

Supply Chain Transformation Solutions

Making sustainable change



普华永道

一带一路全景平台
—— Belt & Road United ——
分享 | 共赢 | 探索丝路新商机



Unlocking the potential of the Belt & Road

China's Belt & Road Initiative is spurring a growing number of local and multinational corporations to fundamentally re-think their supply chains. They see exciting opportunities created by new markets, new supplier relationships and by new tax and regulatory environments.

To make the most of these opportunities, companies need an understanding of all the markets along the Belt & Road. They may require access to new sources of financing. Tax and legal advice can help them steer their way through unfamiliar environment. They will also need systems to manage risk and advice on implementing their new supply chain strategy. PwC can help address these needs to ensure your Belt & Road strategy achieve its full potential. We look forward to working with you.



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Well placed to help your transformation



In an increasingly competitive environment, many corporations will be prompted to reconfigure their supply chains to leverage business opportunities or to better manage regulatory requirements. As we outline in this brochure, for your Supply Chain Transformation (SCT) to achieve its full potential all processes and operations need to be optimally aligned.

At PwC we have the tools, skills and experience to help transform every aspect of your supply chain. With offices in around 100 locations in Belt & Road countries, we are also ideally placed to help you make the most of this tremendous opportunity. Contact us for impartial and well-informed insights.

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Since its launch, the Belt and Road Initiative has been committed to establishing a new-style platform to promote regional and global economic cooperation. In witness of the enormous opportunities brought about from the Initiative and the trends of globalisation in today's macroeconomic climate, a growing number of Chinese enterprises are looking to transform and upgrade their industrial chain models. By expanding and diversifying their production footprints, these enterprises can greatly improve their competitiveness in the global economy.

Supply-side structural reform has been a focus of PwC Belt & Road United. Accordingly, we have launched "Supply Chain Transformation Integrated Services" to address potential clients' needs under the new international trade environment. Against the backdrop of global trade frictions and China's advancing supply-side structural reform, we hope to help Chinese enterprises upgrade and transform supply chain and build competitive edge to counter potential challenges in the market.

PwC has a well established network among Belt and Road countries, where Chinese enterprises are likely to look to in relation to outbound investments or establishment of new business process and operations. We will utilise our global network to assist you in your supply chain transformation needs.

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Making sustainable change

Transforming your business to achieve tax, financial, legal and operational alignment

Domestic and multinational corporations' supply chains and other business operations are increasingly spread across regions. They are impacted by rapidly changing government and environmental regulations, trade policies and shifting customer demands. China's Belt & Road initiative has played a major part in transforming connectivity along trade routes, reshaping supply chains and creating opportunities for companies in participating Belt and Road countries.

Businesses look to reconfigure operating models in their search for value and growth. Failure to align operating models, tax, legal and financing structures with business

goals can mean a loss of operational efficiencies and unnecessary costs. This then acts as a brake on competing and winning.

Aligning all these elements during a change in business operations or diversification of supply chain locations will allow you to optimise profitability, increase efficiency and create a solid foundation for sustainable growth. Supply Chain Transformation can enable businesses to overcome challenges and compete successfully in complex business environments.



What is Supply Chain Transformation?

Optimising your business processes and systems to achieve financial, tax, legal and operational alignment will allow you to deliver profitability, increase efficiency and create a solid foundation for sustainable growth. This journey is what we call Supply Chain Transformation (SCT).

PwC's SCT services offer an integrated portfolio of tax & legal, consulting, risk assurance and corporate finance services. These can be deployed to support our clients to align and optimise their business, financing, tax and legal operating models to deliver sustainable financial benefits, both above and below the line, during SCT.

Optimising your business processes and systems to deliver competitive customer service can be a major challenge - parameters such as technology, labour mobility and legislation

vary across jurisdictions, and can be in constant flux.

SCT projects are driven by aligning strategic, operational and financial needs. We seek to help our clients improve their business models while relocating or redesigning activities. We do this through a coordinated approach of professional advice and implementation know-how.

We journey with you to create sustainable change

Legal and tax restructuring

- Assisting you to obtain adequate understanding of local regulatory environment
- Evaluating your obligations regarding local environmental laws
- Designing holding structures and operational models, and reviewing contracts to optimize tax positions – both onshore and offshore
- Assessing your eligibility for local tax or other regulatory incentives and helping you in negotiations with local government
- Providing tax compliance, ad hoc tax consulting and tax training services to optimise your ongoing tax positions

Human resources; corporate governance; AML compliance; internal control & reporting; data relocation

- Helping you to access the local workforce – for frontline / supervisory / specialist functions
- Clarifying your obligations regarding local labour laws and AML compliance requirements
- Assessing cost of relocating existing staff to new location
- Assisting you to ensure sufficient corporate governance and internal controls are in place for new location, with adequate reporting procedures to headquarters
- Supporting you with data relocation

Identifying the right location

- Understanding your current supply chain needs and priorities
- Assessing suitable locations for fit and cost-benefit
 - Overall policy and governmental environment, including availability of preferential regulatory/tax policies and incentives
 - Accessibility and reliability of key supply chain players
 - Logistical connectivity and efficiency
 - Accessibility and reliability of supportive infrastructure, including transportation, warehousing, labour supply

Reconfiguring your supply chain

- Helping you develop and implement a strategic plan for reconfiguring your supply chain in a new location
 - Sourcing key local partner or supplier relationships
 - Redesign of local production model
 - Logistics localisation and integration
 - Regional operating model design and integration
 - Intellectual Property rights and manufacturing know-how protections
- Assisting you to source new partners and suppliers, as well as implementing new supply chain operating model

Financing and fundraising

- Assisting to structure and arrange replacement working capital/trade financing to support your new supply chain
- Arranging bridge financing to support your supply chain relocation
- Helping you to raise long term corporate financing with local and offshore lenders
- Assisting to structure and arrange capital equipment financing for manufacturing facilities
- Assisting you in fund raising via new local investors and partners

Finding strategic value in supply chain locations

Ukraine

- Low cost production
- Good location connecting European and Asian markets
- High-skilled and affordable workforce
- Access to harbour and rail
- Industrial parks enjoy local policy support

Kazakhstan and Uzbekistan

- Low cost production
- Rich in raw material resources (mining, cotton, agri-products)
- Access to Russia and Euroasia market
- Certain industries and economic zones enjoy government support

Thailand

- Centrally located in an economic hub with huge market access
- Rich in natural resources
- Many Chinese enterprises already in Thailand, creating a supportive environment for other Chinese parties
- Friendly relations between Thailand and China
- Chinese government supportive of Chinese enterprises operating in Thailand

Poland and Czech Republic

- Low cost production
- Proximity to key markets
- Production recognised by EU standards
- Certain industries enjoy state aid
- High-skilled and affordable workforce with good English
- Convenient infrastructure

Myanmar

- Superior geographical environment
- Lower labour costs and plentiful labour resources
- High economic growth rate
- Supportive foreign investment policies
- Substantial industry opportunities

Cambodia

- Low currency exchange risk
- No restriction on foreign investment
- Significant development in real estate
- Low labour cost

Vietnam

- The fastest growing economy among Asean countries
- Young workforce with low labour costs
- The government is supportive of foreign investment
- High acceptance of new technologies and ideas
- RMB VND convertibility
- Geographical and cultural proximity to China
- Competitive electricity tariffs

Malaysia

- Clear rule of law (Commonwealth Law)
- Ease of doing business
- Cost competitive
- Established infrastructure
- English and Mandarin capabilities
- Connectivity of ports
- Geographical advantage of being at the centre of Asean

Our integrated SCT service offerings

Corporate Finance

Introduction to local JV partners or investors; assist you in arranging financing for your new supply chain.

Risk Assurance

Assist in assessing compliance, set up risk management systems as well as internal control requirements. Use data analysis tool for our clients to deal with the problems in supply chain transformation.

Legal

Advise on corporate formation and structuring for tax and duty efficiency. Understand and advise on local compliance matters, and implement the planned structure with properly drafted agreements.

Consulting

Assist in formulating and implementing new supply chain strategy.

Tax

Assist in tax planning and implementation to mitigate tax risks and boost your after-tax return.



We provide you with business solutions that are holistic, driven by business change, and forward-looking. We work to understand what drives value in your organisation to tailor an optimised global or regional structure that delivers value and responds to future commercial and operational challenges.

We support your operational model by creating a streamlined cost and tax efficient structure that increases shareholder value and cash flows, as well as a legal framework that ensures compliance with domestic and international requirements. We assist you in your supply chain expansion and transformation by sourcing and structuring financing solutions and investment partnerships that is tailored to growth and development. We help you adopt a risk management approach to reconfiguring your business processes and internal controls.

SCT delivers competitive advantage. As a result, you will see a number of business improvements including:

- a rationalised supply chain in line with recent policy changes;
- sustainable structural tax improvements;
- identification of potential synergies within the operating structure;
- greater flexibility to accommodate future business changes and growth;
- better management of pricing and clearer transparency;
- improved access to local financing and business partners to support your development.



Tax Services

Cross-border Supply Chain Transformation by Chinese companies generally involves finding new locations, financing and cash remittances outside China. Choosing and establishing appropriate foreign legal forms, hiring local employees and/or dispatching secondees from China may be followed by the negotiation and signing of commercial agreements. Then there are daily operations and management, tax compliance, and a possible future exit, attracting new investors or liquidation. **Each of the above steps could raise comprehensive international tax implications, as well as risks and planning opportunities.**

The best timing for tax assessment and planning work is **before** you implement any holding structure and operational model, or negotiate and sign any contracts.

An optimal tax solution involves teamwork from international tax experts in various jurisdictions within a short period to meet the investment timeline. PwC's international tax experts have formed **an integrated team within Asia Pacific** who understand Chinese business practices well. We can provide **one-stop tax advisory, implementation support and compliance** services to your cross-border Supply Chain Transformation efficiently and effectively. These may include design and implementation of optimised holding structures and operational models, subsidy and tax incentive negotiation support, contract review and tax filing.



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Consulting



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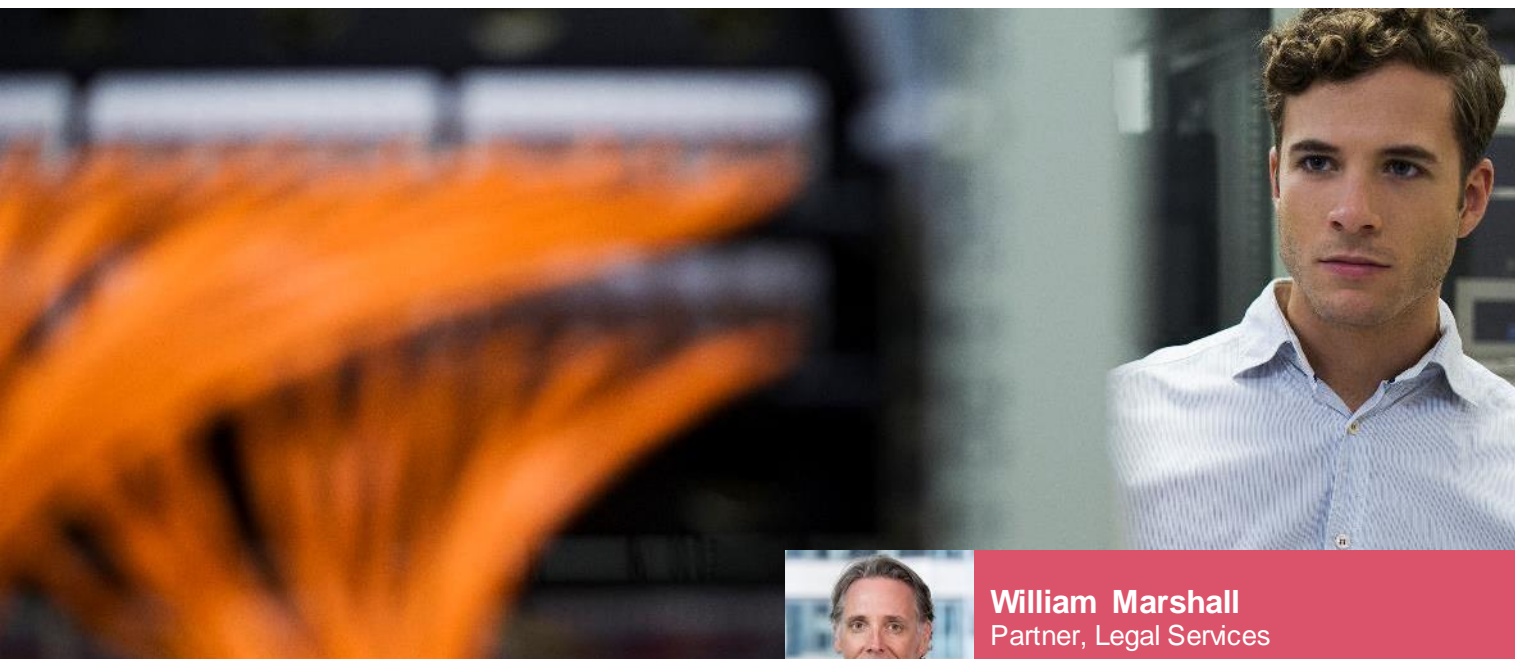
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When deciding to expand its supply chain footprint outside of China, a company needs to both assess **which part of the existing supply chain can be leveraged** and **which part to partner or build from scratch**. Such Supply Chain Transformation requires meticulous **re-design of selected partner and supplier relationships**, as well as a **new supply chain operating model** with key organisation and process changes.

PwC Consulting is a **pioneer in strategic supply chain management** and a **practitioner of supply chain optimisation solutions**. With our proprietary data/application platform SCOOP and our **global network leverage**, we are uniquely positioned to support the re-shaping of your **new supply chain strategy**, and provide **data analytics expertise** and **practical know-how** to accelerate the implementation of your new supply chain.



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Legal Services

Successfully implementing a supply chain transformation requires a well-structured plan in order to maximise the intended benefits and avoid unintended consequences. Such projects require legal expertise across the following issues:

Foreign direct investment: Understanding the local requirements on foreign ownership of manufacturing entities, the ability to engage in cross-border transactions in foreign currencies, contracting considerations, and dispute resolution.

Corporate formation: The type of entity, its scope of operations, location, officers, directors, and related operational approvals.

Local Law Compliance: From hiring employees, to environmental regulations, local tax and commercial administrative filing requirements, as well as business licensure.

Customs and Indirect Tax: Obtaining the required permits and licenses, ensuring the importation of raw materials can be efficient and predictable, whether licenses or special import approvals are required, special processing trade structures, restrictions on exports and obtaining necessary documentation.

Product regulatory and labelling considerations: Ensuring CCC status can be obtained at the new manufacturing location and planning the review and approval process, ensuring other agency approvals are obtained for imported goods into China, such as China FDA.

Manufacturing and sourcing agreements: Drafting and executing commercial agreements to implement the new supply chain must also include provisions that protect the company from possible liabilities from third parties. Related party transactions should be structured in the most efficient manner possible to retain the maximum on effort.

Intellectual property protection: Ensuring any patents, trademarks, and copy rights are properly registered. Ensure third party agreements provide for the protection of these rights and penalties for violation. In related party transactions, ensuring license agreements are properly drafted to minimise tax and customs implications of such licenses.

Preferential trade agreements: Ensure that all possible duty and tax preferences are obtained in order to maximise the intended benefits of the migration. Duty-free imports of raw materials, duty-free imports of finished goods back into China or to other commercial markets, the requirements to obtain certificates of origin, and any local value added requirements to secure these benefits.

Our trade law capabilities, working seamlessly with our consulting, tax, and corporate finance teams are well positioned to assist our clients with these matters and ensure the maximum benefits are secured.



Corporate Finance

Managing capital is just as important as managing the flow of goods, supplies and services along your supply chain. Ensuring sufficient **financial flexibility** is critical to ensuring you are sufficiently funded at the right time to support your transformation, and to make sure there is **cost efficiency in your capital structure**. It is important to **align your working capital** as you work so as to optimise your strategic and operational processes.

While policy and commercial lending are obvious financing sources, you may also consider leveraging local partners or investors to help you navigate a new market or location. **A suitable strategic partner will offer you operational synergies, increasing competitive advantage in the market place for both parties.** Financial investors may provide substantial funding critical to supporting significant growth or development.

PwC's corporate finance team is a network of over 2,500 experienced professionals across the global network. Over 600 are located in Asia and CEE, with another 200 in the Middle East and Africa. In the last ten years, we have provided financial advice on over 4,000 deals globally, valued at more than \$400 billion, of which over 40% were cross border in nature. **We are well positioned to assist you with financing and the fund raising aspects of your Supply Chain Transformation.**



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Risk Assurance

In the process of Supply Chain Transformation, Chinese enterprises are following a more diversified and internationalised development path. But, at the same time, they also face **various risks, complex compliance requirements and imperfect internal control problems.**

Chinese enterprises need to take precautions, including **risk identification and prevention, meeting local policies and regulations, and establishing internal controls.** PwC's Risk Assurance practice can help businesses to carry out **compliance diagnosis, risk management and internal control construction.** We can provide **data analysis tools to help identify and solve problems.**

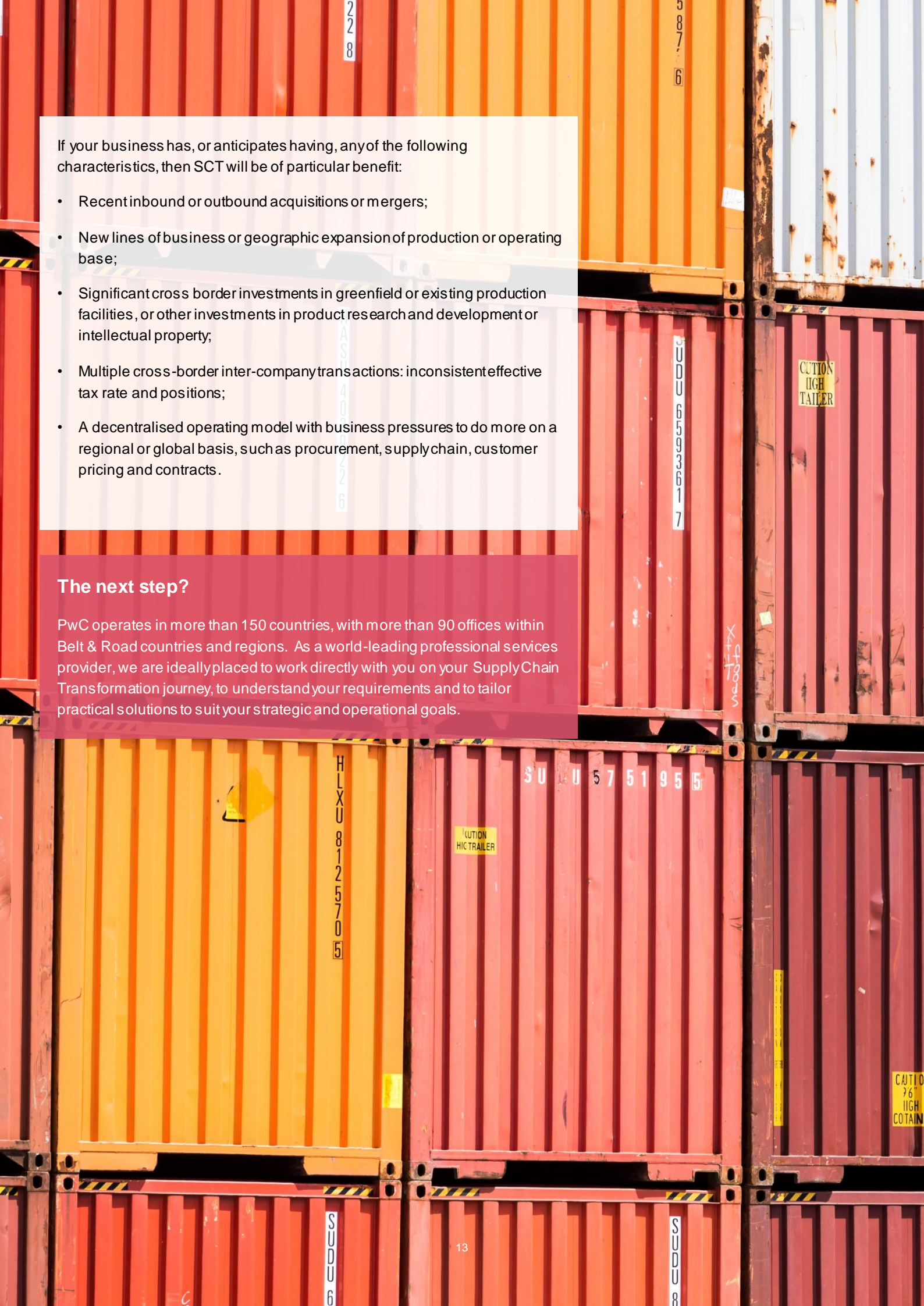


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If your business has, or anticipates having, any of the following characteristics, then SCT will be of particular benefit:

- Recent inbound or outbound acquisitions or mergers;
- New lines of business or geographic expansion of production or operating base;
- Significant cross border investments in greenfield or existing production facilities, or other investments in product research and development or intellectual property;
- Multiple cross-border inter-company transactions: inconsistent effective tax rate and positions;
- A decentralised operating model with business pressures to do more on a regional or global basis, such as procurement, supply chain, customer pricing and contracts.

The next step?

PwC operates in more than 150 countries, with more than 90 offices within Belt & Road countries and regions. As a world-leading professional services provider, we are ideally placed to work directly with you on your Supply Chain Transformation journey, to understand your requirements and to tailor practical solutions to suit your strategic and operational goals.

Contact us

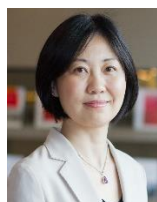
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About PwC — Globally

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

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