



CBBC Event Report on: Practicalities of expanding into China: Finance, Tax and Legal issues Management Briefing

Tuesday, 22nd November 2011 16:00-18:00
Venue: LDC, One Vine Street, London W1J 0AH



Any British business looking to work with China will need knowledge and resources. They need to understand the business environment in which they plan to work, and they need to understand how they will resource the venture, with both time and money.

On Tuesday 22nd November, LDC, the private equity firm, hosted a CBBC management briefing to address these considerations, particularly focusing on financial, tax, and legal issues. We were joined by Eversheds, the law firm, and UK Export Finance, the Government's Export Credit Guarantee Department.

The session opened with Duncan Levesley, Senior Manager at CBBC, addressing some of the major trends in the Chinese business environment at the moment. As well as discussing issues from urbanisation to increasing consumption patterns, Duncan outlined the need to grasp opportunities in regional cities outside of Beijing, Shanghai and Guangzhou. He particularly elaborated on the concept of city clusters. These clusters, scattered across China, offer access to multiple markets or suppliers from one location. This is facilitated by increasing transportation links which allow varied cities to leverage each others' competitive advantages for mutual benefits. Duncan believes choosing an appropriate cluster can provide a cost effective route to large and diverse sales and supply channels. He also discussed some of the key considerations for any business in China, including staffing and HR, finding customers, establishing a presence, language and culture. If you would like to talk to CBBC further about opportunities for your company in China, please contact duncan.levesley@cbbc.org.

Craig Wilkinson, Managing Director of LDC Asia, then detailed how to finance your expansion into China. He emphasised the significance of the China market for UK firms, and explained LDC's role in assisting with the strategies of their portfolio companies in Asia, building strategic relationships with Asian corporates, supporting the execution of UK business deal flow with Asian dynamics, and developing an Asian investment model. He went on to explain that while there are options for finding some financing locally through joint ventures and certain municipal government incentives, the local debt market is difficult to access for a foreign company. He then discussed options for British firms to use UK bank finance, some of the support available through the Government's export credit guarantee department, and also the role of private equity firms like LDC.

Maria Carradice, also of LDC, then talked through the tax implications of business in China. She explained the key issues in structuring your investment, including withholding tax on dividends and the role of a

holding company. She also covered a range of issues around the repatriation of profits, whether through royalties, interest, service fees, rent, or reimbursement and cost sharing agreements. Maria also warned attendees to avoid trapped cash, for under Chinese regulations it is not possible to simply loan excess funds to related overseas companies. If you would like to speak to LDC about how they can help you with financing issues, please contact Richard Barley at rbarley@ldc.co.uk.

Nick Emmerson and Sharon Shi from Eversheds handled the legal implications and considerations of business in China. Legal restrictions will often guide how foreign firms enter the market. They explained how a joint venture often comes from legal necessity, but sometimes it can be a genuinely attractive business proposition, though only when the right partner can be found. Nick warned against finding yourself in the 'same bed with different dreams' to those of your Chinese partner, who wants something very different out of the JV. He stressed that with the UK Bribery Act 2010 now in force, companies should also be particularly aware of what is being done on their behalf, and put adequate procedures in place to avoid problems. Intellectual Property Rights is another key area to consider, and Eversheds advise making sure you register any IP, and also consider engaging with customs to stop infringement. Nick and Sharon also detailed new developments affecting M&A in China, pilot areas for private equity, and the growth of Chinese outbound investment. If you would like to discuss any of the legal issues involved in doing business in China, please contact sharonshi@eversheds.com.

Last up was Steve Roberts-Mee from UK Export Finance, formerly known as the Export Credits Guarantee Department. In addition to their recent rebranding, they have also launched a series of new products including bond support, export working capital, foreign exchange credit support, and an extension of short-term credit insurance. Some of the other ways UK Export Finance can help is by insuring against non-payment by an overseas buyer, and providing a guaranteed loan to the overseas buyer, to buy from the UK, and your company in particular. If you would like further information on how UK Export Finance can help your business, please contact steve.roberts-mee@ecgd.gsi.gov.uk.

For further information on any of the speakers at this event please visit:

www.cbbc.org

www.eversheds.com

www.ldc.co.uk

www.ukexportfinance.gov.uk