



BRI Pulse

China ↔ UK Investments (2019/2018)

Overview – Key Assumptions

- Includes all information on all new M&A, JVs, equity investments made by mainland Chinese companies and/or their subsidiaries (not greenfield)
- Does not include investments by Hong Kong based/owned companies and thus excludes DK Asset's \$3.3 billion acquisition of David Greene⁽¹⁾
- Logged by date of announcement (Western standard)/accrual accountings versus MOFCOM, which approximates cash accounting
- Does not include transactions which were announced and subsequently dropped: (Fosun's £900 million offer for Thomas Cook)

➤ We recommend the China into UK results be analysed in the context of Chinese aggregate outbound amounts declining from circa \$110 billion in 2018 to circa \$60 billion in 2019

China into UK (2019)

Executive Summary (2019) – Outbound

Volume

Number of investments	37
Number with disclosed amounts	32
Percentage Minority vs Majority	60% / 40%
Number of Industries	10

Aggregate Amounts

	(\$m)
Disclosed values	5,350.00
Average wuDA	167.2
Average removing Global Switch investment (wuDAs)	97.7
Number Investments <\$30m (wuDA)	20 (63%)

Note: wuDA – with Undisclosed Amounts

(1) Also excludes UK real estate acquisitions by Hong Kong based groups not owned by Chinese parents.

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China Investments in UK (2019) – By Sector

Technology (9)

Dynex Power/Zhuhou	9.9*
Comparison Group/Byzen Digital	ND
Prowler.io/Tencent	8.0*
Unicorn Investment/JMU	963.8 ⁽²⁾
Air Black Box/Saif	1.5*
Social Network Tech/Inke Ltd	75.4
Xmos Ltd/Huawei	3.0*
Sen Sat Ltd/Tencent	7.5*
Stable Group /China Ntl Chem	1.5*

Consumer (9)

Tour Operating Business/Fosun	3.0*
Maggie & Rose/China New City	11.2*
Loch Lomond Distillers/Hillhouse	508.0
St Michaels Schools/Bright Scholars	48.3
Cats Colleges/Bright Scholars	192.0
Airstream Ltd/Tencent	ND*
Jutedeck/Bytedance	ND
Thomas Cook/Fosun	14.0
Sumo Group/Tencent	27.2*

Industrial (3)

CMPS/Guangxi Machinery	ND*
British Steel/Jingye Group	90.4 ⁽³⁾
Impress Ltd/Ligeance	ND

Financial Services/Real Estate (8)

World First/Alibaba	717.0
Rockley Phototronics	30.0*
South Collonade/Cindat	62.5*
True Layer/Tencent	17.5*
Tenax Capital/Fosun	8.0
Curve 1 Ltd/Creditease	5.0*
Railsbank Technology/Creditease	3.3*
Everledger/Tencent	3.0*

Communications (2)

Planar Lightwave/Broadex Technologies	5.5
Global Switch/Shagang	2,320.0*

Life Sciences (2)

Antikor Biopharma/Essex Bio-tech	3.1*
Cambridge Fund/China Medical Systems	32.2*

Healthcare (1)

Rocalle Healthcare/Zhende Medical	12.6
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Entertainment/Games (1)

Bossa Studios/NetEase	30.5*
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Metals (1)

Banacora Litiumplc/Ganfeng Lithium	18.3*
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Logistics (1)

Heathrow Cargo Handling/HNA	115.9
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Comparative Data 2019 vs 2018

Volume	2019	2018
Number of investments	37	34
Number with disclosed amounts	32	30
Percentage Minority vs Majority	60% / 40%	53% / 47%
Number of Industries	10	9
Aggregate Amounts	(\$m)	(\$m)
Disclosed values	5,350.00	5,333.20
Average uDA	167.2	177.85
Average removing Global Switch investment (uDAs)	97.7	81.7
Number Investments <\$30m (uDA)	63%	60%

Code: Majority Stakes represented by *

(2) Share for share deal for blockchain deal: 632.7 million shares – which increased 73% upon announcement to \$1.95/Share.

(3) Transaction still awaiting final approval; if approved China has pledged to invest £1.2 billion in the future.

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UK into China (2019)

Overview

- 2019 was the first year since 1993 when China faced a current account deficit
- Compounding this issue, led by the transitioning from a savings to a consumer economy were lack of historical inbound FDI growth, US trade war, equity markets which were not performing at historical levels
- China began reacting to this in mid-2018, when it began opening up to foreign investment –led by EU companies, in particular Germany. This opening up continued throughout 2019, to include an increasing number of EU countries as well as Gulf countries
- In 2019, China saw a number of China inbound investments and/or pledges per quarter from major UK organisations: Q1 (4); Q2 (5); Q3 (3); and Q4 (6)
- To date in Q1 2020, there have already been there important investments as well as the possibility of Prudential PLC acquiring a controlling stake in its CITIC JV

Q1 2019

- March – Wood Group was awarded a new contract by Sinochem Quanzhou Petrochemical for its 1MTA ethylene and refinery expansion project being built in Quanzhou. This award follows from its 2018 Chinese JV and is likely to represent a meaningful investment amount
- February – Manchester City’s parent company, City Football Group (CFG), announced the joint-purchase of a seventh club, Sichuan Jiuniu FC (Chengdu), who play in China’s third tier. CFG’s partners also include China Sports Capital and Ubtech
- January – BP Ventures led investors in the Series A round for PowerShare, a leading integrated hardware and software solutions provider for electric vehicle (EV) charging in China. This is BP’s first direct Chinese investment – they were joined by DETONG Capital Partners, a major Chinese PE firm
- International Hotels Group (IHG), which considers China to be its 2nd home market, added 47 hotels in China in 2018 and 31 hotels in H1 2019. At the end of Q3, IHG had 43 hotels operating in the Greater Bay Area (GBA)⁽⁴⁾

Q2 2019

- June – Associated British Foods plc (ABF) and Yihai Kerry Arawana Holdings (Yihai Kerry), executed a binding term sheet to form a 50/50 JV in China. The JV will acquire the existing Chinese yeast and bakery ingredients activities of AB Mauri (ABF), and will leverage Yihai Kerry’s supply chain, distribution network and market expertise in China
- June – Manchester City announced a new group wide partnership with YuYuan Art Investment Group (Shenzhen) to become the Club’s Official Art, Culture & Football Education Partner. YuYuan Art will also become a global lead partner on football education, and art education displays at CFG’s family of infrastructural football clubs including Manchester City, New York City FC, Melbourne City FC, Girona FC, Yokohama F Marinos and Sichuan Jiuniu
- April – Diageo completed a partial tender offer and now owns 63.14% in Sichuan Shuijingfang Company Ltd
- April – Diageo and Jiangsu Yanghe Distillery Co., Ltd (‘Yanghe’), China’s 3rd largest Baiju distiller, announced a JV resulting in the launch of ‘Zhong Shi JiTM’, a premium whisky jointly crafted by blenders and distillers from Scotland and China
- April – Royal Dutch Shell signed an agreement with Sinopec to study an East China block shale oil. Despite huge resources, in 2018 shale gas represented 6% of China’s total gas production and less than 1% of China’s crude output. RDS previously exited shale gas drilling in Sichuan province after spending at least \$1 billion and not obtaining satisfactory results

(4) Actual investment amounts not set out in separately in Form 10’Ks.

Q3 2019

- September – HSBC Global Asset Management (GAM) has launched the HGIF China A Fund for investors seeking exposure to the China A share equity market. The China- focused equity fund is co-managed by HSBC GAM's teams in Shanghai and HK (\$2.1 bn AUM)
- August – BP announced new JV with Didi Chuxing (DiDi), the world's leading mobile transportation platform with 550 million users. The new JV will develop standalone, reliable and high-quality charging hubs to provide EV charging services to DiDi's drivers and the public
- August – Aberdeen Standard Investments (ASI) launched the ASI China A-share Equity Fund for UK investors, designed to mirror the \$2.6 billion (€2.3 billion) Luxembourg – domiciled Aberdeen Standard Sicav I China A-share Equity Fund (Hong Kong, Singapore and Shanghai)

Q4 2019

- December – Bloomsbury (50%) announced a Beijing based JV owned 30% by China Youth Publishing Group (CYPG), a state-owned publisher, and 20% by Roaring Lion Media (RLM), a subsidiary of CYPG. The JV will publish its own titles originating from China
- December – British Airways (BA) and China Southern Airlines signed a JV at Daxing Airport, finalizing an MOU signed in January 2019 to expand each other's network and share frequent flier benefits. Both airlines will codeshare on all 31 flights between London and Beijing, Shanghai, Guangzhou, Sanya, Wuhan and Zhengzhou – up from 10 routes in 2017
- November – AstraZeneca announced the creation of a new Global R&D Centre and an AI Innovation Centre, both in Shanghai, and the creation of a first-of-its-kind Healthcare Industrial Fund, target size of \$1 billion, with CICC
- November – Clifford Capital and AIB launched Bayfront Infrastructure Management ("BIM") designed to facilitate a new infrastructure asset class. BIM equity shareholders include Standard Chartered and Prudential Assurance
- October – BP and China's Zhejiang Petroleum and Chemical Corporation (ZPCC) signed a MoU to explore the creation of a new 50/50 JV to build and operate a 1 million tonne per annum (tpa) acetic acid plant in Zhoushan, Zhejiang Province. This would be BP's largest acetic acid producing site in the world
- October – Johnson Matthey announced it was investing £20 million (\$25 million) in its Chinese hydrogen fuel cells plant expansion, which is operating profitably

Q1 2020 (to date)

- February – Prudential PLC is in discussion with CITIC Group to raise its stake in their JV to over 50%. This could be a multi-billion transaction
- January – Standard Chartered announced it is investing an undisclosed amount for an equity stake in China's supply chain platform Linklogis. This is the bank's first investment in a Chinese supply chain, which will support Linklogis' joint supply chain network scheme, allowing suppliers to tap economical and accessible financing
- January – Royal Dutch Shell signed a MoU with CNOOC to build its first commercial-scale polycarbonate (used to make vehicle headlights and LED spotlights) production plant in Huizhou with capacity of 260,000 tonnes tpa. The MoU follows a October 2018 agreement in between the two companies that aims to build more production equipment at their jointly- owned petrochemical complex in Huizhou. CNOOC and Shell Petrochemicals Corp (CSPC) has ethylene production capacity of 2.2 million tonnes
- January – Unilever and JD Logistics signed a MoU in which Unilever will increase collaboration with JD Logistics – an independent business group under JD.com that provides smart, digital supply chain and logistics services – to create a framework to identify opportunities for innovation and sustainable growth

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