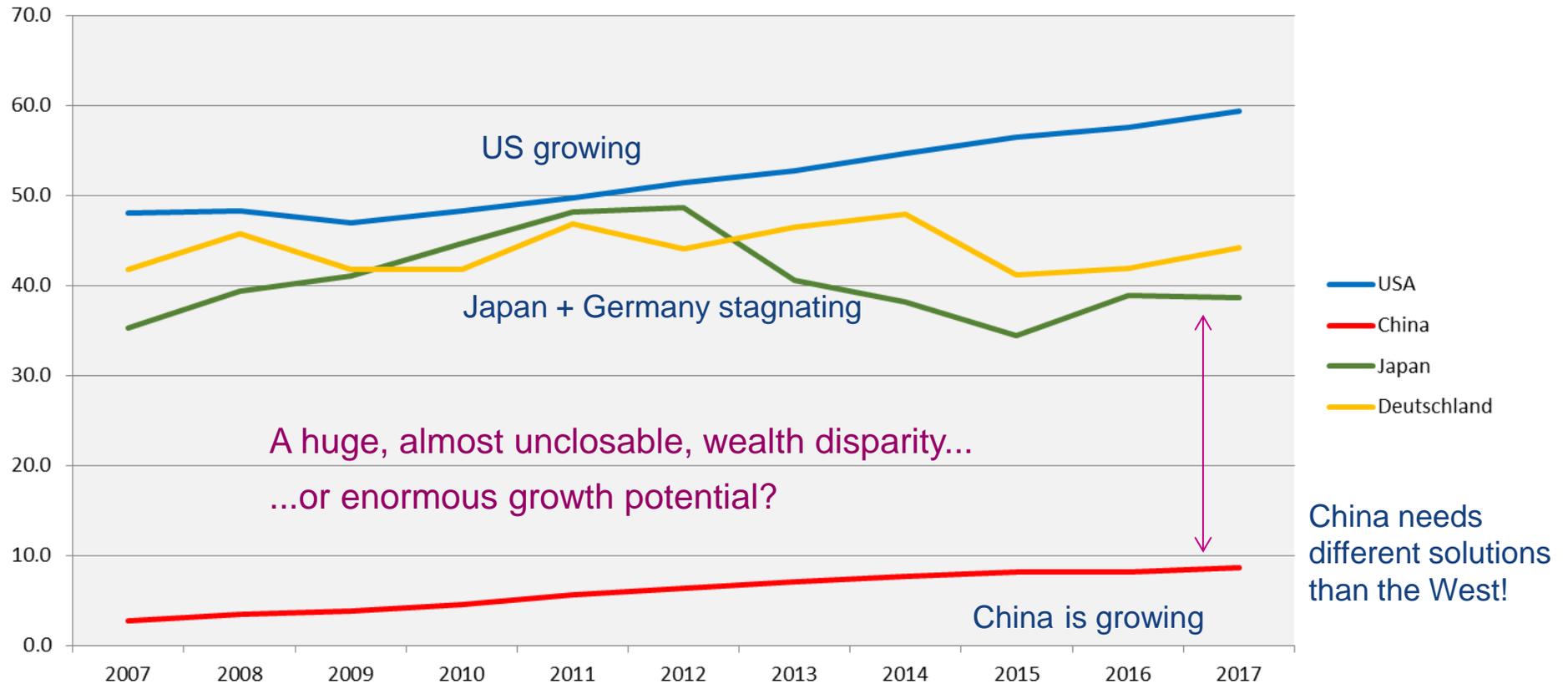


World trillion \$	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	58.1	63.6	60.0	65.9	73.1	74.5	76.5	78.6	74.3	75.4	79.3

Source: de.statista.com

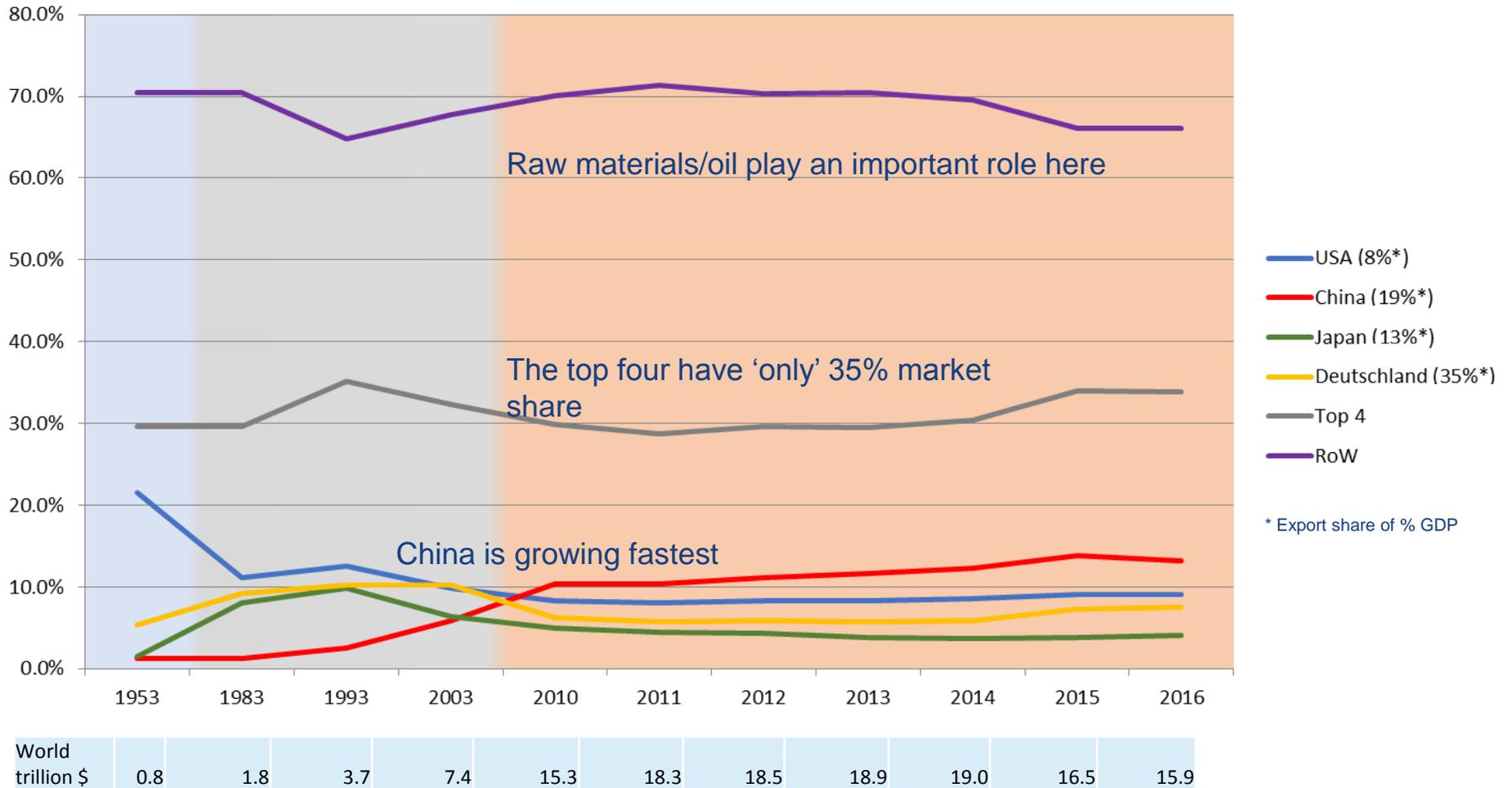
# GDP per capita in USD thousands

Number of billionaires US 563  
China 637



Source: de.statista.com

# Export of goods from 1953 to 2016 in % of total world exports

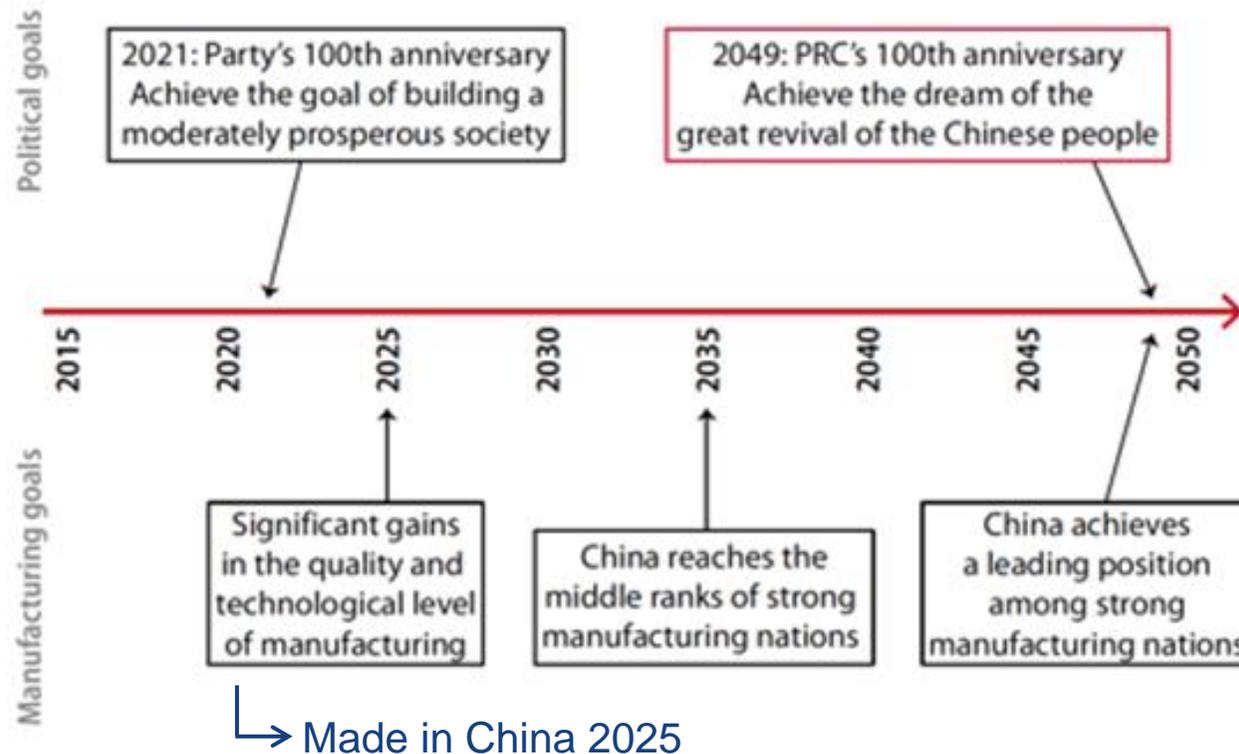


Source to 2010: [de.m.wikipedia.org/wiki/Welthandel](http://de.m.wikipedia.org/wiki/Welthandel)  
 Source 2010-2016: [de.statista.com](http://de.statista.com)

# China's Strategy 2050

Xi Jinping – common national identity:

“Restore China’s natural, rightful and historical position as a great power” (the Middle Kingdom)



China is ruled like a company: with strategy but no democracy!

Beat Kappeler – opposite of vision: “What is the benefit, what is the cost?”

# Human rights China: civil liberties v. socialist harmony

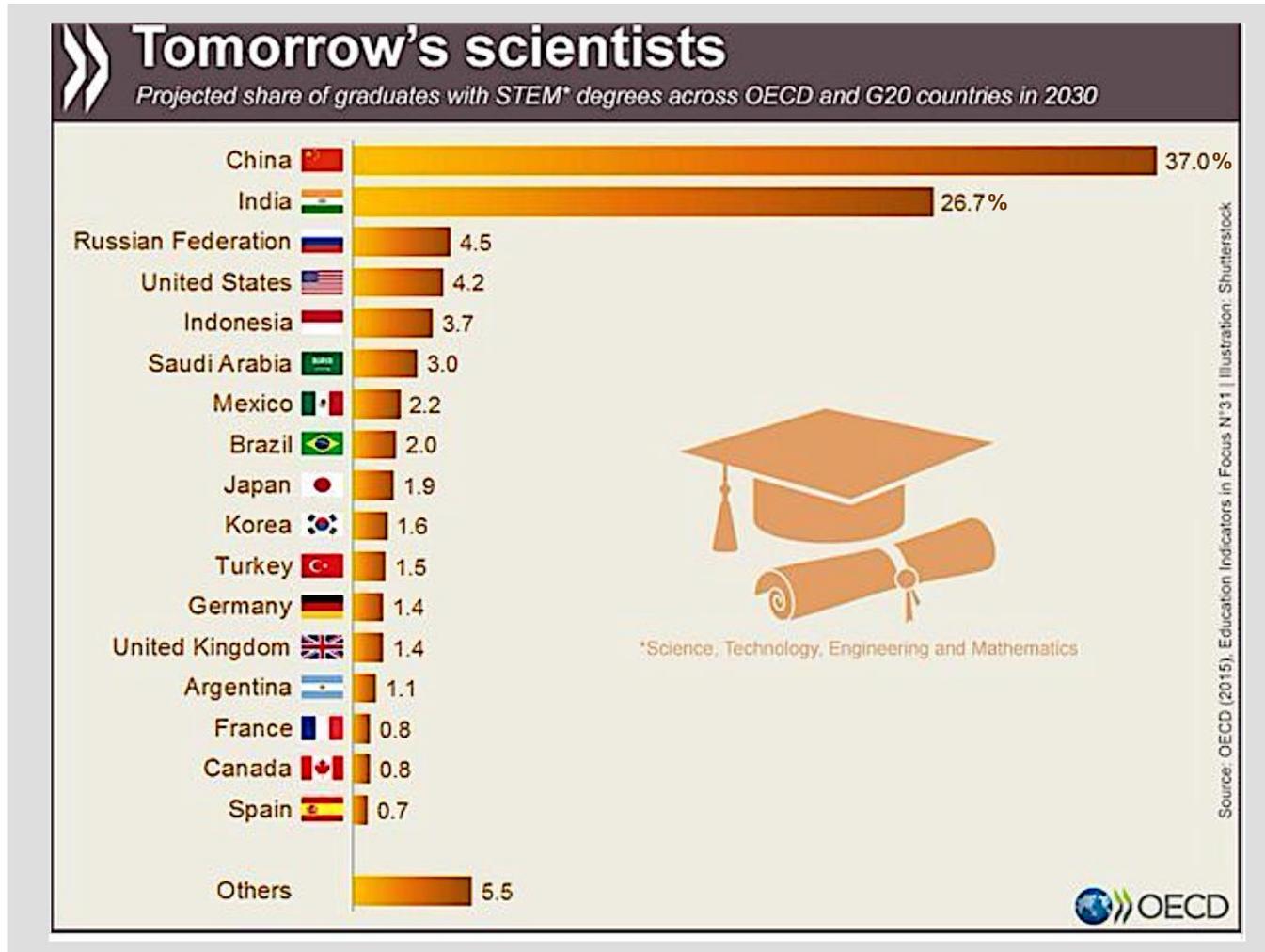
(source: Human Rights Watch Switzerland)

- **Freedom of speech, access to data, censorship:** Should the internet be more open?
  - **Hong Kong:** Limit to civil liberties (democratic conditions)
  - **Xinjiang** (Uigurs/Muslims): Small-scale war against 'terrorist elements'
  - **Tibet:** Harassment of monks/nuns of Buddhist faith
  - **Freedom of religion:** Obstruction since Mao, including of Catholics: changes in sight
  - **Equal rights for women/protection for the disabled:** lower standards than in the West, 'me too' issues, low representation of women in politics, higher in business
  - **Residency rights/asylum process:** Chinese/foreigners cannot change residency from one province to another without permission
- **China's elite wants harmony; whoever disrupts it faces problems!**
- **Like us, most Chinese want prosperity and to enjoy life**

# Human rights: The UN Human Rights Convention from China's perspective

1. The UN Universal Declaration on **Human Rights is optional**: Countries should improve. Here, China sees itself as a country in development!  
The **UN Social Pact** and the **UN Human Rights** are binding, but not ratified by China
2. China has had considerable success with **its priorities** in improving human rights:
  - a. Art. 25 (right to adequate standard of living): 600-700 million fewer people living in poverty since 2000
  - b. Art. 25 (environmental protection): Drastic measures (clean energy (wind, solar), emissions reduction, no. 1 in battery engines...)
  - c. Art. 24 (right to rest/leisure): Chinese abroad: 2006: 36 million; 2016: 138 million
  - d. Art. 26 (right to education): Increase in university graduates from 1.8 million (2003) to 6.4 million (2013); plan 2030: 37% of STEM graduates will be Chinese → next slide
3. With **human rights**, China observes very closely the problems that the West has with implementation: China considers some of our interpretations of civil rights as 'decadent'!
4. China's implementation of the **UN Social Pact** is delayed: working hours reduction, gender diversity...

# Art. 26 – Right to education: implementation in China



### STEM degrees:

- Science
- Technology
- Engineering
- Mathematics

**China:**  
Mainly  
experimental  
and less  
practical  
patents

## How should Conzzeta AG conduct itself in China? (1/2)

1. **Made in China 2025:** China is aiming for global leadership in 10 target markets (incl. machinery industry!). Westerners who are not successful in China in the 10 target markets risk being overrun by Chinese competitors in terms of technology, methodology and cost.

If China is subject to boycott, companies active in China must be able to source products locally.

**If you can't beat them – join them!**

2. **Switzerland's Responsible Business Initiative:** This initiative aims to comprehensively apply Swiss standards abroad and impose on Swiss companies the burden of proof of compliance with the standards.

With the UN Social Pact, we can introduce international standards into our company, even if they are not yet followed in China: This makes sense, so long as we do not move too far away from the market.

The Swiss Responsible Business Initiative can **not** be recommended.

## How should Conzzeta AG conduct itself in China? (2/2)

### 3. Difficulties in China – even for joint ventures – cannot be ruled out in the future:

- a. It is probable that from 2030, China's worldwide success will **make it very proud** and it will expect us to kowtow
- b. Swiss companies can prepare themselves for this
- c. The decisive factor will be the benefits of our solutions for China and our smart conduct
- d. China regards Switzerland as a friendly country: this can help!

→ **The customer and the strong are king!**

### 4. The Chinese respect performance:

- a. Deliver as promised
- b. Industrious
- c. Responsible
- d. Technological leadership (China for 'good enough', Switzerland for 'top end')

**In fact, China and Switzerland fit together very well**

# Conclusions (1/2)

## 1. We come from little Switzerland:

Modesty and mutual respect in dealing with the hegemon, while observing our own values and limits has potential

## 2. We have a lot to offer and a strong position:

This is perceived by China and **we should take advantage of this!**

## 3. Concerning UN Human Rights:

- In Switzerland, we have a good 700 years' experience with direct democracy
- China has 3,000 years' good experience with centrally led structures (Middle Kingdom)
- Who is qualified to teach the other a lesson?

## Conclusions (2/2)

### 4. Concerning the UN Social Pact

- Consideration of local rules and conditions
- Support of development to European standards (where marketable)
- Chinese employees will thank us

### 5. As a company that is active throughout the world, we want a strong position in Asia, particularly in China

- We want a strong position in a still unoccupied and developing market
- in order to secure our survival in what will soon be the largest market in the world
- ...and thus in the rest of the world!

**Esteemed shareholders –  
we are counting on your continued support for our China strategy!**

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