In collaboration with

Tou Ying Tracker 2021

The latest trends in Chinese investment in the UK

Now in its ninth year, the Tou Ying Tracker research confirms that Chinese companies continue to make a significant contribution to the UK economy.

The biggest Chinese-owned companies employ almost 61,000 people in the UK and contributed total revenues of £63 billion to the country's economy in 2020. This is the headline finding from this year's Tou Ying Tracker, our annual survey of the latest trends in Chinese investment in the UK.

We are delighted to share the research, produced in collaboration with China Chamber of Commerce in the UK (CCCUK) and China Daily UK. We celebrate the success of all the companies appearing in this year's Tou Ying Tracker and congratulate them on their outstanding contribution to the UK economy.

Dave Dunckley
Chief Executive Officer
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About the 2021 Tou Ying Tracker

The Grant Thornton 2021 Tou Ying Tracker, developed in collaboration with China Chamber of Commerce in the UK (CCCUK) and China Daily UK, identifies the fastest-growing Chinese companies in the UK.

To compile the 2021 Tou Ying Tracker, we identified all Chinese-owned companies that have filed an audited revenue figure of at least a thousand pounds at Companies House in at least one of the last two financial years to 30 September 2021, and that are at least 50% owned by a Chinese[1] corporate, investor or national. This year, we identified 845 such companies.

Criteria

Revenue growth

To be part of our revenue growth analysis (which compares each company's 2019 and 2020 revenue figures), companies must meet the following criteria:

- consecutive years of over £5 million revenues filed
- consecutive years of 12-month accounts filed
- consolidated/unconsolidated accounting practice the same for both years.

Employee growth

To be part of our employee growth analysis (which compares each company's 2019 and 2020 employee figures), companies must meet the following criteria:

- consecutive years of over £5 million revenues filed
- consolidated/unconsolidated accounting practice the same for both years
- at least 20 employees in both of the last two years.

We would also like to recognise the contribution to the UK economy of the estimated 30,000 Chinese-owned companies[2], with around 100 representative offices or branch offices, which fall outside the criteria for inclusion in the Tou Ying Tracker.

A number of large Chinese corporations, especially in financial services and banking, use branch offices authorised by the Financial Conduct Authority (FCA) to operate in the UK. Although they are not included in the Tracker because they do not have publicly audited reports for their UK activities available to our research, we still recognise and appreciate their contribution to the UK economy.

For example, Shanghai Pudong Development Bank has disclosed its unaudited UK branch's financial reporting to us that has been consolidated and audited in China, which shows more than 20% growth in UK operating revenue between 2019 ($20.09m) and 2020 ($24.35m). It could have been a member of the Tou Ying Tracker's Top 30 fastest-growing Chinese businesses in the UK if its accounts were audited at the UK level.

1 The research focuses on Chinese investors from Mainland China
2 This year's report identified almost 30,000 companies that are part of a China-owned corporate group or are majority held by a Chinese national. This is double last year's number. This number is collated using the Bureau van Dijk database, Fame. The increase in Chinese-owned businesses has occurred since Fame's coverage of UK companies has increased by 1.5 million last year and in addition, last year Fame also partnered with 3A Credit which is their new provider for China market data enabling them to link more UK companies to Chinese ownership.

Introduction

Now in its ninth year, our Tou Ying Tracker research confirms that Chinese companies continue to make a significant contribution to the UK economy.

This year's research identifies 845 companies that meet the criteria[3] for inclusion in the Tou Ying Tracker, compared with 838 in Tou Ying Tracker 2020, a 1% increase. The number of consumer, education, financial services and private healthcare companies rose by between 6% and 29%. The number of business support services (-5%), technology, media and telecoms (-13%) and manufacturing and industrial companies (-1%) fell, and the number in the real estate and construction sector stayed the same.

Together, the 845 companies have combined revenues of £63 billion (down from £92 billion in Tou Ying Tracker 2020) and report average overall revenue growth of 5% (down from 12% in Tou Ying Tracker 2020). Between them, they employ almost 61,000 people (down from more than 75,000 in Tou Ying Tracker 2020). The Covid-19 pandemic had a dramatic effect here. For example, Consumer, under which travel and hospitality comes, saw a steep reduction - the Liverpool Hotel (owned by the Government of China), recorded no employee numbers in FY20, wiping 6,000 off the aggregate figure for employees in FY19. Of the eight major sectors the Tou Ying Tracker covers, only Private Healthcare (14%) and Real Estate & Construction (4%) recorded growth in staff. The others saw falls of between 12% (Consumer) and 44% (Education).

Private healthcare was the standout sector for revenue. The 36 companies here grew their revenues by 40%, reflecting the pivotal role they played during the COVID-19 crisis in the UK. Revenue fell in every other sector except financial services, and real estate and construction was the only other sector where the number of employees increased.

These companies represent only a fraction of Chinese companies doing business in the UK. In total, we identified about 30,000 companies that are part of a China-owned corporate group or are majority held by a Chinese national.

Tracker expands again

This is the fourth consecutive year of growth in the number of Chinese businesses in the Tou Ying Tracker between 2020 and 2021. Economic headwinds including the COVID-19 pandemic and unresolved Brexit arrangements clearly saw Chinese businesses take a cautious approach to expansion during the year. At the same time, many new entrants on the list of the 30 fastest-growing companies (by revenue) come from seven highly innovative sectors and show that Chinese companies in the UK are developing new revenue streams and connections rapidly.

The new entrants are from:

- Business support services (Henry Bath & Son Ltd);
- Consumer (Brunel Healthcare Manufacturing Limited, Filippo Berio UK Limited, Hisense UK Limited, MH Star UK Ltd and Trip Air Ticketing (UK) Limited);
- Financial services (BOCI Global Commodities (UK) Limited, Chaucer Syndicates Limited, Haitong International (UK) Limited and Saxo Capital Markets UK Ltd);
- Manufacturing and industrial (Billions Europe Ltd, CGN Global Uranium Limited, Farsound Aviation Limited and Meridian Steel Ltd);
- Technology, media and telecoms (TMT) (Anker Technology (UK) Ltd, Imagination Technologies Limited, Outfit7 Investments Limited, SolaX Power UK Limited and Splash Damage Limited);
- Private healthcare (Breas Medical Limited, Pharmaron UK Ltd and Mindray (UK) Limited); and
- Real estate and construction (Far East Facade (UK) Limited).

Employment boosts regional economies

Chinese companies have created or supported almost 61,000 jobs in the UK. Almost 30% of total employees (c.18,000) work in the North West. 20% are based in London, although that city accounts for 80% of aggregate revenue. The other half work in the UK's other regions, including the East of England, West Midlands, Scotland, Northern Ireland and Wales. The mid-market (£50m-£1bn) is where you find almost 70% of employees, though the sector represents only 10% of companies.

3 Part of a China-owned corporate group or majority held by a Chinese national and have filed an audited revenue figure at Companies House in at least one of the last two years

Wide spread of investment

Manufacturing and industrial companies contribute 80.3% of the revenues in the Tou Ying Tracker list. However, when you omit the small number in this sector that earned revenue of over £1 billion, this figure comes down to 36%. This shows that Chinese investors are active across a wide swathe of the UK economy. In fact, including manufacturing and industrial, the Tou Ying Tracker list is composed of companies from eight major sectors.

Deal activity still strong

Chinese companies used M&A effectively to come to the UK for the first time or to bolster existing operations in 2021. Important, non-development capital, deals during the year included Tencent's £919m takeover[4] of Sumo Group; WuXi AppTec Co., Ltd's purchase[5] of Oxford Genetics Ltd. (Oxgene) for £96.7m and Pharmaron Beijing Co., Ltd's acquisition[6] from AbbVie Inc. of Allergan Biologics Limited for an estimated £85.3m.

Tencent also participated in the investor group involved in the second-biggest transaction of the year, which saw CMR Surgical Ltd, a Cambridge-based robotic keyhole surgery machine developer raises $600 million[7] (£425 million) in a Series D funding round.

Optimism for future

The UK and China can feel confident about the prospects for trade and investment between the two nations in 2022 and beyond, not least because the long-term outlook for life with COVID-19 will become more deep-rooted and certain. Both will be focused on domestic policies, such as "common prosperity" and "dual circulation" in China, and "levelling up" in the UK, but they also intend to look outward.

We celebrate the success of all companies appearing in this year's Tou Ying Tracker and congratulate them on their outstanding contribution to the UK economy.

4 https://www.theregister.com/2021/07/20/tencent_acquires_sumo_group/
5 https://oxgene.com/news_and_views/news/1/wuxi_apptec_acquire_oxgene
6 https://www.pharmaron.com/news/pharmaron-acquires-state-of-the-art-biomanufacturing-site-in-the-united-kingdom-from-abbvie
7 https://www.globenewswire.com/news-release/2021/06/28/2253559/0/en/CMR-Surgical-raises-600-million-in-Series-D-financing.html

Showcasing the strength of Chinese investment in the UK

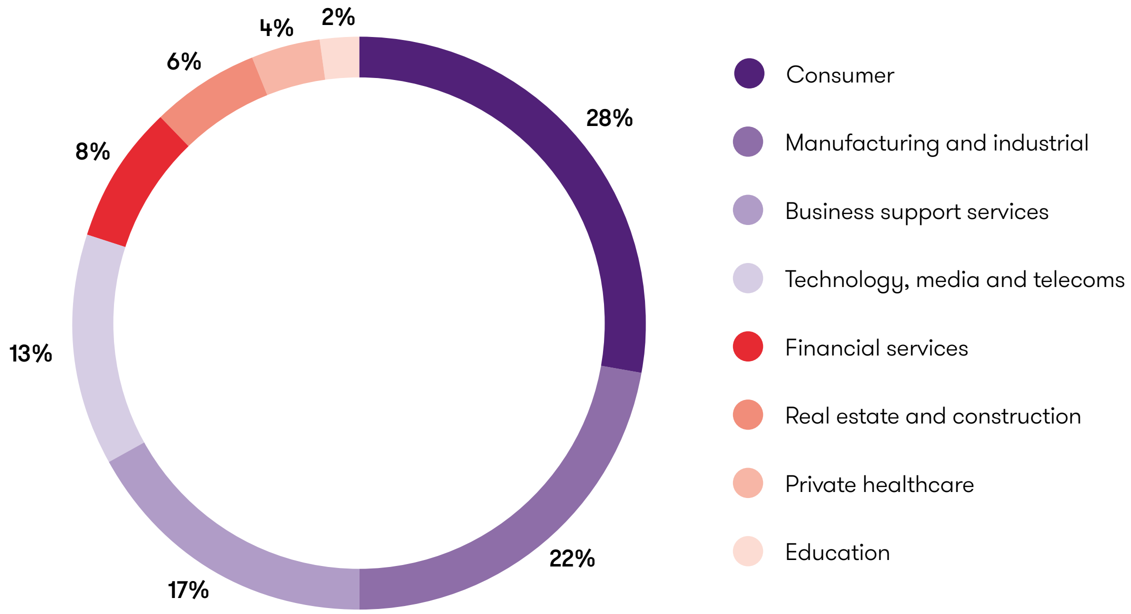
We analysed data from 845 of the largest Chinese companies in the UK to create the Tou Ying Tracker, revealing distinct patterns of employment and growth.

£63bn
Combined turnover

60,945
Employees

5%
Average revenue growth

Sector breakdown (number of companies)



The big picture China-UK relationship

Chinese and British companies overcame some obstacles during 2021 to add to the successful history of investment between the two countries.

The COVID-19 pandemic made business incredibly difficult, but trade and investment between the UK and China held its own.

The coronavirus, which has been sweeping the world since early 2020, was not the only impediment to international trade and investment in the last year. Surging energy prices, snarled-up supply chains, not only because of the pandemic, inflation and increasing nervousness about the national security implications of foreign direct investment all contributed to a lack of confidence about global economic conditions. Add in incomplete Brexit negotiations, where the UK and EU still have not agreed on final financial services or customs rules, and a murky picture presents itself for any international investor.

Distrust between the US and China, the two biggest economies in the world, did not help matters during the year either. The temperature has gone down a little, however, and at least officials and politicians from the two countries did meet a number of times during the year.

In the midst of these drags on sentiment, the wider China-UK trade statistics tell a positive story about how Chinese companies continue to contribute to the UK economy. In Q1 2021 China replaced Germany as the UK's biggest import market, with goods imported valued at £16.9bn - up 66% from the start of 2018[8] - and the latest monthly statistics, for December 2021, still had in China in first place[9]. In fact, China is the only one of the UK's top five import partners for which imports grew between Quarter 1 2018 and Quarter 1 2021. The number of Chinese investments in the UK during H1 2021 reached pre-COVID-19 levels, with a 44% increase year-on-year[10].

Trade between the UK and China still came under pressure. However, while the UK imported £56.850 bn in goods and services from China[11], an increase of about 12.6% on 2019's £50.506 bn, exports to China fell for the first time since 2015 to £25.944 bn[12], as COVID-19 forced UK businesses to close temporarily and travel bans hindered executives from meeting potential Chinese investors and suppliers.

Chinese FDI keeps UK in sight

Though Chinese foreign direct investment (FDI) into Europe fell to a 10-year low in 2020, UK retained its position as one of the top three destinations in the region[13].

While inflows of capital into the UK economy may have been lower, they are still important to maintain the value of the UK's currency and in the battle against inflation, which reached 5.1% at the end of 2021[14].

The implementation of national security and investment legislation[15] in the UK from January 4 2022 means the focus on foreign direct investment, not just from China, has gone up a notch. The law gives the UK government the power to unwind or block a foreign entity's acquisition of a UK company if it believes it will harm national security. In 17 specific areas UK companies may have to inform the government before they go ahead with a deal. However, this type of legislation is common all over the world and the UK may be one of the last Western countries to introduce its own version.

Some observers see the law as part of a protectionist trend around the world, as many countries have introduced regulations to shield vulnerable companies from predatory foreign investors. The prime minister unveiled the Office for Investment[16] to attract high-quality companies to the UK in the same week that his government introduced the draft national security bill in parliament in November 2020.

Though the National Security and Investment Act is now in force, some deals that have attracted opposition are still receiving approval. Nexperia, a Dutch subsidiary of Chinese company Wingtech, bought Newport Wafer Fab, the UK's biggest producer of silicon chips, for £63 million.

8 The impacts of EU exit and the coronavirus on UK trade in goods - Office for National Statistics (ons.gov.UK)
9 https://www.UKtradeinfo.com/trade-data/overseas/2021/UK-overseas-trade-in-goods-statistics-october-2021/#top-trading-partners
10 https://www.grantthornton.co.UK/insights/chinese-investment-in-UK-growth-continues-in-h1-2021/
11 https://www.ons.gov.UK/economy/nationalaccounts/balanceofpayments/timeseries/lgle/pb
12 https://www.ons.gov.UK/economy/nationalaccounts/balanceofpayments/timeseries/lgiz/pb
13 https://rhg.com/research/china-europe-2020/
14 https://www.theguardian.com/business/2021/dec/15/what-does-uk-soaring-inflation-rate-mean
15 https://www.gov.uk/government/collections/national-security-and-investment-act
16 https://www.gov.uk/government/news/new-office-for-investment-to-drive-foreign-investment-into-the-uk

Some politicians were surprised the government let it proceed following an investigation[17] but it is an example of its case-by-case approach to national security-related transactions involving foreign investors rather than banning them automatically.

Help for investors

In spite of difficulties, Chinese businesses in the UK are showing increasing confidence about the future. According to the 2021 Report on the Development of Chinese Businesses in the UK, published by China Chamber of Commerce in the UK (CCCUK) and based on research with its members, "85% of companies forecast stable to increased growth over the next two years, up on 79% last year"[18].

At the same time, they believe the UK government, regulators and the wider business community can help Chinese investment in the UK if they can provide:

- A cooperative UK-China relationship based on engagement;
- A more balanced UK-China business relationship that encourages UK investors to access China;
- Transparency and guidance on how the relevant investment policies, rules and regulations, such as the National Security and Investment Act, would affect Chinese investors in the UK;
- Investment incentives, such as new free-trade ports and simpler tax rules;
- Policy clarity and financial support for increased registration and regulatory burdens as a result of "short-term difficulties caused by external events such as Brexit"; and
- The resumption of direct UK-China flights to support the economic recovery from the pandemic[19].

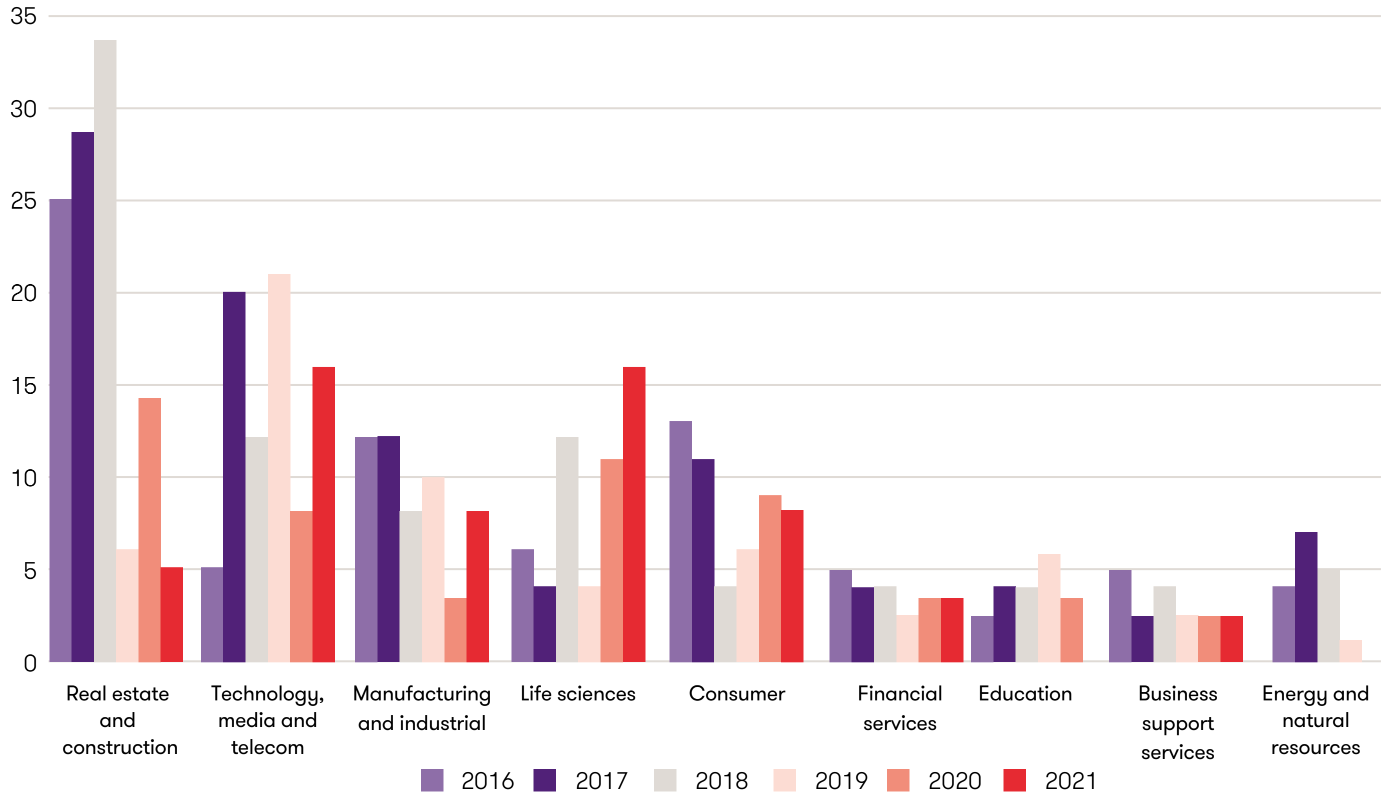
The British government has a different role in foreign direct investment, and industrial development, compared to its counterpart in China. Companies looking to set up in China can contact with professional service firms but can also ask for advice from the one-stop government service centres set up in major cities[20], often for a small fee. New investors in the UK have to rely largely on professional services firms to advise them on government policies and regulations.

Deals still being struck

COVID-19 continued to overhang dealmaking in 2021. With no resumption in direct travel between the UK and China, British businesses found it tougher to secure investment, but some still managed to do so. Every transaction worth £100m or more in 2021 was either an acquisition or development capital deal. TMT and Life Sciences recorded the highest number of deals at 29% and 26% of the total number of deals respectively. Life Sciences saw the largest investment in deal value at £1.392bn, almost 40% of total deal value in 2021. The total value of reported deals was £3.59bn.

17 https://techmonitor.ai/policy/newport-wafer-fab-take-over-nexperia-uk-china
18 https://www.chinachamber.org.uk/2021-report-on-the-development-of-chinese-enterprises-in-the-uk/, p7
19 2021 Report on the Development of Chinese Enterprises in the UK, Chinese Chamber of Commerce in the UK, p5 https://www.chinachamber.org.uk/2021-report-on-the-development-of-chinese-enterprises-in-the-uk/
20 https://umfordinchina.wordpress.com/2019/05/27/shanghai-one-stop-service-center/

Industry deal volumes 2016-2021



*no deals in the education or energy and natural resources sectors were recorded in 2021

The big deals of 2021

- Tencent bought 100% of the Sumo video games group for £919 million, privatising the listed company in the process. It was one of Tencent's biggest deals globally in 2021.
- Tencent subsidiary Image Frame Investment invested £35 million in the first phase of Ultraleap's Series D fundraising, valuing Ultraleap, which develops hand-tracking technology, at £200 million.
- Greene King, owned by Li Ka-shing's CK Asset Holdings, bought 30 pubs from Aprirose for £100 million. It now owns more than 2,700 in the UK.
- Wingtech bought Newport Wafer Fab (NWF) for £63 million.
- Hong Kong investors bought the Athene Place building, 66 Shoe Lane, London, EC4A 3BQ in the City of London for £255 million.
- Hong Kong Manhattan Group invested £190 million in 5 Fleet Place, in the City of London, which it bought from China Poly group.
- Huikai Du, private investor from Hong Kong, bought 68 King William Street in London for £130 million.
- Chuhong Sun, a private investor from Hong Kong, invested £21.7 million in One Chapel Place, 5-7 Vere Street.
- Chevalier International, a Hong Kong company, invested £21 million on One Hammersmith Broadway, in London, which is rented to the UK's Department for Work and Pensions.

Commitment to cooperation

Government leaders commented on the many and varied business links between China and the UK in 2021. Chinese Premier Li Keqiang "underscored the significance of a stable relationship between the two countries " in a virtual dialogue with heads of over 30 multinationals and institutions from the UK in July, adding that he hoped the two countries could cooperate further in areas such as green energy and green technology[21].

In the same vein, Prime Minister Boris Johnson also looked to a bright future for relations between the two countries in the UK government's policy paper Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy, which also came out in July: "We will continue to pursue a positive trade and investment relationship with China, while ensuring our national security and values are protected. We will also cooperate with China in tackling transnational challenges such as climate change…China is an increasingly important partner in tackling global challenges like pandemic preparedness, biodiversity and climate change[22]," he wrote. And in a meeting with Chinese business leaders to mark the Chinese New Year, the prime minister declared he was "fervently Sinophile"[23], adding that he wanted to revive the Economic and Financial Dialogue, last held in-person in June 2019[24], and the China-UK Joint Trade and Economic Commission[25]. In recent months, both countries have spoken more concretely about restarting these meetings. Chinese Vice Premier Hu Chunhua took part in a meeting by phone with UK Chancellor of the Exchequer Rishi Sunak in December 2021 where both agreed that the 11th Economic and Financial Dialogue would take place in 2022[26].

The UK government's Global Britain strategy will offer opportunities for further and better cooperation with countries beyond Europe – the UK set out its case for joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership[27] in June 2021[28]. The Regional Comprehensive Economic Partnership (RCEP)[29], which China is a part of, is the other important trading bloc in the region and their overlapping memberships opens up new markets and relationships for the UK, not least with the 400 million people in China's middle class, who want the high-quality products that a country like the UK produces, such as fish – some UK producers are finding it easier to export to Asia rather than the EU[30] cosmetics, baby milk powder and luxury brands.

The RCEP has been in effect[31] in most of its 15 member countries – the 10 members of the Association of Southeast Asian Nations, Australia, China, Japan, Korea and New Zealand – since the beginning of 2022. It will gradually reduce duty to 0% on a range of goods in the next 10 to 35 years. British exporters have the opportunity to build a China-centred strategy for this free trade zone, just as the UK was formerly the focus for Chinese companies' EU strategy.

21 https://global.chinadaily.com.cn/a/202107/07/WS60e4e19ca310efa1bd6601e9.html
22 https://www.gov.UK/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy
23 https://www.theguardian.com/politics/2021/feb/21/boris-johnsons-warm-words-on-china-likely-to-infuriate-backbenchers
24 https://www.gov.uk/government/publications/uk-china-10th-economic-and-financial-dialogue-policy-outcomes
25 http://www.chinawatch.cn/a/201903/25/WS5c988c55a3105432b438a376.html
26 http://english.www.gov.cn/statecouncil/huchunhua/202112/08/content_WS61afe3e7c6d09c94e48a1e9b.html
27 https://www.dfat.gov.au/trade/agreements/in-force/cptpp/outcomes-documents
28 https://www.gov.uk/government/publications/uk-approach-to-joining-the-comprehensive-and-progressive-agreement-for-trans-pacific-partnership-cptpp
29 https://rcepsec.org/
30 https://www.bbc.co.uk/news/av/uk-57696461
31 https://rcepsec.org/2022/01/14/rcep-agreement-enters-into-force/

Key developments in 2021

The distribution of COVID-19 vaccines in the UK kicked off in December 2020[32], giving hope that the impact of the pandemic, which had dominated that year, would diminish in the succeeding 12 months. However, sadly, this was not the case. Vaccines and other mitigation measures undoubtedly reduced the death toll and hospitalisation, but the emergence of variants such as Delta and Omicron ensured that complacency was not an option.

Tackling the challenge of the virus presented opportunities for joint cooperation and acts of goodwill between the UK and China in 2020 and this continued in 2021. China's zero-COVID-19 policy of responding quickly to any hint of an outbreak has involved locking down cities like Wuhan and more recently Xi'an and Yuzhou. This has made sure that most cities have been able to maintain normal production to satisfy domestic demand from the country's 1.4 billion population and to support global procurement from China.

China continued to support the UK economy and UK people with regular supplies of PPE and testing kits for the National Health Service and every family in the country. Orient Gene, made by Zhejiang Orient Gene Biotech, and FlowFlex, made by Acon Biotech, are the main testing kits in use in the UK, particularly because British-made testing kits failed to comply with safety rules[33]. In fact, Chinese inward investment is playing a vital role in the UK's recovery from the crisis and is crucial to job creation.

Other examples of Chinese-owned companies that have been to the fore during the pandemic are Mindray (UK) Limited, whose SV300 ventilators and patient monitoring equipment for operating theatres and intensive care units in hospitals almost certainly saved many people's lives; and Breas Medical Limited, which also produces ventilators that are particularly useful in helping patients sent home from hospital. It was selected by the UK government to provide 2,000 during the pandemic. Both Mindray and Breas Medical are near the top of the Tou Ying Tracker of 30 fastest-growing companies. Other members of the list, Haier Appliances and Hisense, produce home appliances, such as fridges and televisions, which also proved their worth when lockdowns were in force during the pandemic. The popularity of online commerce during the pandemic offer Alipay (UK) Limited's e-wallet technology a good environment in which to grow strongly, while MH Star saw its revenues grow due to increased demand for its household products.

Relationships are flourishing in other sectors, too. Green finance and technology, as the world homes in on net zero carbon emissions, are industries of the future, if not the present. Towards the end of 2021, two Chinese companies in these sectors announced UK collaborations: Envision AESC, part of China's Envision Group, and its partner Nissan said they would spend about £1b on a new facility in Sunderland in the northeast of England to produce electric vehicles, renewable energy and batteries[34] and in December, Ming Yang Smart Energy signed a memorandum of understanding[35] with the Department of International Trade to invest in the UK's offshore wind industry, which will see the company investing in a blade manufacturing factory, a service centre and a turbine assembly factory.

Green finance - debt and equity - has grown strongly in London in recent years, with lots of green bond issuance to support business towards net zero and is another good example of the links between Chinese financial institutions and the UK economy. In October 2021 the Industrial and Commercial Bank of China listed the largest-ever corporate bond on the London Stock Exchange Group's Sustainable Bond Market - a $3.23bn-equivalent multi-currency carbon neutrality-themed green bond. This followed Shanghai Pudong Development Bank London Branch's 2019 launch of the first low carbon city green bond to be issued by a Chinese financial services institution outside China. The UK has committed to net zero by 2050, while China, the world's biggest emitter of carbon in the recent years, has a goal of 10 years later.

The 2021 Report on the Development of Chinese Enterprises in the UK said: "The development of green financial products incorporating climate considerations, such as green bonds, was highlighted by financial institutions as a key focus area. These have played an important role in facilitating the green transition of market players in the wider economy[36]."

In fact, the UK and China are both prominent in the efforts to combat environmental degradation globally. The UK hosted the 26th United Nations Climate Change Conference (COP26) in Glasgow in November, and May 2022 sees China staging the 15th UN Convention on Biological Diversity (COP15) second session in Kunming. China's programme to get to a net-zero-carbon economy by 2060 will mean an investment of around RMB100 tn and should present opportunities for British companies to help it do this.

32 https://ukhsa.blog.gov.uk/2021/12/08/14634/
33 https://www.mirror.co.uk/news/uk-news/british-made-lateral-flow-tests-25839819
34 https://UK.motor1.com/news/517662/nissan-UK-ev-hub-gigafactory/
35 http://www.myse.com.cn/en/jtxw/info.aspx?itemid=836
36 2021 Report on the Development of Chinese Enterprises in the UK, Chinese Chamber of Commerce in the UK, p6
https://www.chinachamber.org.uk/2021-report-on-the-development-of-chinese-enterprisesin-the-uk/

Carbon neutrality by 2050 is one of three areas that Boris Johnson's UK government is focused on part of its post-COVID-19 recovery strategy. Infrastructure and digitalisation, which has shown itself in the shift to e-commerce during COVID-19, are the others. Reliable supply chains from China, and Chinese technology and machinery are playing a key role in making substantive progress in all of them. Chinese capital has acquired British companies in those and related sectors, too and is supporting the government's strategies.

The speed and cost-effectiveness of Chinese companies is already featuring in bids for engineering, procurement, and construction (EPC) contracts in the UK. The company responsible for building HS2, the railway line between, London, Birmingham and the North of England, has shortlisted[37] the China Railway Electrification Engineering Group Co, a subsidiary of China's state-owned railway, for the £300m job to install the overhead catenary, or wiring, system on the line.

The Chinese government's "double reduction" education policy[38], which it announced in August 2021, could also have a positive effect on UK-Chinese education links. Double reduction refers to cutting the time required for school homework and the burden of off-campus or after-school training programmes and targets cutting neijuan, or the intense competition between individuals in the Chinese education and labour markets. Double reduction has put a dampener on the market for Chinese investors to buy UK private schools and nurseries[39] and bring them to China. This sort of investment was popular because a good school or university, especially British-branded private schools, had the potential to boost property prices in the region of China where they were located. But now that the education and real estate sectors have come in for increased regulation, this appetite has diminished[40].

At the same time, more and more young Chinese parents are sending their children to schools and colleges overseas, with the UK being one of the most popular destinations. As well as that, US limits on the number of visas for Chinese students, particularly since the 2017 trade war between the two, has also led to more of them pursuing their third-level studies in the UK[41] - they now outnumber EU students[42]. Despite the pandemic, they are still coming in large numbers, creating an interesting dynamic for UK university towns and cities.

37 https://www.constructionenquirer.com/2021/10/07/hs2-shortlists-chinese-rail-giant-for-300m-catenary-works/
38 https://news.cgtn.com/news/2021-08-22/VHJhbnNjcmlwdDU3ODM1/index.html
39 https://www.ft.com/content/96a49f28-a26a-11e9-974c-ad1c6ab5efd1
40 https://qz.com/1786767/how-british-private-schools-are-dealing-with-chinas-crackdown/
41 https://www.globaltimes.cn/page/202105/1224057.shtml
42 https://www.bloomberg.com/news/articles/2021-08-03/china-ousts-eu-as-brexit-sparks-fee-changes-at-u-k-universities

China's responsibilities at home and abroad

China is climbing the value chain from being the world's factory to achieving world-class status for product, brand and technology quality. Innovations such as digital factories, the in-depth extraction of equipment and user value, the industrial internet of things and AI are already in use widely throughout the country. Through policies such as Made in China 2025 (MIC 2025), the country has set its sights on being a world leader in a range of areas from AI to robotics. It no longer wants to be known only as a facilitator of foreign manufacturers and innovators to develop their products in China for export, or as an importer of foreign technology. It wants its own companies to do this and compete domestically and globally[43]. China sees MIC 2025 as a chance to integrate fully into the global manufacturing chain and cooperate more effectively with industrialised economies. The State Council unveiled its plans for the country's digital economy on January 12 2022[44].

To assist in the government's goal of creating an economy that develops its own independent, world-beating technology, other initiatives under way include the People's Bank of China's digital currency[45], which would mean avoiding having to use the global SWIFT system for financial payments and encouraging the research and development of metaverse technologies for use in fields such as public services, business, entertainment and electronic gaming, and manufacturing[46].

Chinese investors are putting this way of thinking into practice in their UK investments. Over the past year, Chinese financial or trade buyers have led investments in high-tech UK companies, particularly blockchain and fintech innovators, including Khyber Exchange[47], a money transfer company, Wrisk[48], an insuretech leader, and Interlay[49], a blockchain startup. Healthcare has also seen some intense interest from Chinese private equity investors and venture capitalists.

For example:

- GT Healthcare Capital Partners LP was an investor in the $100m Series C financing[50] for Exscientia, a clinical stage pharmatech company that pioneers the use of artificial intelligence (AI) to design new drugs;
- XtalPi INC. took part in the $46m Series B financing[51] for Phoremost Ltd, a UK drug discovery and development company; and
- Zhejiang Puhua Tianqin Equity invested[52] in a $245m Series D funding round for Quanta Dialysis Technologies Ltd, said to be the largest private funding round for a dialysis device company in history.

With the UK now home to 115 unicorns[53] – private companies worth more than $1b – 29 of which were created in 2021, this level of interest is bound to continue, if not increase.

New ventures such as the Beijing Stock Exchange are also helping Chinese companies join this effort and think ambitiously. The exchange, which opened for trading on November 15 2021, was set up to give highly innovative small and medium-sized companies direct access to finance. So far, it has succeeded and has attracted the attention of foreign investors[54]. For any British clients thinking of moving their factories to China, the Beijing Stock Exchange could offer the opportunity to launch an IPO.

The new Personal Information Protection Law (PIPL)[55], which entered into force on November 1 2021, marks another momentous step in China's advancement. It follows, at least in part, the principles of the EU's General Data Protection Regulation and along with the Cybersecurity Law and Data Protection Law is China's first and most comprehensive attempt to address the complexity in this area.

43 https://www.chinadaily.com.cn/business/2017-10/12/content_33163772.htm
44 http://www.chinadaily.com.cn/a/202201/14/WS61e0aa46a310cdd39bc80e93_6.html
45 https://www.chinadaily.com.cn/a/202112/28/WS61ca6df1a310cdd39bc7dd5a.html
46 https://www.cnbc.com/2021/12/31/shanghai-releases-five-year-plans-for-metaverse-development.html
47 https://www.prnewswire.com/news-releases/future-fintech-signs-term-sheet-to-purchase-a-money-payment-service-company-301273714.html
48 https://www.wrisk.co/blog/wrisk-raises-4-6m-in-series-a-funding-to-transform-the-b2b2c-insurance-market
49 https://www.accesswire.com/655334/Interlay-Expanding-Bring-Trustless-InterBTC-to-All-Blockchains-3mm-Seed-Round-Led-by-IOSG-Ventures
50 https://investors.exscientia.ai/press-releases/press-release-details/2021/Exscientia-completes-100-million-Series-C-financing-round-with-BlackRock-funds/default.
51 https://www.prnewswire.com/news-releases/xtalpi-invests-in-novel-target-discovery-biotech-phoremost-in-oversubscribed-series-b-financing-301254000.html
52 https://www.quantadt.com/news/news/quanta-raises-245-million-to-accelerate-commercialization-of-its-sc-portable-hemodialysis-system/
53 https://www.gov.uk/government/news/uk-tech-sector-achieves-best-year-ever-as-success-feeds-cities-outside-london
54 Global investors take a shine to BSE - Chinadaily.com.cn
55 https://www.dataguidance.com/notes/china-data-protection-overview

At the same time as assuming a more influential role in the world, China is grappling with implementing its "dual circulation" and "common prosperity"[56] policies at home. "Dual circulation" refers to relying on domestic production, distribution and consumption, rather than overseas markets and technology[57], for the country's long-term development. Common prosperity has its goals the more equal development[58] of the country's different regions through a focus on areas such as more affordable public services, income distribution and technological innovation.

Practically, the goal of developing an economy that benefits as many citizens as possible, in particular to reduce their financial burden, means necessary steps such as the three red lines policy[59] to reduce debt in the overheated property development sector, where Evergrande has been the biggest company affected[60]; creating an affordable residential property market for the country's workforce; the "double reduction" education policy to cut the amount of time spent on homework and extra-curricular learning; and steering the high-tech sector away from what has been described as application technologies to one based on deep technology, such as AI, robotics and computer-chip independence. The government hopes that technological developments in the areas such as payment systems and digital currency will provide it with an alternative to the current global financial infrastructure.

The main reason why affordable residential property is needed for its young workers is because its population is ageing much faster than in the past. By the middle of the century, the number of people aged 60 and above is forecast to increase to nearly 500 million, with those aged 65 and above numbering up to 370 million, respectively, roughly 38% and 30% of the total population. However, as long as housing pressure persists in the big cities, young families will be reluctant to have children, though the government is now promoting a three-child policy[61].

However, as long as housing pressure persists in the big cities, young families are reluctant to have children, though the government is now promoting a three-child policy[62]. However, neijuan puts a big burden on many young Chinese families[63].

Keeping focused

As befits the second-biggest economy in the world, China role in developing strategies to live alongside COVID-19 and in global affairs will be substantial in the next 12 months and the years after. It will be historic, too - in February of this year, Beijing became the first city to host the Summer and Winter Olympic Games.

Forecasters believe that while China will continue to lead global economic growth in the coming year, it will not grow as strongly as in previous years[64]. The "common prosperity" and "dual circulation"policies are set to bring a more domestic focus to the Chinese government in 2022 and the years ahead, though it will not be to the exclusion of international engagement. Chinese businesses will continue to look for opportunities to invest abroad and forge new relationships with inbound investors.

The UK will remain key as somewhere Chinese companies will want to invest, whether as first-timers or with well-established operations in the country. Given its status outside the EU, the style of Chinese investment into the UK may change, in that companies will make sure they retain a foothold in the EU, but the UK will form an important part of their European strategy.

56 http://www.chinadaily.com.cn/a/202110/21/WS6170b4dba310cdd39bc70383.html
57 https://www.weforum.org/agenda/2020/09/chinas-dual-circulation-economic-strategy/
58 https://merics.org/en/podcast/common-prosperity-means-closer-alignment-ccp-goals-private-companies-isabella-weber-and
59 https://www.ubs.com/global/en/assetmanagement/insights/thematic-viewpoints/apac-and-emerging/articles/china-three-red-lines.html
60 https://www.theguardian.com/business/2021/oct/29/evergrande-averts-default-with-interest-payment-reports
61 https://news.cgtn.com/news/2021-05-14/China-s-aging-population-Trends-and-policy-response-10fOOVvGufC/index.html
62 https://www.bbc.co.uk/news/world-asia-china-58277473
63 https://dasreispapier.at/2021/the-pressure-of-neijuan-in-contemporary-china/
64 https://www.reuters.com/article/china-economy-poll-idUSKBN2H30PX

Tou Ying Tracker 2021

The fastest-growing Chinese companies in the UK

Chinese-owned businesses continue to make impressive strides in a number of important sectors of the UK economy

The number of private healthcare companies showed the biggest percentage growth of any sector in this year's Tou Ying tracker. Thirty six are included, a 29% jump on the previous year.

Companies such as:

- Mindray (UK) Limited, which offers a wide range of products including ultrasound imaging, patient monitoring, ECG & defibrillation, and anaesthesia, for which demand was high in the UK in 2020;
- Breas Medical Limited, which makes hospital and homecare ventilation and sleep therapy products for adult and paediatric patients;
- Pharmaron UK Limited, which delivers drug R&D services; and
- Bio Products Laboratory Holdings Limited, which collects, purchases and sells plasma-derived products

This result reflects the impact Chinese medical technology has had on helping the UK manage the clinical effects of the COVID-19 pandemic.

China's view of the UK as a centre of innovation and high-quality R&D is having an impact on the make-up of the Tou Ying Tracker, though Manufacturing and industrial (M&I) businesses still contribute 80% of its revenues. However, if you take out the seven M&I businesses that each had revenues of more than £1bn, the sector's share of total revenues falls to 36% and Technology, Media & Telecoms (TMT) rises to 20.8%.

The TMT sector's highest-ranked representative is SolaX Power UK Ltd, which develops solar inverter technology for the renewable energy market and whose growth is due to securing several distributors in the period to December 2020; then comes Haier Appliances UK Co Ltd, a pioneer of technology for the Internet of Things, Alibaba.com. These companies combine two ideas: the UK's drive towards a net zero carbon economy by 2050 and the vital importance of technology during the coronavirus in the fields of home entertainment and e-commerce.

Imagination Technologies Ltd is another good example of Chinese TMT companies growing strongly in the UK.

Chinese e-commerce players are expanding overseas and have grown fast as a result. When starting out on this path they exported from China but many now have operations in the UK and act as importers, distributors and retailers by offering UK consumers a cross-border e-commerce platform. In so doing, they no longer heavily rely on Amazon for the last mile of distribution but have their own warehouses in the UK and their own online retailing teams.

Revenues by sector

Among the companies in this group average revenue growth was 1%. This compares with 13% for the companies that met these criteria in 2020.

Seven large companies in the M&I sector with revenue in excess of £1bn are driving total aggregate revenues, with the sector accounting for 80% of the total. There is a more even spread when these seven are excluded - M&I as a percentage of the whole drops to 36% and TMT rises to 20.8%.

Almost 90% of companies have revenues of <=£50m, with 30% of those being in the consumer sector, followed by business support services (BSS) (19%), M&I (17%) and TMT (13%).

35% of mid-market companies (£50m-£1bn) come from the M&I sector.

The companies with the fastest-growing revenue in the M&I sector are:

- Meridian Steel (181.1% growth), one of the UK's largest steel stockholders and processors and a subsidiary of the world's fourth biggest steel and iron conglomerate and based in Hebei Province. A strong demand for steel from August 2020 helped its growth;
- Billions Europe Ltd (95.1%), which manufactures titanium dioxide pigments for all major applications using sulphate and chloride processes including coatings, plastic, ink, and paper, and was set up in November 2014; and
- Fine Organics Limited (27.6%), which operates in the agrochemical market, making fine chemicals for wholesale distribution. Its growth is down to the launch of a significant new product.

Revenues by location

Companies registered in London and the South East England contribute almost 90% of all revenues. All companies filing >£1bn turnover are registered in these areas, with six based in London.

Adjusting to exclude companies with revenues >£1bn, London and the South East account for 42% and 15% respectively followed by the North West (12%), West Midlands (8%) and East of England (12%).

Companies with head offices in London that feature in the list of fastest-growing Chinese companies in the UK by revenue include:

- Alipay (UK) Limited, well known for its third-party payment platform - COVID-19 has been very positive for online business, spurring the growth of e-money wallets;
- BOCI Global Commodities (UK) Limited, a Clearing Member of the London Metal Exchange and ICE (Intercontinental Exchange) Europe, offers products and services to financial institutions and natural resources corporations for their commodity derivatives trading needs;
- Saxo Capital Markets UK, which provides online trading and investment services; and
- Far East Facade (UK) Limited, a construction company that designs and installs facades.

Employees by sector

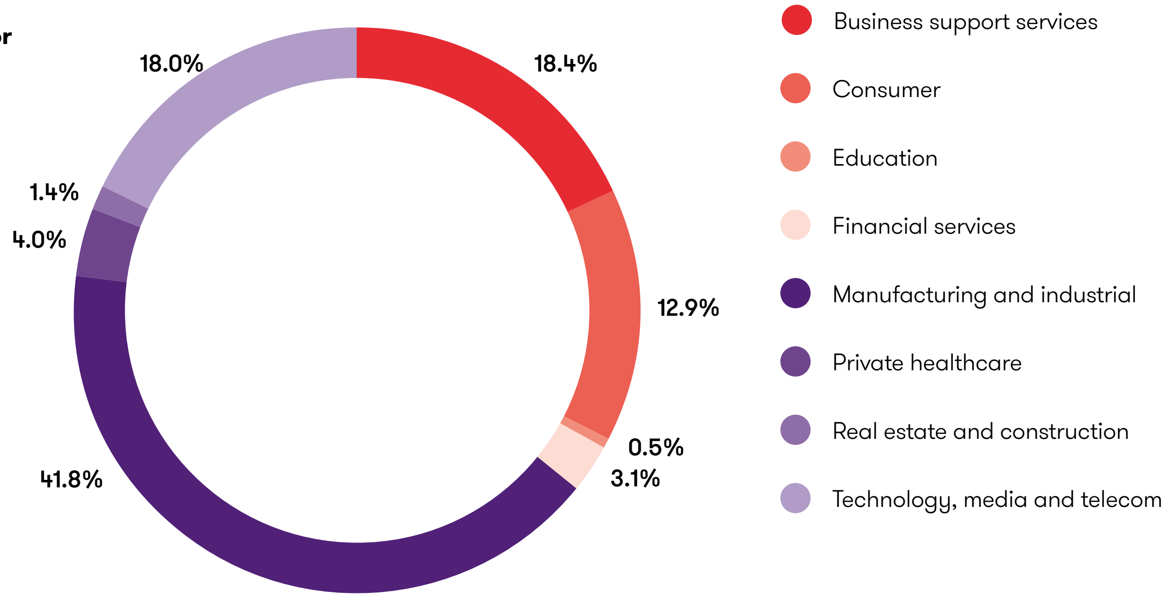
Manufacturing and industrial (41.8%), business support services (18.4%), technology, media and telecommunications (18%) and consumer (12.9%) are the biggest employers.

Almost 70% of employees work in the mid-market (£50m-£1bn) even though this represents only 10% of companies.

27% of employees work in companies with revenues <=£50m while 5% of employees work in companies with revenues >=£1bn.

More than 11,000 people work in the 141 companies from the BSS sector in this year's Tou Ying Tracker. Those companies include Henry Bath & Son, which deals with the storage and shipping of exchange-traded metals and soft commodities, and whose revenue grew by 57.8%; Haitong International (UK) Limited, which deals in equities in the City of London.

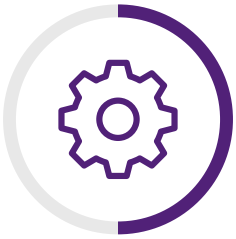
Employees by sector



Employees by location

50%

About half the number of total employees work in the North West or London



50%

of North West employees work in BSS with another third working in M&I

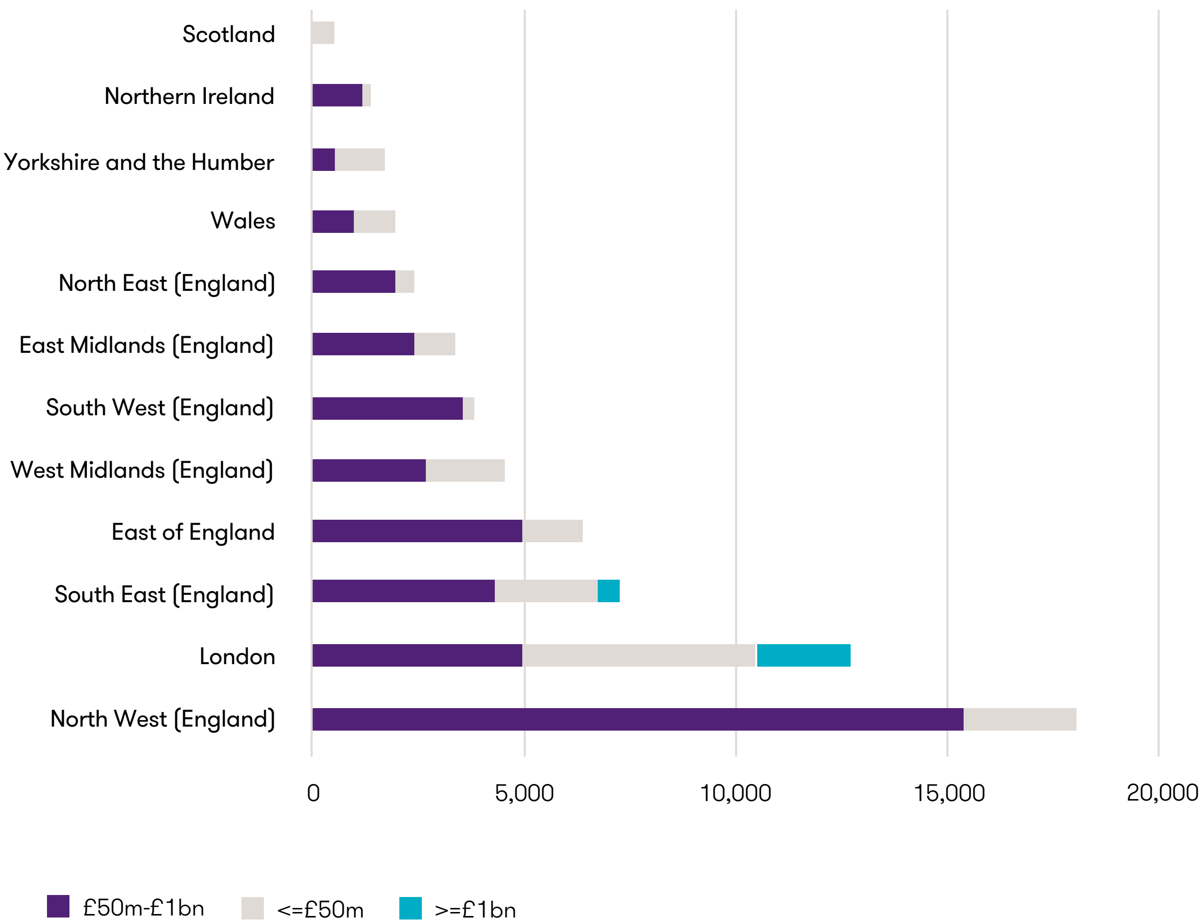
30%

of total employees (almost 18,000 workers), work in the North West with the bulk of those companies in the mid-market (£50m-£1bn)

A fifth of total employees work in London, although companies in London account for

80%

of aggregate revenue



Revenue growth by sector

Overall average revenue growth for companies meeting the criteria[65] in 2021 is 1%, down on the 13% rate recorded in 2020. If we include the two companies – one from real estate, the other from TMT – that have grown their revenue by more than 200%, then overall average revenue growth reaches 5%.

The private healthcare sector - four are on the list of the 30 fastest-growing companies by revenue – recorded the highest growth of any sector at 30%.

The consumer sector came in second for growth and was particularly strong in the mid-market (£50m-£1bn) at an average growth rate of more than 42%. Seven companies from the sector are on the list of the 30 fastest-growing companies. In addition to Alipay (UK) Limited, Hisense UK Ltd, which makes home appliances such as TVs, dishwashers and ovens, Haier Appliances UK Co. Ltd, the others are:

- MH Star UK Ltd, a private online retail company that specialises in home and garden products, where demand was strong in the UK in 2020.
- Trip Air Ticketing (UK) Limited, a travel agency that sells plane tickets and acts as an international call centre. Turnover has increased due to the continued growth in its call centre service.
- Filippo Berio UK Limited, which supplies a wide range of products such as chilled and fruit salads, pickled fruits and vegetables, vegetable sauces and seasonings, and salad dressings for wholesalers and food service customers.
- Brunel Healthcare Manufacturing, which develops, manufactures, and markets dietary supplements and related products that tackle ailments such as colds and flu, indigestion/heartburn/gastro-intestinal, allergy/hayfever, urinary, diagnostics, and hair loss. It was formerly known as Perrigo UK Limited.

M&I experienced the lowest growth rate of any sector at -7.6% due to the absence of Nexteer UK Holding Ltd in this year's cohort.

Revenue growth by location

Of the regions with at least 10 companies in the sample size those registered in the East of England recorded the strongest annual growth followed by West Midlands, Yorkshire and The Humber and the North West

London recorded a decline of 1.5%, a stark contrast to 2020 when it had a growth rate of 17%.

Meridian Steel and Anker Technology (UK) Ltd are two West Midlands-based companies in the list of 30 fastest-growing Chinese-owned businesses in the UK. Anker is a wholesale distributor and retailer of charging technologies, including hubs, docks and cables, to online retailers such as Amazon and supermarkets.

Employee growth by sector

Overall employee growth for the companies meeting the criteria in 2021 was -0.3% (2020: 2.6%).

When looking at sectors with more than 10 employees, TMT performs the best with an employee growth rate of just over 4%. Seven companies from this sector made the list of the 30 fastest-growing Chinese-owned businesses in the UK. As well as SolaX Power UK Limited, Anker Technology (UK) Ltd and Imagination Technologies Limited, the other companies from the sector are:

- Outfit7 Investments Limited, a holding company that provides a range of services to its operating companies and other units including business support services, management consulting, open-end investment management investments, and other financial services;
- Huawei Technologies Research & Development (UK) Limited, which develops wireless network technology for the use of the television white-space spectrum; and
- Splash Damage Limited, a Tencent subsidiary, that provides computer programming services.

Employee growth by location

Of the regions with at least 10 companies in the sample size, those registered in the West Midlands recorded the strongest annual employee growth followed by London, the South East, East of England and North West. Scotland came out on top for employee growth when all companies were considered. Its two Chinese-owned companies on the list registered employee growth of 8.3%.

65 Consecutive years of >=£5m revenues; consecutive years of 12-month accounts; and the same consolidated/unconsolidated accounting practice for both years

Tou Ying Tracker 2021 top fastest-growing Chinese businesses in the UK

Company	Industry group	Region
Alipay (UK) Limited	Financial services	London
Anker Technology (UK) Ltd	Technology, media and telecom	West Midlands
Billions Europe Ltd	Manufacturing and industrial	North East
Bio Products Laboratory Holdings Limited	Private healthcare	East of England
BOCI Global Commodities (UK) Limited	Financial services	London
Breas Medical Limited	Private healthcare	West Midlands
Brunel Healthcare Manufacturing Limited	Consumer	East Midlands
BYD (U.K.) Co., Ltd.	Manufacturing and industrial	South East
CGN Global Uranium Limited	Manufacturing and industrial	East of England
Chaucer Syndicates Limited	Financial services	London
Far East Facade (UK) Limited	Real estate and construction	London
Farsound Aviation Limited	Manufacturing and industrial	London
Filippo Berio UK Limited	Consumer	London
Fine Organics Limited	Manufacturing and industrial	North East
Haier Appliances UK Co., Ltd	Consumer	North West
Haitong International (UK) Limited	Financial services	London
Henry Bath & Son Limited	Business support services	North West
Hisense UK Limited	Consumer	Yorkshire and The Humber
Huawei Technologies Research & Development (UK) Limited	Technology, media and telecom	East of England
Imagination Technologies Limited	Technology, media and telecom	East of England
Meridian Steel Limited	Manufacturing and industrial	West Midlands
MH Star UK Ltd	Consumer	London
Mindray (UK) Limited	Private healthcare	East of England
Nutriad Ltd	Manufacturing and industrial	North West
Outfit7 Investments Limited	Technology, media and telecom	London
Pharmaron UK Limited	Private healthcare	Wales
Saxo Capital Markets UK Ltd	Financial services	London
Solax Power UK Limited	Technology, media and telecom	West Midlands
Splash Damage Limited	Technology, media and telecom	London
Trip Air Ticketing (UK) Limited	Consumer	London

How to do business in the UK

Doing business in the UK is very different to doing business in China. Here are a few key recommendations that can help smooth the way for new investors.

Doing business in the UK

Be prepared for a different business culture

In the UK, business communication is direct and rapid, meetings are measured by the hour and business decisions are taken in days rather than weeks. At the same time, the know-your-customer process can take more than two weeks before any contract can be signed. Planning in advance is a must to consider the peak times for UK holidays, which are different to those in China.

Use professional services firms for compliance/ regulation advice

Professional firms are the best source of advice on complying with regulations. Do it early - it may save you the expense of paying fines and the reputational damage because of non-compliance later. More and more professionals prefer an agile working style, choosing to work with various clients rather than one employer. It is difficult to hire short-term professionals and lay them off serval months later. You may either buy advice from professional firms or the time commitment of secondees from these firms.

Pay more attention to investment planning

Our experience is that some investors don't carry out enough strategic planning before investing overseas. In addition to identifying the right acquisition targets, businesses should have a plan for how they are going to integrate new UK investments with their existing businesses in their home country, including how to retain key talent post-acquisition. A lack of familiarity with the deal-making process means investors sometimes get caught out by currency shifts or lose out on deals because they haven't made the necessary arrangements for getting money out of their home country soon enough. Again, advance planning pays dividends.

Consult professional opinion before entering into M&A deals

In particular, the UK's National Security and Investment Bill, which came into force on January 4 2022, could have a critical impact on any transaction you may be contemplating so it is worth having the right advice. Most of the good investment opportunities will appoint sell-side financial advisors, who normally conduct an auction process to screen the right investors. Experienced investors often hire buy-side financial advisors to sort deals off-market (one-to-one discussions) to avoid having to compete in an auction process. Sell-side tenders are often good investment opportunities but need quick decisions with deposits within four to six weeks, a challenging timetable for Chinese investors.

When offered investment opportunities free of charge without the requirement to tender, investors should be extra cautious about who will be going to make money out of the arrangement. In the UK, introducers, deal makers or financial advisors very rarely expect to make money from both the seller and the buyer because it is against the ethical standards required by UK regulations.

Limit the number of professional advisers you approach

Asking three or four different providers to tender for a project is good, but more than this can result in a poor reputation in the market. Gradually, fewer and fewer service providers will pay attention to requests for proposals. An investor's bad reputation can spread quickly in the market even when the media do not mention it. It is easy to obtain information about credit history and late filings in the UK. Once a credit score is below the red line, obtaining favourable credit terms from business partners or loan providers becomes difficult.

Improve engagement with professional advisers

The strength of its professional services sector is one of the attractions of investing in the UK. Business, legal and financial expertise can make an important contribution to helping investors maximise returns from their investments.

Yet, because they are unfamiliar with engaging advisers in the UK, Chinese investors often miss out on the full value of advisers' input.

In defining the services they expect to receive ('scope of services'), Chinese investors sometimes draw the scope too tight. Skimping on aspects of due diligence, for example, may look like an attractive, cost-saving measure at the outset. However, paring back due diligence means investors risk failing to uncover or mitigate potential problems, which can prove to be expensive in the long run.

Good deals mostly originate from buy-side engagement. So, to avoid losing out on deals by having to compete at auction, consider paying a broker to source deals more proactively.

Be patient about staff retention and with bringing technology or UK personnel to China

After an investment, take time to build trust and help the UK business achieve success before acting on ambitions to scale up in China. Many executives find it difficult to relocate themselves and their families to China, where it will be challenging to integrate, no matter how much they love Chinese culture. Local hires in the UK expect clear career planning after Chinese capital acquires their employer and differences in business culture often are the major obstacles to attracting and retaining these people.

Allow plenty of time to switch auditor

Compared with China, UK is a small country and has a limited number of skilled auditors, who are always in high demand in the peak audit seasons. Experienced auditors can lessen the time required for auditing, but they need to be booked in advance. New auditors are typically appointed four to six months ahead of year close, even for smaller, less complex companies.

Make a positive social impact by being a good corporate citizen

Chinese investment in the UK supports local economies and employment. Operate in a way that reflects these responsibilities. ESG is a framework that considers environmental, social and governance factors alongside financial ones when making investment decisions. The Financial Conduct Authority's new rules on climate-related disclosures will be in place soon but it is not just about environmental protection or charitable donations. Caring for staff and the role of independent directors are also important, which Chinese investors are not familiar with. Many UK companies undertake significant CSR (corporate social responsibility) activities to build their reputations with local communities and their brand image with consumers. To win acceptance and compete sustainably, Chinese businesses are likely to need to do the same.

Be sensitive to work/life balance

In the UK, employees have increasing expectations and a range of rights to help them balance their work and personal lives. Especially during the pandemic, many professionals have faced challenges such as privacy and space limitations in working from home which have contributed to a higher resignation rate[66].

According to UK labour law, it costs an employee almost nothing to become a whistleblower and employers could end up with large legal bills even if they win the case. Employers should provide a detailed staff handbook and conduct induction carefully for their employees.

Chinese investors should also be particularly sensitive to the efforts required to ensure UK workers who do not speak Chinese feel confident about their future with Chinese-owned companies. In the UK, employees of Chinese companies typically fall into three groups: Chinese citizens working in the UK; bilingual UK citizens; and UK and/or European citizens without Chinese language skills.

Businesses need to create and make visible clear career plans for these three groups, who might otherwise feel sidelined and without prospects.

Invest in good media relations

The UK press will often approach businesses for comment on their activities. Good public relations will help ensure businesses get a fair hearing. Engaging a PR agency to build a positive PR strategy for the firms, particularly with local media is important. It could cost more to fight negative PR. Especially when major transactions are under way, journalists will need to access information from somewhere.

Take reporting requirements and tax compliance, both corporate and personal, seriously

Avoid bringing attention on yourself by being scrupulous about compliance management and deadlines. Exchange of information, for example as part of the Common Reporting Standard (CSR)[67], is a tool widely used by tax and regulatory authorities all over the world. If they think another jurisdiction has relevant information about any company they oversee or regulate, they can use exchange of information powers to obtain it.

Expatriates often encounter complicated personal tax issues. Seeking professional advice before taking on any activity is essential. Once things happened, tax advisors can only explain it more clearly to the tax authorities but will not be able to cover any misbehaviour. In the UK failing to submit financial accounts or file tax returns before the deadline has serious consequences. Companies risk being closed down or having to pay substantial fines. In addition, domestic suppliers will be reluctant to extend credit to companies that ignore local rules and regulations.

Be prepared to observe anti-money laundering rules

Professional advisers and financial institutions cannot offer you services until they have satisfied themselves that you comply with know-your-customer and anti-money laundering rules. You could go to prison for 14 years and have to pay an unlimited fine for money-laundering offences[68]. The penalties for not reporting money laundering activity in the UK are up to five years imprisonment and an unlimited fine.

66 https://www.theguardian.com/money/2021/nov/01/the-great-resignation-almost-one-in-four-workers-planning-job-change
67 https://www.oecd.org/tax/automatic-exchange/common-reporting-standard/
68 https://iclg.com/practice-areas/anti-money-laundering-laws-and-regulations/united-kingdom

Be aware of tax incentives/reliefs

A 130% super deduction for certain capital expenditure is in place until March 2023[69]. The government introduced a new review of the R&D incentive regime and eight freeports around England last year[70]. Apprenticeship programmes[71] are also a great tool for attracting new talent to your business. Your levy can be fully used to upskill and train your existing team.

Principle based versus rules-based regulation methodology

Most of UK regulatory schemes adopt a principles-based approach which requires the company to adhere to the spirit rather than the letter of the code. For example, FCA [Financial Conduct Authority], PRA [Prudential Regulatory Authority] and the EU GDPR [General Data Protection Regulation] regulations are very much principles-based which requires to create their own detailed policies and procedures based on their own interpretation of the spirit of the regulations. While in the US and China, most regulation is rules-based so business executives need to seek professional advice if they do not fully understand the impact of the principles on their own situations.

Be aware of wide regulatory requirements

Businesses operating in the UK must comply with a wide range of regulations, enforced by various government agencies. Chinese investors may be surprised to discover just how broad their regulatory obligations are. Regulations that cover every business include:

- health and safety, intended to keep employees safe at work;
- employment law, covering areas such as the National Minimum Wage, holiday and sick pay, maternity and paternity leave, and workplace discrimination;
- consumer protection regulation, which protects consumers when they buy goods and services; and
- the General Data Protection Regulation (GDPR), which sets strict rules on how businesses should store and use the personal data of EU citizens.

Sectors like financial services are subject to additional regulations, including the Senior Managers and Certification Regime (SMCR), which makes senior people personally accountable for decisions made in the boardroom. This means that, under SMCR, UK-based senior managers in Chinese owned companies can be held personally responsible for decisions made at board level in China.

The UK government is also in the process of developing regulations to protect the UK's critical services. These are likely to affect businesses operating in sectors such as energy, transport, health and digital infrastructure.

For all regulatory regimes, compliance is not optional. Companies that flout the rules risk substantial fines, reputational damage and, in some cases, the withdrawal of their licence to operate.

69 https://www.gov.uk/guidance/super-deduction
70 https://www.gov.uk/guidance/freeports
71 https://www.apprenticeships.gov.uk/#

Challenges for Chinese investors

For UK businesses embarking on a new relationship with Chinese investors, it can also be useful to understand some of the challenges they may be facing. These include:

Complex geopolitical challenges

The UK government seeks to balance commercial pragmatism with national security concerns. However, Chinese investors often feel they receive different treatment to other international participants. Reporting in the UK's investigative press can amplify this feeling.

High compliance and regulatory costs

For large corporates, the costs of running an SME subsidiary in the UK are significant, including costs associated with securing licences and permits and engaging professional consultants. In addition, the granting of planning permission for infrastructure and property development can be slow.

Establishing a bilingual workforce

Chinese expats working in the UK offer a vital bridge between the UK business and the Chinese parent. Yet many expats will be on a three-year rotation and obliged to take their language skills and any training they have received in the UK back to China after three years.

Building trust

Many UK stakeholders have little insight into Chinese culture and business practice since many of them may never been to China or at least not recently. So Chinese businesses face a big PR challenge: they must build trust with a wide range of stakeholders, including government and the media.

Integrating business cultures

The UK's economy is mature while China's is developing. Bridging the differences between the two in areas such as corporate governance, and policy and procedures is a work in progress.

High employment costs

Chinese companies investing in the UK must contend with complex immigration rules, employment taxes and employment regulations. Following Brexit, they will find it more difficult to access EU talent.

Economic and finance challenges

These include the potentially slow recovery and future growth of the UK economy, the need to acquire EU EMI (electronic money institution) licences and exchange risk.

About us

Grant Thornton UK's China Britain Business Group has worked for more than 200 Chinese corporates for over 15 years. We offer a wide spectrum of comprehensive professional advisory, tax and audit services at a 'one-stop' saving your time and resources on choosing multiple service lines or providers.

We use our cultural understandings to assist you to achieve your business goals and sustainable growth at every stage of the growth cycle in the UK, from starting-up, raising venture funding, listing on a global exchange, acquiring or merging with another company, or using the UK as a base to expand into other markets, which means that whatever the challenge, we are at your side.

We can help you with the following services:

Establishing the new business

- Market entry strategy
- Research-based location study
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- Insights and analytics
- Choice of entity
- Corporate structure
- Company formation advisory
- Intellectual property
- UK Bank account advice
- Post Brexit advice
- Pension and employee benefits advisory
- Global mobility services
- Outsourced payroll support
- Outsourced book-keeping
- Company Secretarial compliance

Dealing with taxation issues

- Corporate tax registration and compliance
- VAT registration and compliance
- International tax
- Customs and Duty advisory
- Transfer pricing
- Real estate tax
- R&D tax return
- Apprenticeship levy
- Equity incentive planning
- Enterprise investment scheme (EIS)
- Stock options and repatriation of funds
- Offshore solutions
- Personal tax optimisation

Dealing with employee matters

- Reward packages
- Employment tax issues
- Benefits Advisory
- People Advisory
- Diversity and inclusion
- Future skills

UK regulatory matters

- ESG/Sustainability advisory
- Statutory and non-statutory audits
- New GAAP conversions
- International group audits
- Financial reporting advisory (FAAS)
- Royalty/contract assurance
- Intellectual property audit
- Anti-money laundering advisory
- Cyber security advisory
- GDPR (Data protection)
- EU and UK competition rules

UK financial regulations

- Skilled person reviews S166
- Actuarial and risk
- Financial business consulting
- FCA authorisation
- Financial Business Risks (Internal audit, Compliance assurance, Technology risk services)
- Regulatory Health Checks both pre- and post S166
- Financial Crime
- Financial services tax
- Leasing and consumer finance
- Risk and capital management
- Fintech advisory
- Data analytics

Settling business disputes

- Computer forensics
- Corporate intelligence
- Litigation support
- Fraud investigations
- Valuation disputes
- Accounting integrity and conduct
- Contentious valuations
- Expert determination
- International arbitration
- Matrimonial services

Improving business operations

- Board Effectiveness Advisory
- CEO/CFO Rooms
- Performance improvement
- Governance advisory
- Internal Audit
- Commercial due diligence
- Real estate advisory
- Supply chain analysis
- Deal structuring
- Projects, capital programmes and transformation
- Technology risk services
- Enterprise risk management
- People, culture, and organisation
- Compliance assurance
- Data analytics

Restructuring or recovering non-performing assets

- Corporate Simplification
- Debt relief solutions
- Corporate insolvency
- Personal insolvency
- Contentious estates and family disputes
- Restructuring options
- Bankruptcy services for creditors
- Partnership voluntary arrangements
- Solvent and insolvent winding up
- Closure supervision

M&A and integration

- Sell-side and buy-side corporate finance
- Valuations
- Financial modelling
- Tax structuring
- Tax Due Diligence
- Financial Due Diligence
- Sale and Purchase Agreement advisory
- Synergies assessment and integration

Listing in the UK stock exchanges

- IPO guidance and support
- Valuation and modelling
- Regulatory supervision
- Pricing advisory
- Strategy development
- Investment Bank selection
- Equity advisory
- Reporting accountant
- Public company audit
- Privatisation of listed companies

Grant Thornton: a truly global organisation

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Grant Thornton UK LLP is a member firm which employs 4,500 people who operate from 27 offices nationwide including Scotland, England, Wales and Northern Ireland. Led by 190 partners with a turnover of £496 million in 2020. We combine global scale with local insights and understanding to give you the assurance, tax, and advisory services you need to realise your ambitions. Every time you work with us, you'll experience our rigorous approach and commitment to excellence that delivers a quality service.

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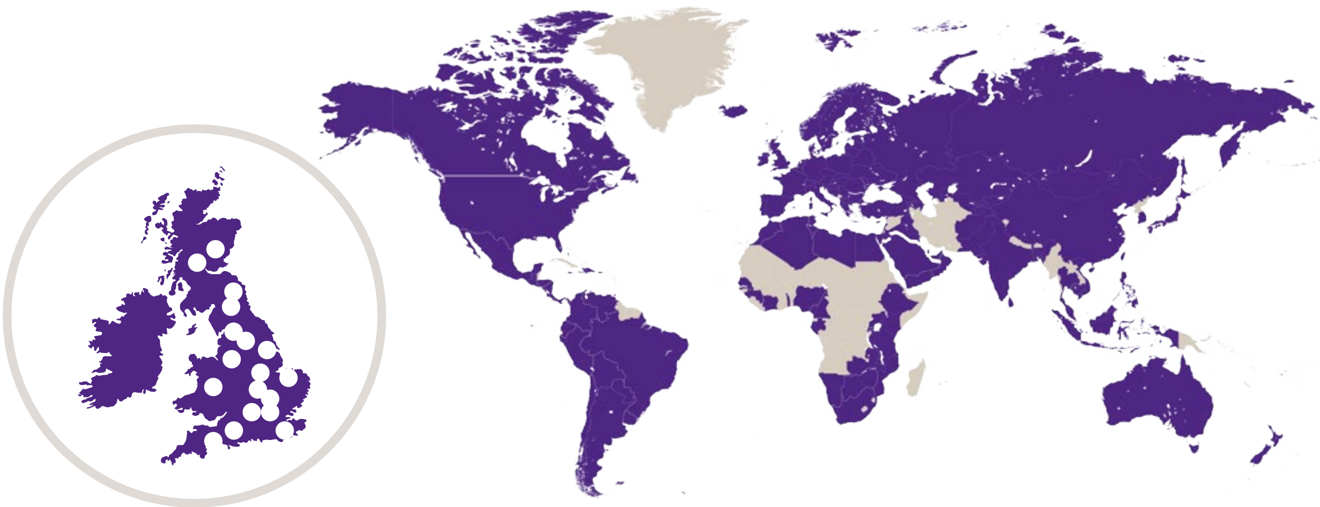

About China Daily UK and China Chamber of Commerce in the UK

China Daily UK

China Daily Europe was established in 2010 in London. With two major publications, China Daily Global Daily and China Daily Global Weekly editions, and digital platforms. It aims to deliver a unique balance of news and analysis on China and Europe in English for readers in the UK and Europe.

Both China Daily Global Daily and Weekly provide unique content and perspective and explain how big stories affect China, the UK, Europe and the rest of the world, attracting a number of international, high-net-worth readers across the continent who have strong professional connections in the UK, Europe and China.

The China Daily website, social media platforms and video streaming channels are followed by millions of people from all over the world, every day. The platforms provide news reports and high-quality videos featuring news, economic & business news, and coverage of culture, lifestyles and sport.

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China Chamber of Commerce in the UK

China Chamber of Commerce in the UK (CCCUK) was founded in 2001 (previously known as the China Enterprises Association in Britain), mainly consists of Chinese enterprises in the UK and Chinese economic and trade organisations. The CCCUK is a non-profit organisation representing and serving interests of Chinese enterprises, aiming to promote China-UK economic and trade relations.

In September 2015, China Enterprises Association in Britain was re-named as the China Chamber of Commerce in the UK. The CCCUK aims to establish close relations with appropriate UK government departments, companies and business associations, to promote China-UK cooperation and assist the establishment and future growth of Chinese enterprises in the UK.

At present, our members include nearly 300 leading Chinese companies in the UK, covering dozens of sectors, including finance, insurance, telecommunications, energy products, technical manufacturing, real estate construction etc. The CCCUK has 27 Standing Committee member companies, and four committees including, Financial Committee, Trade Committee, Technology Committee and Supervisory & Management Committee. With support from the Chinese Embassy in the UK, the CCCUK has grown into an important force representing business interests of Chinese enterprises in the UK and conducting external exchanges as well.

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Appendix
M&A deals and fundraising 2021

Investor/target	Target description	China (Mainland)/ China (HK)	Type	Acquiror type	Industry	Subsector	Quarter	Deal Value m GBP
Ligeance Aerospace Technology/Mettis Aerospace	Aerospace industry precision-forged and machined components manufacturer company	CN	Acquisition	PLC - Shenzhen	Manufacturing & Industrial	Aerospace & Defence	Q4 2021	Unknown
Hong Kong Manhattan Group/5 Fleet Place	Real Estate	HK	Acquisition	Private	Real Estate & Construction	Real Estate	Q4 2021	190
Makers Fund/World Makers Ltd	Video game developer	HK	Development Capital	VC/PE	Consumer	Gaming	Q4 2021	2.3
Tencent/Playtonic	Video game developer company	CN	Minority Stake	PLC-HKSE	TMT	Gaming	Q4 2021	Unknown
Sino Gobal Capital(Hanquan Consulting (Beijng) Co.Ltd)/Betdex Labs	sports betting services company	CN	Minority stake	VC/PE	Consumer	Consumer services	Q4 2021	15.6
Tencent/Ultraleap	Hand-tracking technology in Automobile sector and others	CN	Development Capital	HKSE	TMT	Software	Q4 2021	60
Horizon Ventues/ Synthace Ltd	Synthetic biology chemical products manufacturer company	HK	Development Capital	VC/PE	Life Sciences	Pharma & Biotech	Q4 2021	26
Huikai Du/68 King William Street	Real Estate	HK	Acquisition	Private	Real Estate & Construction	Real Estate	Q4 2021	130
Zhejiang Puhua Tianqin Equity Investment Management Ltd Corporation & Tencent Holdings Ltd/ Bit Bio	Synthetic and stem cell technology developer company	CN	Development Capital	PLC-HKSE	Life Sciences	Pharma & Biotech	Q4 2021	76.3
Chasnay Capital Investments Ltd/ Braintrain2020 Ltd	Electronic sleep aid device manufacturer company	HK	Minority stake	VC/PE	TMT	Medical Technology	Q4 2021	1.4
Zhejiang Weixing New Building Materials via Vasen (Singapore)/Fast Flow	Rainwater and sewage drainage and management system engineering design services company	CN	Acquisition	PLC-Shenzhen	Business Support Services	Waste management	Q4 2021	9.2

Investor/target	Target description	China (Mainland)/ China (HK)	Type	Acquiror type	Industry	Subsector	Quarter	Deal Value m GBP
Chevalier International/ One Hammersmith Broadway	Real Estate	HK	Acquisition	Private	Real Estate & Construction	Real Estate	Q4 2021	21
Mr Chuhong Sun/ One Chapel Place	Real Estate	HK	Acquisition	Private	Real Estate & Construction	Real Estate	Q4 2021	21.7
Tri-Wall/Rosewood Manfacturing Holdings Ltd	Wood packaging manufacturer holding company company	HK	Acquisition	Private	Manufacturing & Industrial	Packaging	Q3 2021	Unknown
Makers Fund/ Audiomob Ltd	In-game advertising services company	HK	Development Capital	VC/PE	Consumer	Advertising & Marketing Services	Q3 2021	10
Vita Spring Ivd Fund Lp/Quantumdx Group Ltd	Medtech	HK	Minority stake	VC/PE	Life Sciences	Medical Technology	Q3 2021	15
Particle Accelerator Ltd/Homeppl Ltd	Online rental tenant referencing platform operator company	CN	Development Capital	VC/PE	Consumer	Consumer services	Q3 2021	1
Tencent Holdings Ltd/ Petmedix	Animal companion anti-bodies therapeutics developer company	CN	Minority stake	PLC-HKSE	Life Sciences	Pharma & Biotech	Q3 2021	26.8
Beijing Megarobo Technology Co.ltd/ Oxcan	Early lung detection services company	CN	Development Capital	Private	Life Sciences	Medical Technology	Q3 2021	1.3
Nio Capital/Lotus Cars	Automobile manufacturer company	CN	Minority stake	VC/PE	Manufacturing & Industrial	Automotive	Q3 2021	Unknown
Ganfeng/Bacanora Lithium Plc	Borate exploration services holding company company	CN	Acquisition	Private	Manufacturing & Industrial	Metals	Q3 2021	201
Coinllectibles/ Phoenix Waters Productions Ltd	Films, series, and variety shows production company company	HK	Acquisition	Private	TMT	TMT	Q3 2021	Unknown
Wingtec (Via Nexperia)/Newport Water Fab	Semiconductor manufacturing plant operator company	CN	Acquisition	PLC-Shanghai	Manufacturing & Industrial	Semiconductors	Q3 2021	63
Greene King (Ck Assets)/Aprirose	Pubs	HK	Acquisition	PLC-HKSE	Consumer	Consumer services	Q3 2021	100
Junson Capital Company Ltd/Leo Cancer Care	Radiation therapy products developer company	HK	Development Capital	VC/PE	Life Sciences	Medical Technology	Q3 2021	19
IOSG Ventures/ Interlay Ltd	Online decentralised open-source blockchain platform operator	CN	Development Capital	VC/PE	TMT	Software	Q3 2021	2.2
Tencent (Via Sixjoy)/ Sumo Group	Computer games developer company	CN	Acquisition	PLC -HKSE	TMT	Gaming	Q3 2021	803
Newchic Capital/ Climate X Ltd	Climate change data collection and analysis services company	HK	Development Capital	Private	TMT	TMT	Q3 2021	1

Investor/target	Target description	China (Mainland)/ China (HK)	Type	Acquiror type	Industry	Subsector	Quarter	Deal Value m GBP
New Beginnings Investment/Rocialle Healthcare Ltd	Supplies healthcare providers with custom procedure pack trays, dressings, gowns, drapes and various sterile & non-sterile instruments	HK	Acquisition	VC/PE	Business Support Services	Healthcare	Q3 2021	Unknown
Gopher Investments/ Playtech Plc	Online trading platform	CN	Acquisition	VC/PE	Financial Services	Fintech	Q3 2021	181
Tencent & Investors/ Cmr Surgical Ltd	A Cambridge-based robotic keyhole surgery machine developer	CN	Development Capital	HKSE	Life Sciences	Medical Technology	Q2 2021	432
Zhejiang Puhua Tianqin Equity Investment Management Ltd Corporation & Other Investors /Quanta Dialysis Technologies Ltd	Home haemodialysis medical equipment developer	CN	Development Capital	VC/PE	Life Sciences	Medical Technology	Q2 2021	176
Ping An Insurance (Group) Company Of China Ltd/10x Future Technologies Ltd	Cloud based banking and data analytics programming services provider	CN	Development Capital	VC/PE	TMT	Fintech	Q2 2021	133
Shanghai Liaode Capital Investment Management Co., Ltd & Other Investors/ Flare Network	Online cryptocurrency smart contracts platform operator	CN	Development Capital	VC/PE	TMT	Fintech	Q2 2021	8
Qima Ltd/Kavida	Online supply chain resiliency platform operator company	HK	Development Capital	VC/PE	Manufacturing & Industrial	Freight & Logistics	Q2 2021	0.3
Shanghai Liaode Capital Investment Management Co., Ltd & Other Investors/ Realm	Online NFT microverse platform operator	CN	Development Capital	VC/PE	TMT	Software	Q2 2021	1.6
QBN Capital/Wrisk Ltd	Single plan insurance mobile application developer company	HK	Development Capital	VC/PE	Financial Services	Fintech	Q2 2021	4.6
GT Healthcare Capital Partners (W/Other Funders / Exscientia (Follow On Round)	AI-based drug discovery platform	CN/HK	Development Capital	VC/PE	Life Sciences	Pharma & Biotech	Q2 2021	162

Investor/target	Target description	China (Mainland)/ China (HK)	Type	Acquiror type	Industry	Subsector	Quarter	Deal Value m GBP
Future Fintech/ Khyber Money Exchange	Money transfer company	CN	Acquisition	PLC - NASDAQ	TMT	Fintech	Q2 2021	0.8
Kerry Properties/ Cassini House	Real Estate	HK	Acquisition	PLC-HKSE	Real Estate & Construction	Real Estate	Q1 2021	145.5
Fujian Anjoy Foods Co., Ltd./Oriental Food Express Limited	UK-based frozen food producer	CN	Acquisition	PLC - Shanghai	Consumer	Food & Beverage Manufacturing	Q1 2021	5.2
Shanghai Fosun Pharmaceutical (Group) Co., Ltd/Gyroscope Therapeutics Ltd	Genetically defined eye diseases treatment developer company	CN	Development Capital	VC/PE	Life Sciences	Pharma & Biotech	Q1 2021	108
Xtalpi Inc. & Other Investors/Phoremost Ltd	Cambridge-based new model drug discovery research services provider	CN	Development Capital	VC/PE	Life Sciences	Pharma & Biotech	Q1 2021	33
Tencent/Vaccitech Ltd	T cell immunotherapeutic products and vaccines developer	CN	Development Capital	HKSE	Life Sciences	Pharma & Biotech	Q1 2021	121
Hangzhou Todaytec Digital Co Ltd/ Thermal Transfer Solutions Limited; Thermal Printer Support Limited	TTS offers wax grade thermal transfer ribbons.; UK's leading specialist supplier of thermal transfer printers	CN	Acquisition	PLC - Shenzhen	Manufacturing & Industrial	Industrial manufacturing	Q1 2021	4.71
Iosg Ventures/ Automata Network Ltd	Online traceless privacy systems developer	CN	Development Capital	VC/PE	TMT	Software	Q1 2021	0.7
Miss Keying Ma Via Kym Entertainment Ltd/Meeple Mayhem Ltd	Board game café	CN	Acquisition	Private	Consumer	Consumer services	Q1 2021	Unknown
Yatsen/Eve Lom	Supplier of skincare products	CN	Acquisition	PLC - NYSE	Consumer	Consumer goods manufacturing	Q1 2021	Unknown
Wuxi Apptec Co., Ltd./Oxford Genetics Ltd.	UK-based synthetic biology company focused on providing DNA, protein, virus and cell line solutions for mammalian expression and bio-production	CN	Acquisition	PLC - Shanghai	Life Sciences	Pharma & Biotech	Q1 2021	96.7
Pharmaron Beijing Co., Ltd./Allergan Biologics Limited	UK-based clinicals research and development center	CN	Acquisition	PLC - HKSE	Life Sciences	Pharma & Biotech	Q1 2021	85.3
Ac Capital,Chain Capital,Dealean Capital/Etha Lend	Cryptocurrency yield optimiser	CN	Development Capital	VC/PE	TMT	Fintech	Q1 2021	1
Lightening International/Yaddo	Online VOD platform operator company	HK	Acquisition	Private	TMT	TMT	Q1 2021	Unknown
Kenetic Capital Ltd/ Wintermute Tradind Ltd	Online algorithmic market maker platform operator company	HK	Development Capital	VC/PE	Financial Services	Fintech	Q1 2021	14.7

Investor/target	Target description	China (Mainland)/ China (HK)	Type	Acquiror type	Industry	Subsector	Quarter	Deal Value m GBP
Beijing Kunlun Tech Co Via Opera Ltd/ Yoyo Games Ltd	Online mobile casual game developer.	CN	Acquisition	PLC - Shenzhen	TMT	Gaming	Q1 2021	7.3
China Medical Venture Investment/ Blueberry Therapeuics Ltd	Dermatological disorders treatment development services company	HK	Development Capital	VC/PE	Life Sciences	Pharma & Biotech	Q1 2021	14.4
Horizon Ventures Ltd/ Kuato Studios Ltd	Video game developer	HK	Minority stake	Private	TMT	Gaming	Q1 2021	4.5
Horizon Ventures Ltd/ Xampla	Plant based protein material manufacturer company	HK	Development Capital	VC/PE	Manufacturing & Industrial	Pharma & Biotech	Q1 2021	6.2
Tencent/Oxbotica Ltd	Self-driving vehicle software developer company	CN	Development Capital	HKSE	TMT	Software	Q1 2021	46

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