



CHINA ADVISORY SERVICES
THINK GLOBAL
ACT CHINA

IDEAS | PEOPLE | TRUST

IBDO



“ China represents opportunities for many and it is essential to ‘Think global and Act China’ when doing business in China or with China. ”

MATTHEW WHITE
Senior Partner, BDO

WHY CHINA?

China is a market like no other. The opportunities are too big to ignore for ambitious companies looking to expand into new markets. The Chinese market is already huge and still has incredible potential. A new middle class of consumers is emerging fast and new areas and sectors are opening up to foreign companies. However, the challenges of operating in China are not to be underestimated.

For instance, demographics and consumer attitudes change regularly in what is an emerging market. There are the challenges that come with huge regional and cultural diversity. You will need to review your business strategies regularly and often to reflect changes to your customers, competition and regulatory shifts.

There is a complex regulatory environment with foreign invested enterprises subject to supervision of various authorities. Local regulations and local enforcement of central regulations can differ greatly. The most effective solution is to develop and maintain a wide network of local contacts in government, while gaining an understanding of local practices, to help lower your compliance risks.

Doing business in China is different, the key to business success is not.

You will need a good business advisor with real local knowledge, connections and experience. A guide who gives you the confidence to fight and win the right battles and the wisdom to make the right choices.

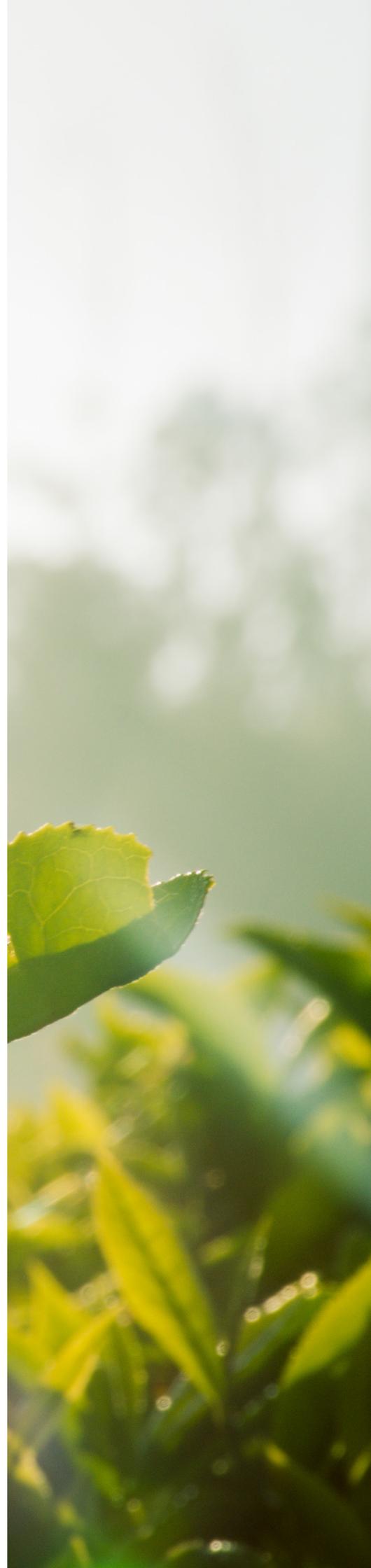
CHINA CONTRIBUTES
AN AVERAGE
18.7% TO WORLD
GDP IN TERMS OF
PURCHASING POWER PARITY

ONE OF THE FASTEST GROWING
ECONOMIES OF THE WORLD
CURRENTLY
GROWING AT **6.9%**

PEGGED
TO BE **FIRST**
LARGEST
ECONOMY BY **2032**

CLEARLY ESTABLISHED IN
2nd PLACE IN
THE WORLD

Source: Bloomfield 2017



CREDENTIALS

FROM UK TO CHINA

NATIONAL AUSTRALIA BANK

National Australia Bank – we supported a consortium of three UK project financing providers, led by National Australia Bank to perform top-up financial and tax due diligence services in respect of UK acquisitions of a portfolio of solar farms by United Photovoltaics, a Hong Kong-listed Chinese group of solar energy investment companies.

CONVERSE

We provided global outsourcing services in China to Converse, whose total turnover is £1,091m and looked after the financial, tax compliance, payroll and advisory services.

INVISTA

With around £5.6 billion total turnover, Invista required our support with specialised advisory services for its China operations.



REISS

We provided REISS with advisory services for its China expansion. Reiss's revenue is £14M.

GLENCORE

We supported Glencore, who have a turnover of 3.9 billion, with specialised advisory services in China.

ORANGE

We provide Orange with the financial, tax compliance, payroll and advisory services for its China operations. The revenue of Orange is £35 billion.

CREDENTIALS

FROM CHINA TO UK

TUS PARK

A Chinese high-tech company which builds business parks. A joint venture has been agreed between Cambridge Science Park (UK) and TusPark (China) to build a state of the art Biohub facility at Cambridge Science Park. We provided a range of accounting outsourced services to TusPark Group including bookkeeping, management accounts, payroll, VAT and company secretarial.

CGTN

The largest television network in China. We provided financial and tax reporting services, business and tax advisory services and help them succeed in the UK and Europe.

HAIER

A Chinese conglomerate focusing on developing and manufacturing of home appliances products. It has the world's largest market share in white goods. We assisted Haier Home on their proposed acquisition of a German furniture brand by providing financial and taxation due diligence services. We have utilised our member firm in Germany to assist with this engagement.



STARCREST EDUCATION THE BELT & ROAD

Listed on the London Stock Exchange Main Market, and is now actively seeking acquisition opportunities in the international education sector. The company is controlled by a Chinese-owned education fund. We provided reporting accountant services in respect of its listing in January 2019.

FN ROBOTICS

Headquartered in Shenyang, with offices in Beijing and Europe. It specialises in R&D, manufacturing and distribution of high-end robotic technology, including AI. We introduced to FN Robotics a UK investment target and conducted financial and tax due diligence exercises on the target.

OFO

A Beijing-based bicycle sharing company founded in 2014. The dockless system uses its smartphone app to unlock and locate nearby bicycles. We provided them a range of services include assurance, VAT, outsourcing and tax advisory services.

EXPANSION INTO CHINA

KEY CONSIDERATIONS



FINANCIAL ACCOUNTING & REPORTING

- Book-keeping
- Preparation of financial statements according to PRC CAS and reconciliations for UK GAAP and IFRS reporting purpose
- Training.

ASSURANCE

- Financial audit and review and attestation under China and UK assurance standards
- Agreed upon and special procedures
- Tax audits
- Foreign exchange audits.

RISK ADVISORY & MANAGEMENT CONSULTING

- Management accounting and cost optimisation
- Internal control
- Fraud risks assessment and mitigation
- Internal audit and investigation
- Financial accounting system risk advisory and integration.

SETUP SERVICES

- Investment vehicle planning
- Business model planning
- Entity setup application and registration formalities.

FINANCE REPORTING & ASSURANCE

- Book-keeping, preparation of financial statements according to PRC GAAP and reconciliations for UK reporting purpose (may be limited due to independent issue)
- Audit of annual financial statements.

TAX

- Tax planning and incentive/holiday analysis and application
- Preparation of returns and supplementary forms for applicable taxes
- Tax advisory services on project basis or under retainer arrangement (Corporate Income Tax, Indirect, Individual Income Tax)
- Treaty benefit analysis and application
- Tax provisional review and analysis.

MERGERS & ACQUISITIONS

- Group reorganisation planning and tax consequence analysis
- Pre-transaction planning and post-transaction integration
- Due diligence review.

OTHER SERVICES

- Tax clearance for non-trade payments
- Cash repatriation planning
- Foreign exchange control advisory
- Transfer pricing benchmarking analysis
- Preparation of contemporaneous transfer pricing documentation
- Audit defense consultancy and tax controversy services
- Tax deregistration.

UK & EUROPE BOUND SERVICES

- Coordinating China Inbound Investment Into the UK and Europe.

ADVISORY

- Forensic services
- Cross border transactions.

CONSIDERATIONS FOR MARKET ENTRY

HOW SHOULD I ENTER THE MARKET?

- Greenfield
- Acquisition
- Licensing / franchising.

WHAT WOULD BE THE BEST CORPORATE VEHICLE?

- Representative Office (RO)
- Equity Joint Venture (EJV)
- Wholly Foreign Owned Enterprise (WFOE).

SHOULD I CONSIDER AN OFFSHORE HOLDING COMPANY?

- Direct holding structure
- Indirect holding structure.

BANKING SYSTEM AND COMPANY CHOPS

FOREIGN CURRENCY

- Capital account (temporary or formal account)
- Trading account
- Loan account.

RMB YUAN (CNY) ACCOUNTS

- Basic – can withdraw cash generally, only 1 such account for 1 company
- General – as many as your want but cannot withdraw cash
- Specific – tax accounts for entities but representative office can do without.

COMPANY CHOPS – NO CHOPS NO BUSINESS

- Company chops are more important than signatures and recognised for contracts and please take extra care of them.

OTHER FOREIGN INVESTMENT ENTITIES IN CHINA

OVERVIEW OF CHINESE YUAN(CNY) AND FOREIGN CURRENCY (FCY) ACCOUNTS

CNY ACCOUNTS

ACCOUNT TYPE	PURPOSE
Basic account	Cash withdrawal and salary payments
Regular account	Onshore payments and collections
Special purpose accounts	Loan, tax, customs duty, RMB reinvestment capital verification etc.

FCY ACCOUNTS

ACCOUNT TYPE	PURPOSE
Current account	Trade and non-trade transactions settlement account
Capital account	Capital contribution
Loan accounts	FCY intercompany (including parent's and bank loans).

EXPANSION INTO CHINA

INCENTIVES

Since the introduction of the enterprise income tax (EIT) law in 2008, tax incentives support high technology, R&D and environmental investments. In addition, local authorities also provide incentives.

MAIN INCENTIVES

- Incentives for high and new technology companies
- R&D super deduction
- Incentives for technologically advanced service enterprises (TASE)
- Incentives for regional headquarters in Beijing and Shanghai
- Regional incentives.

TAX BENEFITS

- Tax holidays
- High and new technology enterprises
- Software enterprises
- Technologically advanced service enterprises
- Tax holidays for environmental protection, and for income from energy or water conservation activities
- Super deduction for R&D expenditure.

VALUE ADDED TAX (VAT):

- Refund
- Exemption
- Zero-rate.

CUSTOMS

- Customs duties exemptions and free trade agreements.

INFRASTRUCTURE SUPPORT

- Qualified plans for government support and investment in infrastructure to maintain plants.

LAND PURCHASE PRICE

- Government support for the purchase of land needed for facilities (e.g. land purchase assistance and financing; land purchase agreements; rent exemptions).

EMPLOYEE ASSISTANCE

- Support for immigration and residence by granting multiple visas
- Employment and jobs credits
- Staff benefits.

INVESTMENT PROJECTS IN GENERAL

- Technology transfer support
- Training support and subsidies
- Support for investment development and services
- Investment support for infrastructure systems within/ outside industrialised zones and export processing zones
- Capital investment subsidies.

ABOUT BDO

The BDO network of global member firms is the fifth largest accounting network in the world, employing 74,000 people in 16 countries, working with ambitious private and publicly owned businesses on a range of accounting, audit, taxation and other advisory services.

BDO UK

17 LOCATIONS **350 PARTNERS**
4,600 STAFF

97% OF OUR CLIENTS
WOULD RECOMMEND US¹

2017/2018 RESULTS:
REVENUES² UP **8.5%** TO **£464m**

MERGED FIRM REVENUES **£600m** estimated

¹. Client Listening Programme (December 2018 BDO LLP)
². Gross Revenues for BDO LLP

BDO INTERNATIONAL

US\$9 billion
2017/2018 REVENUE

A YEAR ON YEAR INCREASE OF **8.3%**

162 Countries **1,600 Offices**
80,000 Staff

BDO CHINA

MARKET/COUNTRY CHARACTERISTICS	
Population	1.37 billion
Language	80+ languages/dialects
Ethnicities	56
Admin Region	27 Provinces/Municipalities, 5 Autonomous Regions and 2 Special Administrative Regions
Development	Regionally uneven
Income level	Wide range
Religion	Varies by region
Consumer culture	Varying attitudes
Business environment	Changes rapidly
Market dynamics	Growth of foreign and domestic private enterprises

Source: The official website of the Central People's Government of People's Republic of China

Requires a flexible and adaptable business model. No longer a developing market, but is highly competitive.

USEFUL TOP TIPS

- Investment due diligence
- Individuals and corporations are not allowed to own land in China
- Foreign exchange control is a daily consideration in all transactions
- Don't take short cuts in setting up. Allow plenty of time before making commitments and plan accordingly
- Reconciling the rules and customs in the UK and China needs an overall view. Don't assume that advice from a UK perspective alone is valid or suitable in China.

BDO CHINA

EURO 464.78

17 Offices **359 Partners**
10,596 Staff

DELIVERING **EXCEPTIONAL CLIENT SERVICE**

ASSURANCE | TAX | ADVISORY |
BUSINESS SERVICES | OUTSOURCING

BDO Online Advisory Services Team offers strategic, operational, accounting, tax and regulatory advice and assistance for both domestic and international organisations across a range of industries. With 10,596 partners and staff in 31 offices, BDO China can help improve the performance and effectiveness of our clients' local businesses by examining everything from core management and business processes to future strategy and opportunities for growth by:

1. Tailoring our advisory, planning and compliance services to your needs
2. Sharing information, experiences and knowledge about the regulatory, economic and business environments
3. Adopting a flexible approach to working alongside clients, in getting business operations up and running in the dynamic and challenging environments in which the organisations operate
4. Serving clients' ongoing business requirements in China and other international locations through our global network of member firms working together seamlessly.

BDO UK's China Advisory Services provide distinctive offerings in the market we cater to.

We are a team of bilingual specialists who can provide practical advice on strategy, culture, regulatory environment, accounting, tax, auditing in both the UK and China.

We help companies from the UK and Europe to establish and develop in China. Working with BDO China, the third largest accounting firm, locally developed with more than 30 offices and 10,000 staff, its local network and contacts set it apart from top accounting practices and this benefits BDO's clients from all over the world.

We work with Chinese companies and help them to achieve their ambition for internationalisation to the UK and European markets. Together with sector knowledge and our global network of BDO expertise, we are a team with extensive experience in cross-border transactions.

WHY BDO?

What sets us apart from others is the way we support our clients. It is the dedication and commitment to them that helps us deliver a distinctively different value proposition. The trust and belief of our clients is built on our commitment to them: what matters to them, matters to us.

OUR SERVICES

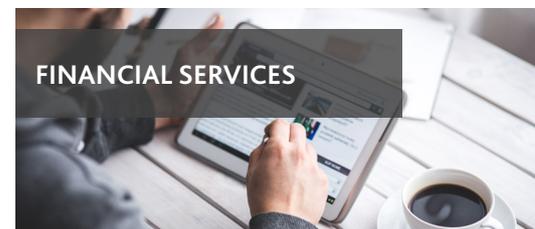
Time and time again, business leaders cite "knowledge of my industry" among the top criteria in selecting and working with their business advisors. BDO's industry practices are national and international in scope, yet local in service approach. Our industry professionals bring relevant experience, in-depth first-hand knowledge and business awareness; qualities you should expect from your advisers.

OUR SECTOR STRENGTHS

Our sector strengths mean our advice is always tailored to you and your specific business needs.

We blend sector knowledge and experience with practical advice aimed at making a real difference to business performance.

This approach ensures our clients benefit from the specialist expertise and diverse skills of people that know their business, market and industry.



BDO UK'S CHINA ADVISORY SERVICES TEAM

THE DIFFERENTIATOR

BDO UK's China Advisory Services provide practical advice and insights on strategy, culture, regulatory environment, accounting, tax, auditing in both the UK and China. We are all experienced, knowledgeable and bilingual with individual areas of specialist expertise.

We help companies from the UK and Europe establish themselves and grow in China. Our clients benefit from our close working relationship with BDO China, the third largest local accounting firm with more than 30 offices and 10,000 staff. BDO China's local network and contacts set it apart from accounting practices.



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