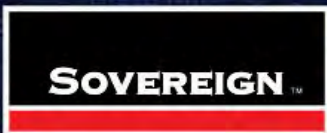


↔ - FOR THE BEST EXPERIENCE USE AN ETHERNET CABLE TO CONNECT

📺 - THE PRESENTATIONS WILL BE SHARED AFTERWARDS

📹 - THE WEBINAR WILL BE RECORDED

👤 - BEHIND THE SCENE WE HAVE A MODERATOR THAT CAN HELP IF YOU HAVE TECHNICAL ISSUES, USE THE CHAT WINDOW TO CONNECT



CONNECT TO THE MODERATOR:

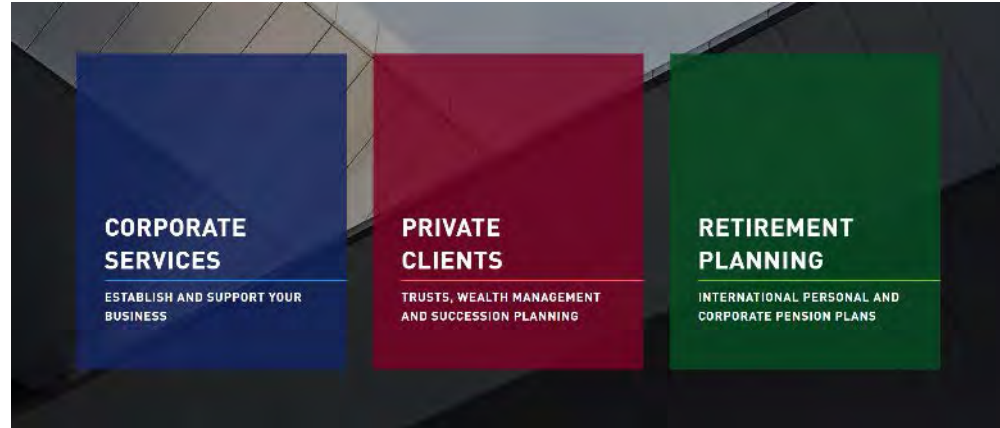


CHINA 101: A BIG STEP?

Join us for an overview on market entry, setup and location

50 MINUTES OF YOUR TIME

- MODERATOR
- ROBERT GORRIS
- Senior Sales Consultant Northern Europe
- rgorris@sovereigngroup.com



2 SPEAKERS, 3 TOPICS



- CHINA MARKET ENTRY
- SETTING UP A PERMANENT ESTABLISHMENT IN CHINA



- JINAN INNOVATION ZONE
WHAT IS IT AND WHY THERE

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SOVEREIGN™

ENTERING THE CHINA MARKET...

WHAT CAN POSSIBLY GO WRONG?

Mark Ray – Managing Director | Sovereign (China) Limited

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PERCEPTION: China is a WONDERLAND



**REALITY:
It's a
MINEFIELD**



WHY

is China
challenging?

1.

Geographically Fragmented



2.

Frustrating Regulatory Environment

Rule by Law vs. Rule of Law

Vague and Confusing Regulations

Multiple Agency Jurisdiction

Uneven Enforcement

3.

Rapid Development

30
years





Fashion

30
years

SOVEREIGN



30
years

Transportation

4.

Immature Market



Highly Fragmented



Minimal Brand Value*



Price Usually Key

5.

Local Company Advantage

Pre-establishment restraints on FIEs*

Targeted regulatory enforcement

Government support
(financial & non-financial)

Indigenous Innovation Policies

Limited financing options



6.

Corporate Rigidities



Mindset



Strategic



Operational



HRM



HOW

to address the
challenges?




Ask At Least These 5 Questions



Are products/services suitable?



What is the competitive situation?



Are potential partners needed?



What is the best channel to market?




What structure (if any) is needed?*

The image features a dramatic silhouette of two hikers on a mountain peak against a bright, hazy sky. One hiker is on the left, leaning forward and reaching out with their right hand to assist the second hiker. The second hiker is on the right, standing on a rocky outcrop and leaning back, with their left hand resting on the first hiker's hand. The scene conveys a sense of teamwork and mutual support. In the top left corner, there is a small red horizontal bar. Below the word 'Commitment', there is a white horizontal line.

Commitment

SOVEREIGN



**Don't Check
Your Brain at
the Border**

SOVEREIGN

Know What You Don't Know

What You Know



What you Don't Know



Protect Yourself





China is
a LOW-TRUST,
SHAME BASED
society





**Don't Rely
on "Guanxi"**

SOVEREIGN



Be Mindful
of
“ChaBuDuo”

差

不

多



Key Takeaways



Learn



Hire



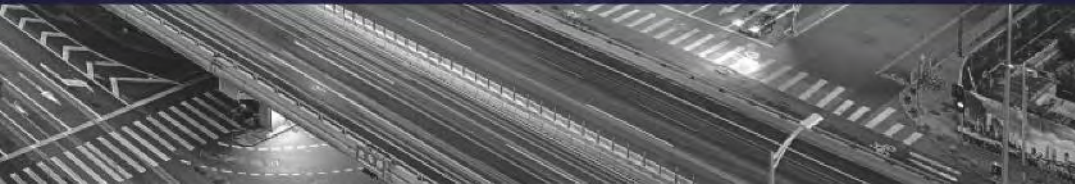
Outsource / Partner

Obtain the Necessary Expertise



Work With People You TRUST

DOING BUSINESS IN CHINA



Access Other Resources

<https://www.sovereigngroup.com/china/china-market-entry-handbook/>

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CORPORATE STRUCTURING IN CHINA

HOW AND WHERE SHOULD YOU INVEST?

Mark Ray – Managing Director | Sovereign (China) Limited

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WHY

Enter
China?



What is the Strategic Reason for Entry



Attractive Market



Pull Factor



Competitive Threat



Push Factor



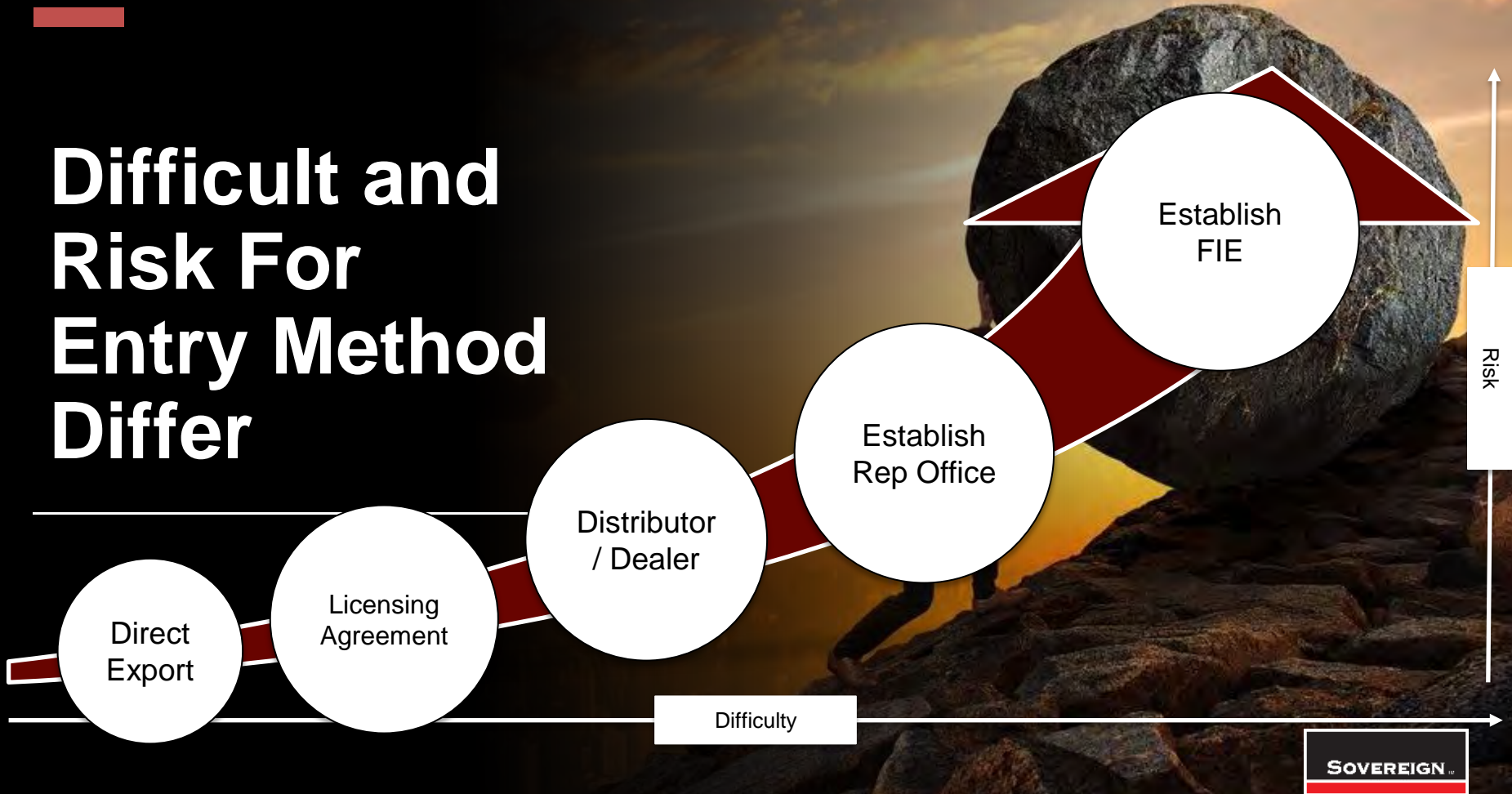
Cost Saving



HOW

Can You Enter
China?

Difficult and Risk For Entry Method Differ

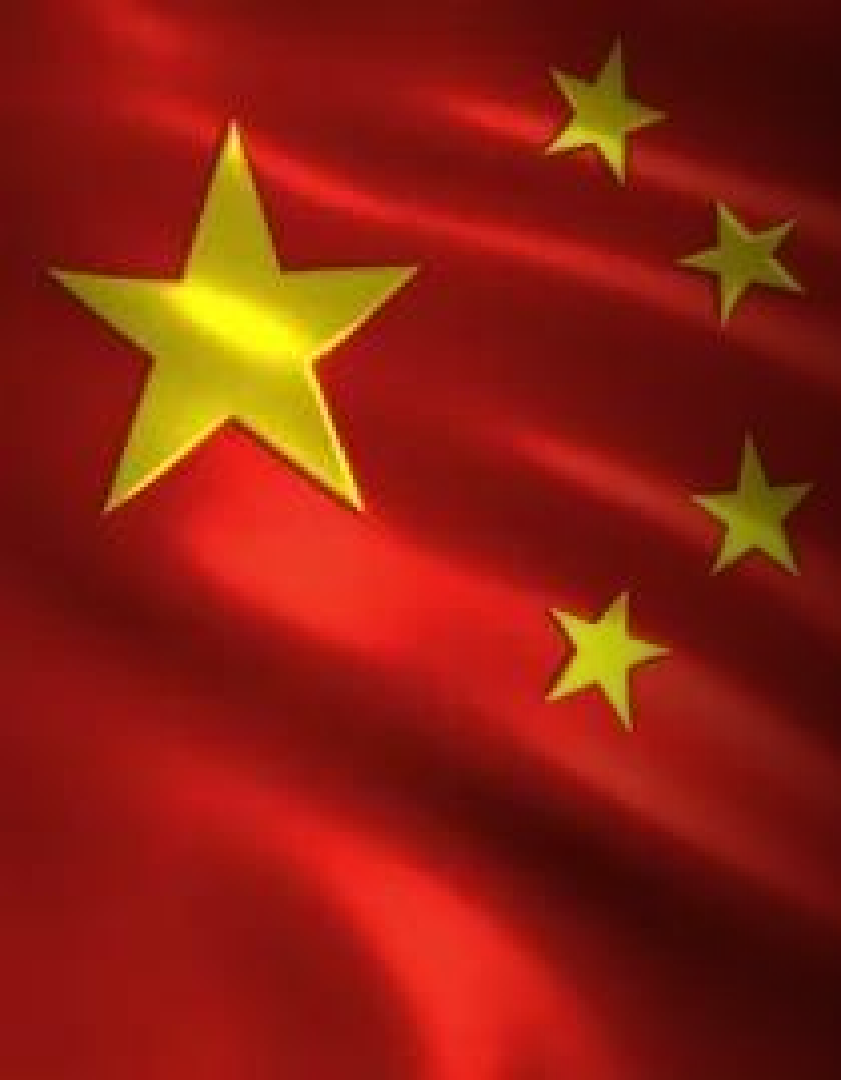




**Establishing
an FIE is the
Most Difficult
Option**


Establish
FIE

- Expensive
- Commitment
- Risk



WHAT

Structure is
Right?



RO are Relatively Simple Structures



Seasoning Requirement



Extension of Parent Company



Limited Activity Scope



Taxed on Expenses



Typical FIE is the WFOE



Wholly Foreign Investment



Limited Liability Company*



Most Commercial Activities Allowed**



Registered Capital Requirements



JV – Most Complex Structures



Useful for Restricted Industries



Potential Faster Time-to-Market



High Risk of Failure



Important to have Exit Strategy



A Holding Company Can Be Used



Can Act As a Buffer



May Optimize Taxation



Easier to Change Shareholders



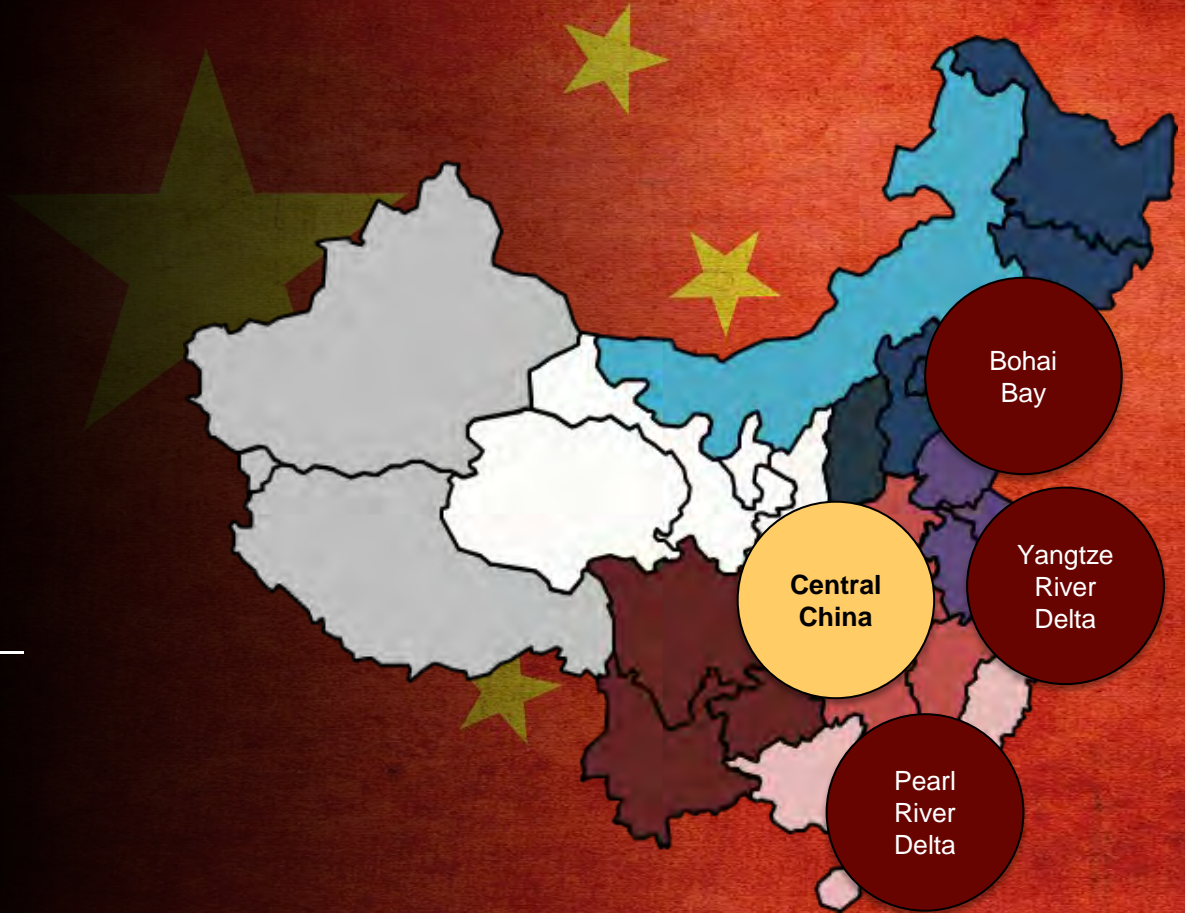
Effective Management Rule Applies



WHERE

Should You
Setup?

China Has Several Regions – All Different



Cities Are Divided Into Tiers



TIER 1: GUANGZHOU

Tier 1 and Tier 2 Cities
Are Key



TIER 2: WUHAN

SOVEREIGN^{TV}

Four Tier 1 Cities



~45 Tier 2
Cities in
China





Key Takeaways



Reasons For Entry Differ

It is important that available resources are sufficient for entry method



Multiple Ways to Enter the Market

Establishing an Entity –
RO, WFOE, JV – are the
most difficult entry method



Location for Entity is Important



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JINAN INNOVATION ZONE (JIZ)

INTRODUCTION AND COOPERATION POSSIBILITIES

Jinan - Main Information

Capital of Shandong Province, famous "City of Springs"

With ca. 100 million inhabitants, Shandong is China's second biggest province according to population and third biggest province according to GDP

Jinan has a total area of 10244km² with a permanent population of 9 million

Center for politics, culture, economy, education, traffic & transportation and science and technology in Shandong

One of the fastest growing Tier-2 Cities in China / in 2020 growth rate of 4,9% inspite of COVID-19 pandemic / Among the 1 trillion GDP City Club

Important traffic and transport hub within China

71 universities and colleges with more than 700.000 students

Germany played a big role in Jinan at the beginning of the 1900s (construction of Jinan train station, railways, cinemas, etc.), with positive influence up to now regarding cooperation between Jinan and Europe



Location

Optimal geographical location directly between Beijing and Shanghai; 1.5h to Beijing and 3h to Shanghai;

Jinan connects the biggest economic Regions Bohai Economic Rim (Beijing, Tianjin, Dalian) and Yangtze River Delta



Jinan Innovation Zone (JIZ) - Main Information

The JIZ is the High-Tech Zone/Investment Zone/Economic Development Zone in Jinan



One of the first national-level high-tech development zones



Over 50,000 companies



Covers an area of 318 km²

According to an official ranking published by the MIIT in 2019, Jinan Innovation Zone ranks 11th of all 168 economic development zones in China, and ranks 1st in Shandong Province.

Info: The first batch of national level High-Tech Zones have been set up by the state council in 1991 to push forward regional economic development. They provide preferential policies for Foreign companies to settle down.

JIZ - Guiding Industries and Industry Parks

ELECTRONIC INFORMATION

QILU SOFTWARE PARK



Over 2,400 electronic information companies with close to 200,000 employees:

Software
Big Data
New generation of information technology (NGIT)
Cloud computing
Artificial intelligence(AI)
Internet of Things (IoT)
Integrated Circuit Design
Chip Production

INTELLIGENT EQUIPMENT

INTELLIGENT EQUIPMENT CITY

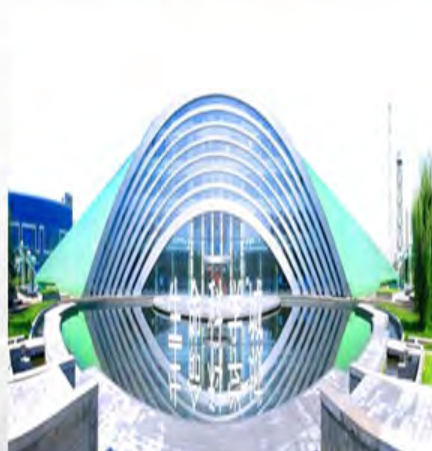


Over 1,500 companies related to the fields of intelligent equipment manufacturing:

Traffic Equipment
Equipment for renewable energy
Transmission and distribution equipment
Engineering machinery
Intelligent robots
General Aviation
New materials
Aerospace

LIFE SCIENCES

LIFE SCIENCE CITY



More than 3000 life science companies:

Bio-Medicine
Medical Equipment
Anti-Aging Cosmetic Products
Health Care

MODERN SERVICES

HANY GOLD VALLEY



Over 700 financial companies:

Financial Services
Logistics

JIZ - Representative companies

ELECTRONIC
INFORMATION

QILU SOFTWARE PARK

 **浪潮**

Inspur is China's leading cloud computing and big data service provider, China's biggest company for server manufacturing

INTELLIGENT EQUIPMENT

INTELLIGENT EQUIPMENT
CITY


中国重汽
SINOTRUK

China's biggest heavy duty truck manufacturer

LIFE SCIENCES

LIFE SCIENCE CITY

 **齐鲁制药**
QILU PHARMACEUTICAL

Biggest Biomedicine company in Shandong

MODERN SERVICES

HANY GOLD VALLEY

 **中泰证券**
ZHONGTAI SECURITIES

 **NANOLN**

Lithium Niobate thin films manufacturer for wafers


GEELY

China's third biggest car manufacturer

 **华熙生物**
BLOOMAGE BIOTECH

Famous biomedicine company

 **蓝孚股份**
VANFORM

 **神思**
SYNTHESIS

Robotics and Face Recognition

 **bodor** laser

Laser Machine Manufacturer

 **赛克赛斯**
SUCCESS

Medical Equipment

 **山东黄金集团有限公司**
SHANDONG GOLD GROUP CO., LTD.
SD-GOLD

Overseas Offices

Dresden, Germany



Stuttgart, Germany



Rotterdam, Netherlands



Vantaa, Finland



London, UK



Tel Aviv, Israel



Sino-German (Europe) SME Cooperation & Communication Conference (SMEC)

Known Politicians



European City Exhibitor



Match-Making Activity



Communication Wine Party



Project Signing Ceremony Panel Discussion



European science parks cooperation



In April 2019 the JIZ Life Science City signed a cooperation agreement with Leiden Bioscience Park. The objective is to stimulate and facilitate the exchange of knowledge, technology and business.

In November 2019 JIZ signed a cooperation agreement with Sophia Antipolis in Cote d'Azur in south of France. This park is famous for information technology and healthtech. JIZ and Sophia are developing a common brand to organise a series of exchange activities between Jinan and France, like company matchmaking and webinars.

JIZ is also open for more cooperations with other European science parks and industry clusters, because it opens more opportunities for exchange, which can be beneficial for both sides.

- assisting foreign companies with their China plans to realize project in Jinan (factory establishment/renting, JV establishment; looking for cooperation partners in JIZ)
- Establishing contacts between Chinese and Foreign companies:
- contact to JIZ companies directly but also to relevant government departments

- Held for consecutive 6 years since 2015 with yearly bigger influence
- China-European event with more than 200 foreign representatives (SMEC 2019) from more than 20 countries
- Promote Jinan and Jinan Innovation Zone and to establish cooperation relationships between foreign and Chinese companies

JIZ - Foreign Companies



Global leader in automotive engine cooling systems and automotive air conditioning systems



Swedish WFOE - Leading company for Bearing technology & manufacturing



Automotive Spare Part Supplier



Heavy commercial vehicles suspension systems Supplier



Service Provider in different automotive subdivision markets - manufacturer of key spare parts



Turbocharger Manufacturer



博世 科技成就生活之美
Steering system technology solution provider



Automotive key spare part manufacturer



Solution Provider for commercial vehicle control systems



Tools, service and technical solutions for the mining and construction industries



Automotive Manufacturer



Spice mixtures and seasoning blends for the food industry



Leading manufacturer of independent automation software for engineering control systems.



Heat transfer technology and fluid technology



Global investment manager and business builder in logistics, real estate, infrastructure, finance and related technologies

- Overall introduction of main foreign companies in the JIZ
- Most are active in the automotive industry and mechanical engineering industry
- Also other industries represented



Leading company in industrial automation
- built biggest factory on the globe in JIZ

JIZ- Competitive advantages

Strategic location for transport and traffic

- located directly in the middle between Beijing and Shanghai
- Connecting Bohai Economic Rim (Beijing, Tianjin, Dalian) and Yangtze River Delta
- Close to sea port Qingdao for export, EU-China Freight Train station



Lower Cost Level than tier 1 cities

- Ca. 35% lower wages than Beijing, Shanghai, Shenzhen
- Lower costs for living (housing prices, rent, etc)
- Lower prices for land-use-rights and construction costs



High level of education

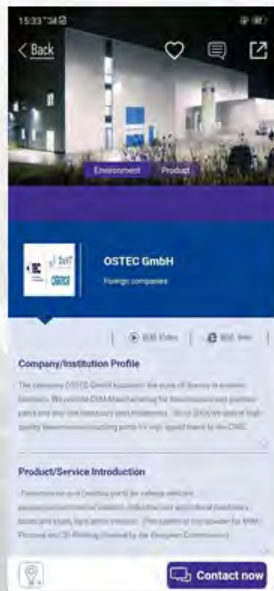
- Direct contact with 55 vocational institutes, hiring special technical staff and talents by companies is strongly supported by the JIZ
- Highest number of graduates within China (585.871), ranking 1st in China, providing a high number of graduates and personnel for companies
- Dual Vocational System together with AHK and European companies



Soft landing for foreign companies

- Overseas offices providing 'soft landing' services
- Establishing contacts between Chinese and Foreign companies
- Assistance regarding related questions/issues/hurdles to realize China plan





SMEC CLOUD MATCH-MAKING APP

- Match-Making APP for mobile Phone (Iphone and Android version) available
- On Iphone, the APP can be simply downloaded via APP Store. Android APP needs to be downloaded through on the website www.smecjinan.com
- APP has been developed due to coronavirus situation; SMEC 2020 was an online event.
- Find Information about JIZ companies and contact them
- Overseas offices provide assistance for registering process and for contacting potential partners
- The APP also works as a database and marketplace, where companies can find information about each other
- Sign up and find your potential partner!

JIZ- Preferential Policies



JIZ contact information

Website: www.jinaninvest.com

SMEC Matchmaking app: www.smecjinan.com

Linkedin: <https://www.linkedin.com/company/jinan-innovation-zone-china>

Jinan newsletter: www.jinaninvest.com/newsletter

European representative office of JIZ
Rotterdam World Trade Center, Netherlands

Contact person: Jan Hopma

Email: jan_hopma@ciic.cn

Tel: +31 651054617



Q&A

Mark Ray



Robert Gorris



Jan Hopma



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1. A CONVERSATION ABOUT CHINA:
— FREQUENTLY ASKED QUESTIONS



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DOING
BUSINESS IN
CHINA

THANK YOU FOR JOINING

TO CONNECT TO MODERATOR:

LINKEDIN



Robert Gorris

Making China Easier | China market entry
corporate setup | Global Business Developer



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Robbert

China's Market



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