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Tou Ying Tracker 2020

The latest trends in Chinese investment in the UK



Now in its eighth 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 more than 75,000 people in the UK and contributed total revenues of £92 billion to the country's economy last year. 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. 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
Grant Thornton UK LLP

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About the 2020 Tou Ying Tracker

The Grant Thornton 2020 Tou Ying Tracker, developed in collaboration with CCCUK (China Chamber of Commerce in the UK) and China Daily, identifies the fastest-growing Chinese companies in the UK.

To compile the 2020 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 2020, and that are at least 50% owned by a Chinese¹ corporate, investor or national. This year, we identified 838 such companies.

Criteria



Revenue growth

To be part of our revenue growth analysis (which compares each company's 2018 and 2019 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 2018 and 2019 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 15,000 Chinese-owned companies around 100 representative offices that fall outside the criteria for inclusion in the Tou Ying Tracker.

¹ The research focuses on Chinese investors from Mainland China

Introduction

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

Our research this year identifies 838 companies that meet the criteria for inclusion in the Tou Ying Tracker.² This compares with 795 in 2019.

Together, the 838 companies have combined revenues of £92 billion (up from £91 billion for the 795 companies identified in 2019) and report overall revenue growth of 12% (down from 17% in 2019). Between them, they employ almost 75,240 people (up from 71,000 in 2019).

These 838 companies represent only a fraction of Chinese companies doing business in the UK. In total, we identified over 15,000 companies that are part of a China-owned corporate group or are majority held by a Chinese national, up from some 13,000 last year.

Tou Ying Tracker continues to expand

This is the third consecutive year that the number of Chinese businesses in the Tou Ying Tracker has expanded. The number of Chinese businesses operating in the UK has grown by 5% from 2019, highlighting the continuing attraction of the UK as an investment destination for Chinese businesses. New entrants this year include Bright Scholar, Gate Gourmet London Ltd, Guidedraw Ltd, Lander Sports (UK) International Investment Co Ltd and Stemcor London Trading Ltd, etc.

Chinese-owned business contribute to regional economies and employment

The number of UK jobs created or supported by Chinese investment also continued to rise for the second consecutive year. Of the total, 53% of employees work for Chinese companies registered in London and the South East. The remainder (47%) – over 35,360 people – are employed in the 10 other regions of the UK, including the North West, East of England and West Midlands. Most employment (63%) is accounted for by companies filing revenues between £50 million and £1 billion.

Focus on mid-market companies reveals true spread of investment

The revenues generated by Tou Ying Tracker companies are driven primarily by a small number of large manufacturing and industrial companies with revenues over £1 billion. However, a closer focus on mid-market companies (with revenues less than £1 billion but greater than £50 million) reveals that Chinese investors are active across a range of sectors. Technology, media and telecoms, business support services, and consumer are all well represented.

Deal activity continues despite the pandemic

Mergers and acquisitions form an important component of Chinese investment in the UK. In 2020, this activity continued despite the pandemic – albeit at subdued levels. Key deals during 2020 included a £101.5 million investment into the immunotherapies development company, Immunocore, by a group of investors including Hongling (Shanghai) Equity Investment and WuXi AppTec's Corporate Venture Fund, and LionRock Capital's £100 million acquisition of a majority stake in Clarks.

A force for prosperity

The year ahead holds much hope for ongoing trade and collaboration between the UK and China. As the year starts, China's 14th Five-Year Plan gets underway and the UK begins to trade as a sovereign nation for the first time in almost 50 years. Despite the inevitable interweaving of trade and politics, and the tensions this creates, these are times of great opportunity. A strong and enduring partnership between China and the UK can be a force for future growth and prosperity in both nations.

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.

² See page 4 for definition.

Showcasing the strength of Chinese investment in the UK

We analysed data from 838 largest Chinese companies in the UK to create the Tou Ying Tracker, revealing distinct patterns of employment and growth.



£92bn

Combined turnover



75,239

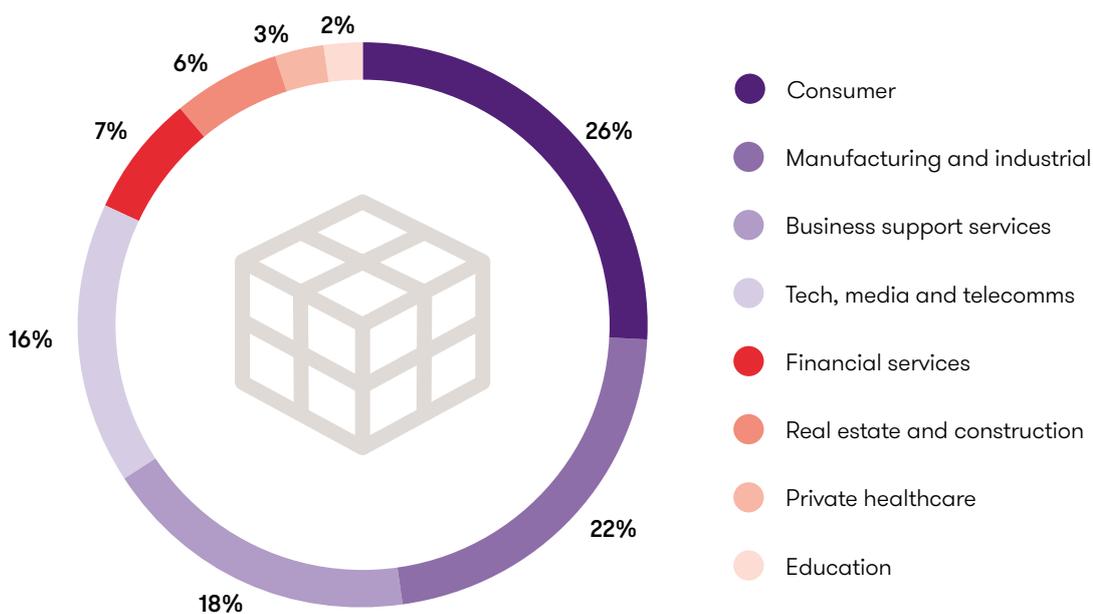
Employees



12%

Average revenue growth

Sector breakdown (number of companies)



The big picture

Chinese investment into the UK continues despite challenging conditions

As tensions between the US and China intensified, the long-standing trading and investment ties between the UK and China held strong.



The last two years presented challenging conditions for Chinese investors. The US-China trade war intensified and the Trump administration exerted severe pressure on the UK to ban Huawei from participating in the country's 5G mobile networks. At the same time, geopolitical tensions between the two countries came under spotlight.

Nevertheless, in the same year, combined exports and imports between the UK and China passed the £100 billion mark for the first time. During 2019, the total value of UK-China bilateral trade reached £104.6 billion, more than double the level it stood at 10 years ago.³ The £80 billion worth of imports and exports between the two countries⁴ make China the UK's third most important trade partner, after the United States and the European Union.⁵

UK-China economic and financial links deepen

At the 10th UK-China Economic and Financial Dialogue (EFD), which took place in London in June 2019, the two countries reaffirmed their commitment to work and strengthen economic co-operation, boost bilateral trade and investment, and deepen financial links.⁶ In the same month, the Shanghai-London Stock Connect was launched at the London Stock Exchange, enabling Shanghai-listed firms to raise new funds in London. The first listing took place within two months and one year later, China Pacific Insurance issued Global Depository Receipts on the London Stock Exchange, making it the first Chinese mainland insurer to be listed in Shanghai, Hong Kong SAR and London simultaneously.⁷

UK attracts almost one-third of all Chinese FDI into Europe

During 2019, the UK remained one of the leading destinations in Europe for Chinese investors, attracting 30% of all Chinese foreign direct investment (FDI). In the decade to 2019, the UK also became the only European country to attract cumulative investment of more than €50 billion from China. This is in the context of a continuing fall in Chinese FDI into

the European Union (EU) since 2016,⁸ caused largely by restrictions on capital outflows into sectors such as real estate and entertainment, introduced by the Chinese government to support "real and reasonable" overseas M&A deals.⁹ These investments make a direct contribution to the UK economy. In a survey conducted by CCCUK, over 73% of Chinese-owned enterprise in the UK said they reinvest all or most of their profits in the UK.

M&A activity continues despite pandemic challenges

Through 2019, the US-China trade war drove Chinese investors towards Europe, with Chinese capital showing a preference for the UK as an investment destination. However, in 2020, the pandemic and the associated restrictions on travel had a clear impact on deal volumes, with 25 deals (excluding real estate) taking place, down 46% from 2019. The total value of deals was £4.7 billion, an increase of 31% from 2019.

Throughout the year, Chinese investors continued to show a strong appetite for development capital-type deals, which accounted for 48% of overall deal volumes. In an emerging trend, Chinese companies may be looking to adapt to the UK's new National Security and Investment Bill (see graph on next page).

Deals in 2020 saw Chinese investors buying up or buying into the UK's leading capabilities in technology and biotechnology. British brands were also a target as were investments in more traditional industrial assets.

³ Office of National Statistics [ons.gov.uk]

⁴ The research focuses on Chinese investors from Mainland China

⁵ Office of National Statistics [ons.gov.uk]

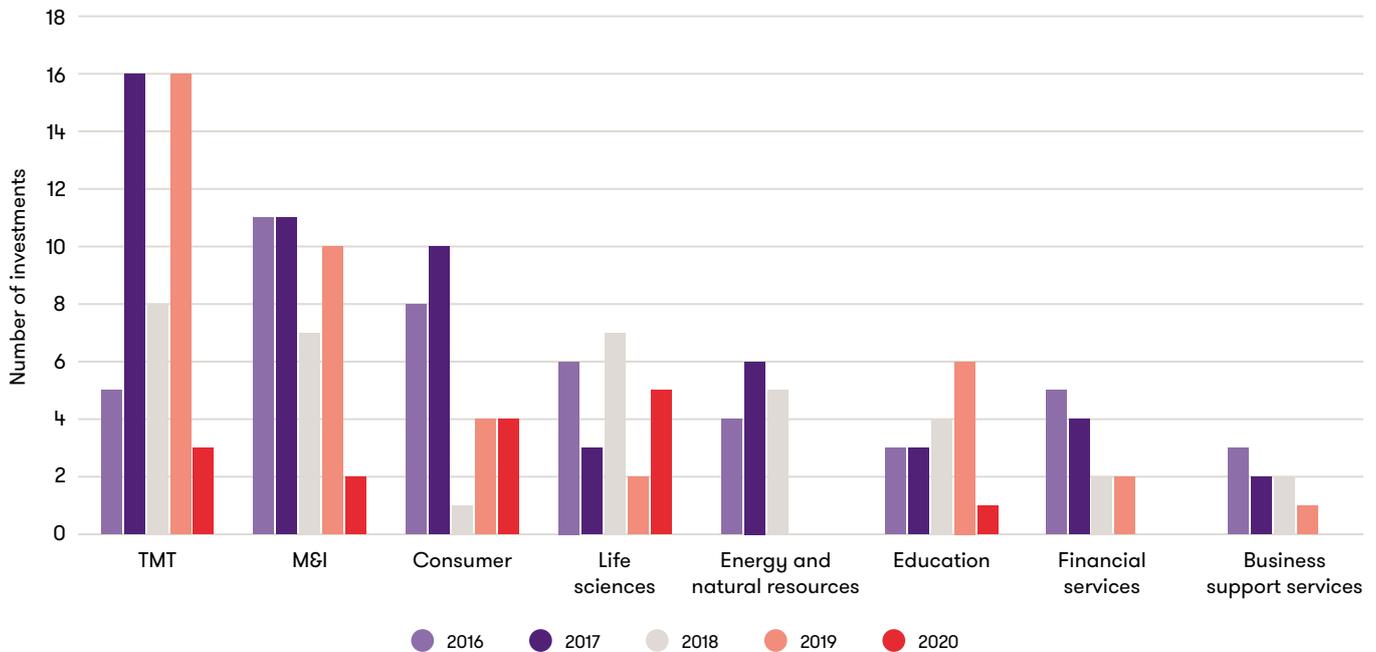
⁶ UK-China 10th Economic and Financial Dialogue: Fact sheet, gov.uk, 12 Sept 2019 [www.gov.uk/government/publications/uk-china-10th-economic-and-financial-dialogue-policy-outcomes/uk-china-10th-economic-and-financial-dialogue-fact-sheet]

⁷ China Pacific Insurance floats GDRs on London bourse, China Daily Global, 18 June 2020 [paper.chinadaily.com.cn/a/202006/18/WS5eeaba1ca3107831ec752d90.html]

⁸ Chinese Investment in Europe, 2019 Update, Rhodium Group and the Mercator Institute for China Studies, April 2020 [rhg.com/wp-content/uploads/2020/04/MERICS-Rhodium-Group_COFDI-Update-2020-2.pdf]

⁹ SAFE supports real and reasonable overseas M&A, China Daily, 23 Sept 2016, [www.chinadaily.com.cn/business/2016-09/23/content_26877486.htm]

Industry deal volumes 2016-2020



The big deals of 2020

- China Resources Group acquired UK recycling company Viridor (via KKR) in a £4.2 billion deal.
- China's leading supplier of bulk commodities, Cedar Holdings Group Co., Ltd, acquired global steel trader, Stemcor, in a deal worth £115 million.
- Weichai Power acquired Digital Applications International, a UK-based software company specialising in logistics automation solutions, in a deal worth £110 million.
- Hongling (Shanghai) Equity Investment and WuXi AppTec's Corporate Venture Fund were part of a group of investors who provided Series B funding of £101.5 million for Immunocore Ltd, an Abingdon-based biotech company.
- Private equity firm LionRock Capital invested £100 million in Clarks, one of the UK's oldest consumer brands.
- Chinese tech giant Tencent co-led, alongside Legal & General, a £39 million Series C fundraising in Cambridge-based genomics start-up Congenica.
- Cindat Capital Management announced a joint venture with US healthcare REIT Omega Healthcare Investors to buy up the remaining interest in a portfolio of 67 UK senior housing properties (total investment: £487 million).
- Huawei is offering £20 million to UK and Irish developers to create apps for the Huawei App Gallery for its flagship phones.
- Five AI, a UK start-up providing software support for autonomous vehicle development, raised £33 million in Series B funding led by Trustbridge Partners.

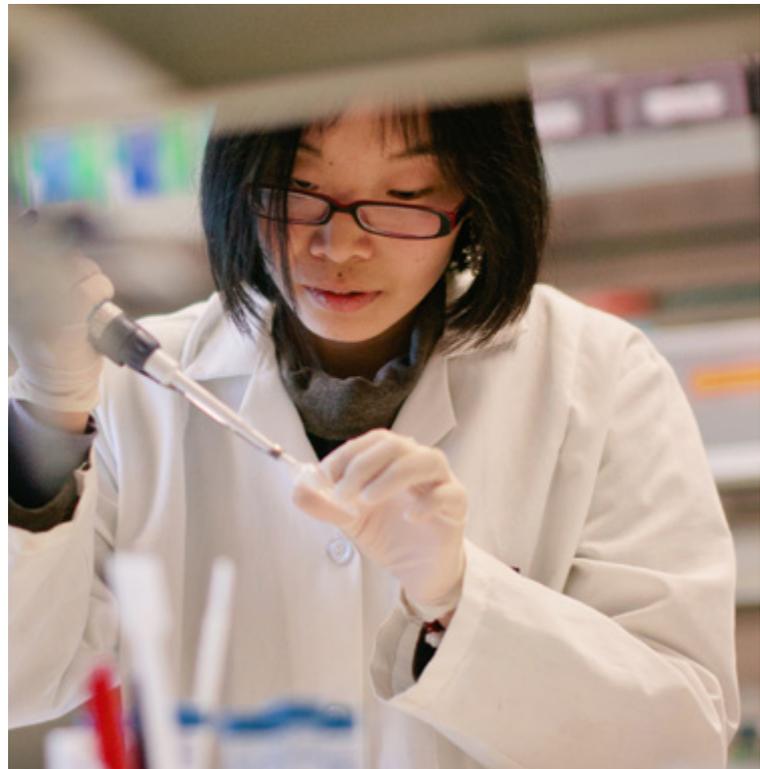
Key developments in 2020

The COVID-19 pandemic dominated 2020. On this unprecedented challenge, the UK and China found opportunities for cooperation. For example, CCCUK donated over 4.35 million medical supply items to the UK. These were widely distributed throughout the NHS, to care homes and beyond. When the virus was at its height in Wuhan, the UK government sent two shipments of medical supplies to China. Later, China helped the UK secure over 100 million much needed medical items. Both countries have since joined the COVID-19 Vaccine Implementation Plan to promote fair distribution of vaccines around the world.¹⁰

Despite pandemic-driven disruption, trade between the two countries continued to grow. For the first time, China became the UK's largest import partner and in the first eight months of the year, British exports to China increased by over 10%.¹¹ At the third China International Import Expo, held in Shanghai in November 2020, British firms signed more than £430 million of deals with Chinese companies.¹² China's plans to construct a new free trade port at Hainan, announced in 2020, should also provide new opportunities for trade.¹³

Despite these positive developments, Huawei's 5G technology continued to be a source of tension between the two countries. Although the UK government gave the green light for the limited roll-out of Huawei's 5G technology in January 2020, within six months this was changed to a ban as a result of pressure from the US. Opinion carried in China Daily argues that the ban is both a wrong and bad decision for Britain.¹⁴ By contrast, Germany accepted Huawei's 5G technology ahead of a new China-EU investment deal agreed at the end of 2020.¹⁵

In November 2020, the UK government's National Security and Investment Bill had its first reading in the House of Commons. The Bill, which is expected to be passed into legislation in 2021, will enable the government to protect businesses and assets of strategic importance to national security. The focus is on 17 strategic sectors, including advanced robotics, artificial intelligence, data infrastructure, and energy and quantum technologies.¹⁶ Greater scrutiny in these areas will slow down the decision-making process for all international investors (not just Chinese) and extend the time needed to complete deals. On the plus side, the Bill will create the certainty and transparency investors need to do business in the UK.¹⁷



Most significantly, on 24 December 2020, the UK concluded a free trade deal with the European Union. The new agreement, which replaces the UK's membership of the EU, provides for the avoidance of tariffs and quotas. But it also represents a significant change for business – one there has been little time to adjust to.

Trade will no longer be 'frictionless'. Goods being moved from the EU to the UK will now be treated as imports, with new customs and VAT procedures to navigate. In addition, some key decisions are yet to be made, with negotiations ongoing in areas such as financial services and data adequacy. Full guidance on how many parts of the new agreement will be implemented in practice is still to come.

Building back in 2021

As 2021 begins, there are hopes that life and economic activities in the UK and around the world will gradually return to normality. The roll-out of vaccines – including the Oxford-AstraZeneca jab in the UK and Sinovac Biotech in China – will put travel, education and hospitality sectors, all of which have been heavily impacted by the pandemic, on the path to recovery. Restrictions on business travel should ease, Chinese tourists can be expected to return to the UK and the number of Chinese students studying in the UK is likely to increase because of the difficulties they now face in securing visas to study in the US.¹⁸

¹⁰ Better to be friends than rivals, China Daily Global, 13 Jan 2021 [global.chinadaily.com.cn/a/202101/06/WS5ff4f9b9a31024ad0baa0b0b.html]

¹¹ British exports to China surge by 10.7% in 2020, China-Britain Business Focus, 7 Nov 2020 [focus.cbbc.org/british-exports-to-china-surge-in-2020/#.YBlkni2l3QZ]

¹² UK celebrates success at third China International Import Expo, gov.uk, 9 Nov 2020 [www.gov.uk/government/news/uk-celebrates-success-at-third-china-international-import-expo]

¹³ China FTZ Masterplan Released to Establish China's Biggest Free Trade Port by 2035, China Briefing, 5 June 2020 [www.china-briefing.com/news/hainan-ftz-masterplan-released-establish-chinas-biggest-free-trade-port-2035/]

¹⁴ Huawei ban wrong, harmful choice for Britain, China Daily Hong Kong, 15 July 2020 [www.chinadailyhk.com/article/136885]

¹⁵ Germany sets good example by embracing Huawei 5G, China Daily, 25 Oct 2019 [global.chinadaily.com.cn/a/201910/25/WS5db23ae5a310cf3e35573849.html]

¹⁶ National Security and Investment: Sectors in Scope of the Mandatory Regime, Department of Business, Energy and Industrial Strategy, Nov 2020

¹⁷ National Security and Investment Bill 2019-21, www.parliament.uk, [services.parliament.uk/Bills/2019-21/nationalsecurityandinvestment.html]

¹⁸ China issues official warning to students hoping to go to US, South China Morning Post, 3 June 2019 [www.scmp.com/news/china/diplomacy/article/3012884/china-issues-official-warning-students-hoping-go-us#:~:text=China%20issued%20an%20official%20warning%20on%20Monday%20for,who%20have%20applied%20to%20study%20in%20the%20US}]

As countries worldwide embark on economic recovery, many – including the UK – will be investing in greening their economies. This should bring new opportunities for investors in industries such as renewable energy, electric vehicles and new materials. The commitment of both the UK and China to addressing climate change and environmental challenges is highlighted by their role as hosts at two major international events this year: in May, China will host the UN Convention on Biological Diversity in Kunming (COP15), while in November, the UK will host the 26th United Nations Climate Change Conference (COP26) in Glasgow. In addition, at the 3rd China-UK Economic and Trade Forum, China confirmed its commitment to green development and the protection of the ecological environment.¹⁹

China and UK embark on new economic ambitions

A commitment to sustainable growth is emphasised in China's new five-year economic plan, which was announced in October 2020.²⁰ The plan also identifies developing self-reliance in technology as a priority, as a means of strengthening China's capacity to advance its economic and technological ambitions free from US influence. Home-grown technological capabilities will enable China to capitalise more freely on innovations in areas such as artificial intelligence, 5G and 6G networking and the internet of things (IOT), which are set to become areas of massive growth over the next few years.

The plan also outlines China's ambitions to accelerate the building of a 'dual circulation' growth pattern, with international and domestic markets reinforcing each other.

Even though China's domestic market has become an important source of growth, the country will not isolate itself from the rest of the world in order to build economic growth. The underlying message is one of rebalancing the economy through integrating internal and external circulation to enable new advantages and future development.

As China launches its new economic plan, the UK is also embarking on a new chapter in its history. Following its exit from the EU, the UK is seeking to sign bilateral free trade arrangements with countries around the world. For now, there are no negotiations on a free trade deal with China.²¹ However, the UK has applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).²² In turn, this will enable the UK to conduct free trade with China via the Regional Comprehensive Economic Partnership (RCEP) in Asia Pacific, which overlaps with the CPTPP.²³

Is this the start of a new chapter?

Hopes for a global economic recovery during 2021 are strong. This will depend on the pandemic being brought under control. In addition, the inauguration of Joe Biden as the 46th President of the United States could herald a cooling of the US-China trade war. Nevertheless, the two countries will undoubtedly continue to compete for global technology leadership. New rules announced by China's Ministry of Commerce in January 2021,²⁴ designed to counter laws and restrictions imposed by foreign countries on Chinese companies, are an indication that relations are still far from cordial.

Whichever way the international economic and political situation develops in 2021, China will play a vital role in international recovery: figures released at the beginning of 2021 suggest China could be the only major world economy to have grown in 2020.²⁵ Building on this economic strength, Chinese companies will continue to view the UK as a leading investment destination, promising the continued health of investment ties between Chinese and UK businesses. Among the advantages of the UK for Chinese investors are:

- the stability and transparency of the political, legal and regulatory environment
- access to the European market and the power of the UK 'brand' in advanced industries and lifestyle sectors
- London's global financial centre, with active deal-flows in assets allocation
- opportunities for excellent education, including strong R&D and innovation institutes
- the abundance of a skilled international workforce
- good quality of life and an advantageous time zone.

The two countries have much to offer each other as they pursue their economic ambitions. The UK's strengths in research and innovation, and the country's open economy, will continue to attract Chinese capital looking to drive the development of modern industries in China. Meanwhile, China's huge population, which includes over 400 million middle-income consumers, represents a highly attractive market for the UK as it seeks to extend its global trading activities post-Brexit.

19 Strong Sino-UK business links addressed in forum, China Daily Global, 26 Nov 2020 [global.chinadaily.com.cn/a/202011/26/WS55fbf01cda31024ad0ba96885.html]

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22 UK hopes to join big Asia-Pacific trade pact, China Daily Global, 1 Feb 2021 [global.chinadaily.com.cn/a/202102/01/WS60170eb9a31024ad0baa6471.html]

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24 China to counter 'unjustified' foreign trade and business laws, Reuters, 9 Jan 2021 [www.reuters.com/article/us-china-law/china-to-counter-unjustified-foreign-trade-and-business-laws-idUSKBN29E07Y]

25 China only major economy to register positive growth in 2020, analysts say, Morning Star, 14 Jan 2021 [morningstaronline.co.uk/article/w/china-only-major-economy-to-register-positive-growth-in-2020-analysts-say]

Tou Ying Tracker 2020

The fastest-growing Chinese companies in the UK

Chinese-owned businesses in the UK earned more revenues and employed more people than ever.



The Tou Ying Tracker continues to reflect the evolution of China's economy. Manufacturing and industrial businesses, including massive state-owned enterprises, which have enabled the development of China's industrial structure, continue to account for the bulk of Tracker revenues. Tracker businesses in this category include MG Motor UK Ltd (Nanjing Automotive Corporation UK Ltd), Thompson Aero Seating Ltd and CRRC UK Ltd. However, as Chinese businesses increasingly look to meet consumer demand for high-tech products at home and capitalise on the growth of the digital economy, companies in technology, media and telecoms have a growing presence.

The Tracker provides many examples of Chinese companies looking to expand their technology expertise through investments in UK science and innovation. For example, the internet of things (Haier Appliances UK Co Ltd), artificial intelligence (Kuka Robotics Ltd), 5G and 6G (Huawei Technologies Research & Development Ltd), cloud computing (Alibaba.com Europe Ltd), blockchain (Everledger Ltd), and electronic vehicle R&D (Nio Performance Engineering Ltd).

The Tracker also includes Chinese companies positioning themselves for the next wave of change driven by new technologies. For example, pharma, biotech and medical device (WuXi AppTec UK Ltd), smart energy solutions (Growatt New Energy Technology) and biotech (Biotest (UK) Ltd).

Number of Chinese companies in UK increases for third consecutive year

Our research this year identifies 838 Chinese-owned UK companies²⁶ doing business in the UK. This is an increase on the 795 companies we identified in 2019. Total revenues are £92 billion (up from £91 billion in 2019), while the total number of employees is 75,239 (up from 71,097 in 2019).

Among the companies in this group that filed two consecutive years of revenues over £5 million, average revenue growth is 12%. This compares with 17% for companies that met these criteria in 2019.

Revenues by sector

Manufacturing and industrial companies are the big hitters

Total revenues across the group of 838 are driven primarily by a small number of very large companies (revenues in excess of £1 billion) in the manufacturing and industrial sector. Companies in this sector account for 84% of total revenues. The next most significant sector is technology, media and telecoms, which accounts for 7%.

When companies with revenues over £1 billion are excluded, a more even spread across sectors emerges. Manufacturing and industrial as a percentage of the whole drops to 34% while other key sectors increase their share. Technology, media and telecoms, for example, accounts for 21% of revenues, business support services for 18% and consumer for 11%.



84%

of revenues (in excess of £1bn) come from manufacturing and industrial companies



90%

of revenues are derived from companies registered in London and the South East of England

²⁶ See page 4 for criteria

Revenues by location

Mid-market and small companies outside London generate more than half of revenues

Among the group of 838, over 90% of revenues are derived from companies registered in London and the South East of England. All companies filing turnover in excess of £1 billion are registered in these areas. However, when these largest companies are excluded from the analysis, a more balanced picture emerges. Among companies with annual revenues of less than £1 billion, London and the South East account for 46% and 20% respectively, followed by East of England (10%), West Midlands (7%) and North West (7%).

Employees by sector

Four sectors account for 93% of employees

Employees of Tou Ying companies are concentrated in four sectors: manufacturing and industrial (41%), technology, media and telecoms (21%), business support services (17%) and consumer (14%).²⁷ In the first three of these sectors, the majority of roles are in companies with turnover between £50 million and £1 billion.

Employees by location

Almost half of employment is with companies outside London and the South East

Although Tou Ying companies located in London and the South East make up 90% of total revenues, only 53% of employees work for companies registered in these two regions. The remainder (47%) – some 35,360 people – are employed in the ten other regions of the UK.

Revenue growth by sector

TMT companies are the fastest growing

Overall revenue growth among companies that filed two consecutive years of revenues over £5 million is 12%.²⁸ Revenue growth is highest among technology, media and telecoms companies, at an average 29%. Second in terms of growth is the business support services sector, at 8%. Private healthcare companies show average revenue growth of 7%.

Revenue growth by location

West Midlands businesses perform strongly on growth

Six regions each have at least ten companies that have filed two consecutive years of revenues over £5 million: West Midlands, London, East of England, South East, Yorkshire and The Humber, and North West. Among these locations, growth is fastest among businesses in the West Midlands, where revenues grew by an average 20%. London companies have the second fastest average revenue growth (17%) and companies in the East of England the third fastest (13.3%).

Employee growth by sector

TMT businesses show fastest employee growth

We identified 175 companies that have each had at least 20 employees in both of the last two years and have filed two consecutive years of revenues over £5 million. These are concentrated in four sectors: manufacturing and industrial (55 companies), consumer (41) technology, media and telecoms (31) and business support services (27).

Technology, media and telecoms companies show the fastest rise in employee growth at 8%, followed by manufacturing and industrial (3%) and business support services (2%). Consumer businesses showed the weakest employee figures, shrinking by -3.4% overall despite a 3% increase in employee numbers in the £50 million–£1 billion segment.

Employee growth by location

East of England performs top on employee growth

We identified six regions each with at least ten companies meeting the criteria for analysis of employee growth (see above): East of England, London, West Midlands, South East, Yorkshire and The Humber, North West. Of these, East of England showed fastest employee growth at 5%, followed by London and West Midlands, both at 2%.

²⁷ Employment in financial services is likely much higher in reality because large financial services such as Bank of China are foreign registered and therefore not included in the Tou Ying analysis

²⁸ Includes Wolverhampton Wanderers FC which shows annual growth of 500% following promotion to the Premiership.

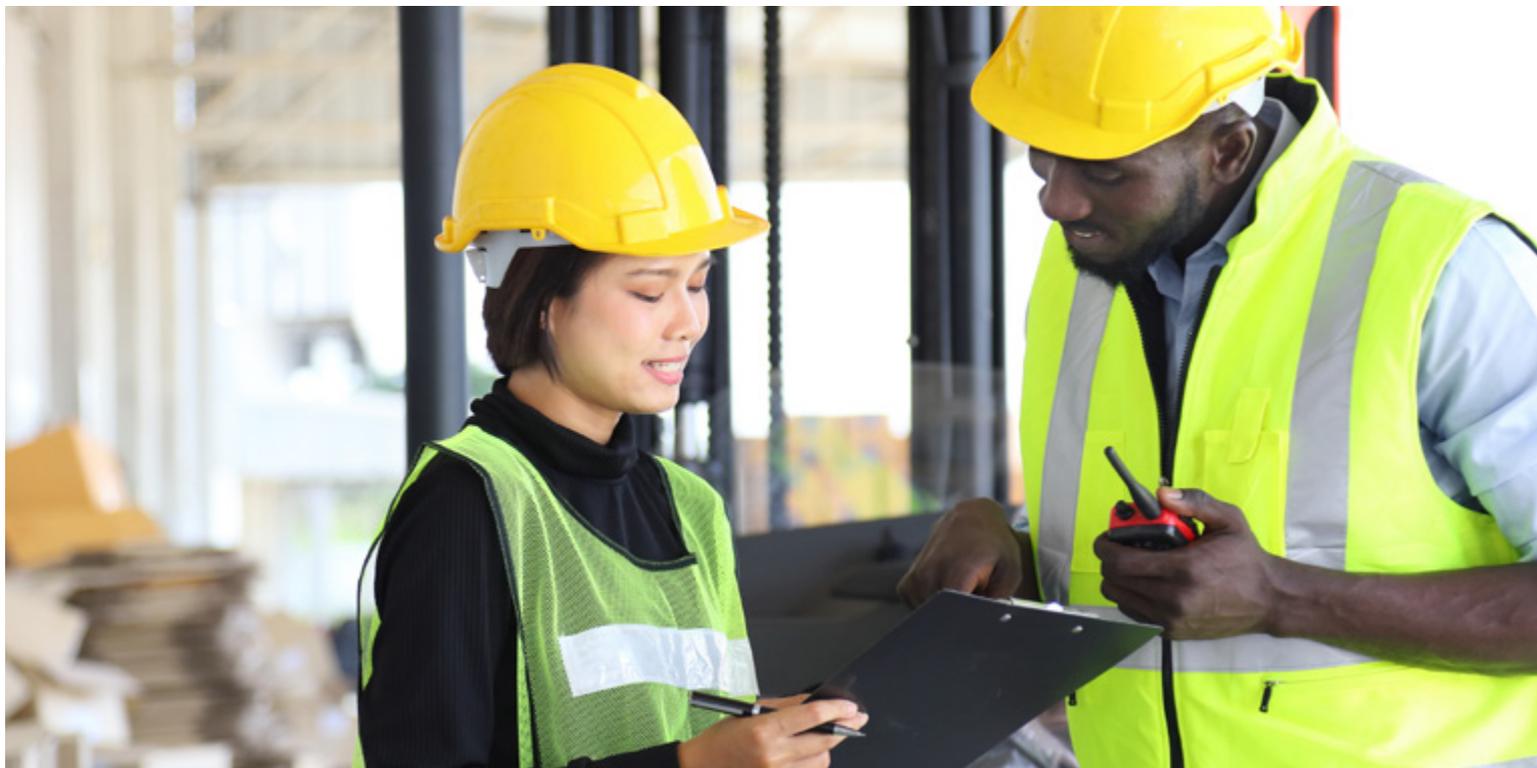
Top fastest-growing Chinese businesses in the UK

Company	Industry group and sector	Region
Alibaba.com (Europe) Ltd	Technology, media and telecom/Media	London
Auria Solutions UK Ltd	Manufacturing and industrial/Chemical	London
Bimar Company Ltd	Business support services/Transport infrastructure	London
Bio Product Laboratory Holdings Ltd	Private Healthcarehealthcare/Healthcare services	East of England
BOC Aviation (UK) Ltd	Business Support support Servicesservices/Transport infrastructure	London
BYD (UK) Co Ltd	Consumer/Travel and tourism	South East
Cherry Valley Farms Ltd	Consumer/Farming	Yorkshire and The Humber
China Aviation Fuel (Europe) Ltd	Manufacturing and industrial/Chemical and gas	London
China Mobile International (UK) Ltd	Technology, media and telecom/Telco	London
Demolition Games Ltd	Technology, media and telecom/Technology	London
Fine Organics Ltd	Manufacturing and industrial/Pharma and biotech	North East
Geely UK Ltd	Manufacturing and industrial/Automotive	West Midlands
GF Financial Market (UK) Ltd	Financial services/Asset management	London
Haier Appliances UK Co Ltd	Consumer/Retail	South East
Hikvision UK Ltd	Technology, media and telecom/Technology	London
Huawei Technologies Research & Development (UK) Ltd	Technology, media and telecom/Telco	East of England
Hytera Communications (UK) Co Ltd	Technology, media and telecom/Hardware	London
Lenovo Global Technology UK Ltd	Technology, media and telecom/IT Managed managed Servicesservices	South East
Logicor Europe Ltd	Business support services/Logistics	London
MG Motor UK Ltd (Nanjing Automotive Corporation UK Ltd)	Manufacturing and industrial/Automotive	West Midlands
Precision Technologies Group (PTG) Ltd	Manufacturing and Industrialindustrial/Industrial manufacturing	North West
Rad Phase1 Devco Ltd	Real estate and Constructionconstruction/Real estate	London
Red Rock Power Ltd	Business support services/Other	Scotland
Sinochem Resources UK Ltd	Manufacturing and industrial/Chemical	London
Supplair UK Ltd	Business support services/Other	South East
Swisslog (UK) Ltd	Logistics/Technology	West Midlands
Thompson Aero Seating Ltd	Manufacturing and industrial/Industrial manufacturing	West Midlands
Unipac UK Co Ltd	Manufacturing and Industrial/Chemical and gas	London
W.W. (1990) Ltd	Consumer/Sports	West Midlands
WZ Packaging Ltd	Manufacturing and industrial/Industrial manufacturing	West Midlands

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.

Use professional services companies for compliance/regulation advice

Professional firms are the best source of advice on complying with regulations. This type of advice is not usually provided by the UK government.

Invest in compliance advice early

Many sectors, especially financial services, are highly regulated. Pay for professional advice to ensure compliance from the start. This is usually less expensive than paying fines or suffering reputational damage as a result of non-compliance at a later date.

Consult professional opinion before entering into M&A deals

In 2021, in particular, monitor progress of the UK's National Security and Investment Bill.

Limit the number of professional advisers you approach

Asking three or four different providers to tender for a project is good, but approaching 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.

Build trust with prompt payment

Willingness to pay fees and to pay them on time is more important than exchanging gifts.

Avoid competitive sell-side tenders

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 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.

Allow plenty of time to switch auditor

New auditors are typically appointed 4-6 months ahead of year close, even for smaller, less complex companies.

Make a positive social impact

Chinese investment in the UK supports local economies and employment. Operate in a way that reflects these responsibilities.

Be sensitive to work/life balance

In the UK, employees have a range of rights to help them balance their work and personal lives.

Invest in good media relations

The UK press will often approach businesses for comment on their activities. Good public relations will help ensure businesses are given a fair hearing.

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 are treated differently to other international participants. This feeling can be amplified by reporting in the UK's investigative press.



High compliance and regulatory costs

For large corporates, the costs of running an SME subsidiary in the UK are significant, and include costs associated with securing licenses 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. 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 recruitment and retention, corporate governance, and policy and procedures is a work in progress.



High employment costs

Chinese companies investing in the UK must contend with complicated immigration rules, employment taxes and employment regulation. 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's China Britain Business Group has worked with Chinese business for many years. We use our cultural understanding to add value for our clients and help unlock their growth potential in the UK.

We can help you:

- set your UK strategy
- finance your growth
- maximise stakeholder value
- optimise your operations
- set your employment strategy.

We can also:

- guide you through UK reporting requirements to protect the integrity of the business
- help with tax planning to ensure that investments are structured in the most tax-efficient way
- advise on matters such as VAT and employer's tax and pension contributions.

Contact us

If you need help setting up in the UK or maximising the value of your existing UK operations, please contact:



Simon Bevan

Head of China Britain Business Group, Grant Thornton UK LLP
T +44 (0)20 7728 2141
E simon.bevan@uk.gt.com



Dr Ian Zhu

Head of China Investment China Britain Business Group, Grant Thornton UK LLP
T +44 (0)20 7184 4787
E ian.zhu@uk.gt.com

Appendix

M&A deals and fundraising 2020

Investor/target	Target description	HK/CN	Type	Acquiror type	Industry	Subsector	Quarter	Deal Value m GBP
Black Crane/Capital Regional	Real Estate	HK	Minority stake	VC/PE	Real Estate & Construction	Real Estate	Q4 2020	3.3
K&K Property Holdings/Endeavour House	Construction	HK	Acquisition	Private	Real Estate & Construction	Real Estate	Q4 2020	115
Care Capital/Neoss	Dental implants manufacturing	CN	Acquisition	VC/PE	Healthcare	Healthcare supplies	Q4 2020	
K&K Property Holdings/Corinthian Bouse	Real Estate	HK	Acquisition	Private	Real Estate & Construction	Real Estate	Q4 2020	67
Wing Tai/Athene Place	Construction	HK	Acquisition	Private	Real Estate & Construction	Real Estate	Q4 2020	262
Tencent/Congenica	Medical Tech	CN	Development Capital	PLC - Shenzhen	Life Sciences	Medical Technology	Q4 2020	39
Lifestyle International/St. James Square	Construction	HK	Acquisition	PLC - HKSE	Real Estate & Construction	Real Estate	Q4 2020	235
Lion Rock Capital/Clarks	Shoe manufacturer	CN	Minority stake	VC/PE	Consumer	Consumer goods manufacturing	Q4 2020	100
Mandy Lieu/Ewhurst Park	Real Estate	CN	Acquisition	Private	Real Estate & Construction	Real Estate	Q4 2020	28
Equitix Investment Management & Tuspark Technology Investment(LP)/MapleCo	Smart meter	CN	Acquisition	VC/PE	Business Support Services	Technology Manufacturing	Q4 2020	
HitGen Inc/Vernalis (R&D) Ltd	Pharma	CN	Acquisition	PLC-Shanghai	Pharma	Pharma & Biotech	Q4 2020	
Yongli Belt Industry/R. F. Clarke	Production and supply of synthetic conveyor belts and components	CN	Acquisition	PLC - Shanghai	Manufacturing & Industrial	Industrial manufacturing	Q4 2020	1.1
CR-CP Life Science Fund/ReViral	Anti-viral Respiratory Syncytial Virus drugs R&D	CN	Development Capital	JV	Life Sciences	Pharma & Biotech	Q3 2020	33.7

Investor/target	Target description	HK/CN	Type	Acquiror type	Industry	Subsector	Quarter	Deal Value m GBP
Link Asset Management Limited (Link REIT)/ The Cabot	Grade A freehold 17-storey office building in Canary Wharf	HK	Acquisition	PLC - HKSE	Real Estate & Construction	Real Estate	Q3 2020	380
Ningbo SUMSCOPE Information Technology Co., Ltd/ Axetrading	Fixed income trading software company	CN	Development Capital	VC/PE	TMT	Fintech	Q3 2020	
China Resources Group (Planets UK Bidco Ltd.) via KKR/ Viridor	Recycling and waste business	CN	Acquisition	VC/PE	Business Support Services	Waste management	Q3 2020	4200
Zhejiang Xinao Textiles/Todd & Duncan Kinross	Cashmere manufacturer	CN	Acquisition	PLC - Shanghai	Consumer	Consumer goods manufacturing	Q2 2020	4.8
Jiajiayue Holding Group & Yunnan Metropolitan Construction Investment Group & Suhua He (Via Cooks Global Foods Ltd)/ Triple Two Coffee	Coffee shop franchise	CN	Acquisition	Private	Consumer	Consumer services	Q2 2020	3.9
Tenacity Group/HB Reavis	Construction	HK	Acquisition	PLC - HKSE	Real Estate & Construction	Real Estate	Q2 2020	121
Next Leader Fund/ Wigan Athletic	Football club	HK	Acquisition	Private	Consumer	Sports	Q2 2020	41.9
Bits X Bites/Tropic Biosciences	Start-up, develops high yielding coffee and banana crops	CN	Development Capital	PE/VC	Life Sciences	Pharma & Biotech	Q2 2020	22.7
GT Healthcare Capital Partners/ Exscientia (follow on round)	AI-based drug discovery platform	HK	Development Capital	PE/VC	Life Sciences	Pharma & Biotech	Q2 2020	49.2
Lifestyle International/Land Security	Real Estate	HK	Acquisition	PLC - HKSE	Real Estate & Construction	Real Estate	Q2 2020	50.1
TTB Partners/M7 Real Estate	M7 Real Estate Ltd	HK	Acquisition	Private	Real Estate & Construction	Real Estate	Q2 2020	
QBN Capital/ Navenio	Indoor localisation technology	HK	Development Capital	PE/VC	TMT	Software	Q2 2020	9
Pacific Eagle Investments (via Alpha Intelligence Capital GP Sarl)/ Envelop Risk Analytics	Cyber and insurance technology firm	HK	Development Capital	Private	TMT	Fintech	Q2 2020	4.9
Y11 Sport & Media/ Ospreys Rugby	Rugby club	HK	Acquisition	Private	Consumer	Sports	Q2 2020	

Investor/target	Target description	HK/CN	Type	Acquiror type	Industry	Subsector	Quarter	Deal Value m GBP
Healthcare Co.Ltd/Otty (increased stake from 13% to 28%)	Mattress manufacturer	CN	Acquisition	PLC - Shanghai	Consumer	Consumer goods manufacturing	Q2 2020	
Shenzhen Fortune Venture Capital & Guangdong Technology & Jiangsu Yida Equity investment fund & China Aerospace Hi-tech & China Internet investment fund & Dongying Financial Holdings/Kokoage (2nd funding round)	Online retailer of home ceiling lights and lamps	CN	Development Capital	VC/PE	Consumer	Retail	Q2 2020	20
QBN Capital/Amplify Ltd	Data analytics using AI	HK	Development Capital	VC/PE	TMT	Software	Q2 2020	4
QBN Capital/Applied Blockchain Ltd	Provider of business applications using blockchain and cryptography	HK	Development Capital	VC/PE	TMT	Software	Q2 2020	2
Zhejiang Puhuatianqin Equity Investment Management/Perspectum	Medical device manufacturer	CN	Development Capital	PE/VC	Life Sciences	Medical Technology	Q2 2020	28.8
Convoy Global Holdings/Tandem Money	Digital retail bank	HK	Minority stake	PLC - HSKE	Financial Services	Banking	Q2 2020	10
Mr Yu Meng/Abbots Langley & North Bushey preschools	Preschools	CN	Acquisition	Private	Education	Education	Q2 2020	
Cassia Investments/Cambridge Satchel Co	Handbag manufacturer	HK	Development Capital	VC/PE	Consumer	Consumer goods manufacturing	Q2 2020	
Fast East Consortium/Whitechapel Square	Construction	HK	Acquisition	PLC - HKSE	Real Estate & Construction	Real Estate	Q2 2020	
ONE Heritage Property Development (via ONE Heritage Complete Limited)/Letting Complete Ltd	Real estate agency	HK	Acquisition	Private	Real Estate & Construction	Real Estate	Q1 2020	
Boston Merchant (HK) Limited (via Boston International Holdings PLC)/Alexanders Discount	Invoice finance support	HK	Acquisition	Private	Financial Services	Banking	Q1 2020	
North Summit Capital/Lingumi	Edtech start-up	CN	Development Capital	VC/PE	Education	Education	Q1 2020	4

Investor/target	Target description	HK/CN	Type	Acquiror type	Industry	Subsector	Quarter	Deal Value m GBP
Shanghai Trust Bridge Partners Investment Management LLC/ Five AI	Autonomous vehicle driving and mobility support software developer	CN	Development Capital	PE/VC	TMT	Software	Q1 2020	32
Hongling (Shanghai) Equity Investment & WuXi AppTec's Corporate Venture Fund/Immunocore	Immunotherapies R&D	CN	Development Capital	PE/VC	Life Sciences	Pharma & Biotech	Q1 2020	101.5
Morningside Group/ Evonetix (follow on round)	Synthetic DNA R&D	HK	Development Capital	PE/VC	Life Sciences	Pharma & Biotech	Q1 2020	23
Weichai Power/ Digital Applications International Ltd (indirect)	Software for supply chain automation	CN	Acquisition	PLC - Shanghai	TMT	Software	Q1 2020	110
Zhejiang Puhuatianqin Equity Investment Management Ltd/ Inotec Amd	Medical device manufacturer	CN	Development Capital	PE/VC	Life Sciences	Medical Technology	Q1 2020	7
GT Healthcare Capital Partners/ Oxford VR	Therapeutic virtual reality developer	HK	Development Capital	PE/VC	Life Sciences	Medical Technology	Q1 2020	8.4
Cedar Holdings/ Stencor Global	Steel trader	CN	Acquisition	Private	Manufacturing & Industrial	Metals	Q1 2020	
Huawei	mobile operating system investment	CN	Development Capital	PLC - Shenzhen	Technology	Mobile operating system	Q1 2020	20
Henan Lanxing Power Equipment Co., Ltd/Logan Energy Ltd	Hydrogen fuel cell manufacturer	CN	Development Capital	Private	Manufacturing & Industrial	Industrial manufacturing	Q1 2020	1
Zhao Songqiao/2-8a Rutland Gate	Construction	CN	Acquisition	Private	Real Estate & Construction	Real Estate	Q1 2020	210
Makers Fund in funding round/ Dribbble Media	E-sports betting platform	HK	Development Capital	VC/PE	Consumer	Consumer services	Q1 2020	1.9
Cindat Capital/ Healthpeak Properties	Construction	CN	Acquisition	VC/PE	Real Estate & Construction	Real Estate	Q1 2020	487

