



CHINA GROUP BULLETIN

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Warmest greetings and welcome to our Mid-Autumn edition of Moore Kingston Smith China Group Bulletin, an informative newsletter keeping you up to date on recent changes and topics of interest affecting those doing business in both the UK and the Far East.

In this issue, we discussed the latest UK-China trade which just reaches under £100 billion. Our R&D Director provides some important information on how international business can be benefitted from the UK R&D tax credit. We also get an update from Moore MS Advisory on the opportunities for international business within the technology sector in China.

Despite some travel restrictions, the business corridor between the UK and the Far East remains active, and we continue to support businesses through these challenging times.



UK-CHINA TRADE REACHES JUST UNDER £100 BILLION

By Moore Kingston Smith

In the latest trade and investment factsheets released by the Department for International Trade, it has shown that the total trade in goods and services between the UK and China was £93.4 billion in the four quarters to the end of Q1 2022. This indicated an increase of 5.5% (or £4.9 billion increase) from the four quarters to the end of Q1 2021.

Of this £93.4 billion, the total UK exports to China amounted to £27.1 billion in the four quarters to the end of Q1 2022 (an increase of 7.0% or £1.8 billion compared to the four quarters to the end of Q1 2021). Meanwhile, the total UK imports from China amounted to £66.3 billion in the four quarters to the end of Q1 2022 (an increase of 5.0% or £3.1 billion compared to the four quarters to the end of Q1 2021).

China was the UK's third largest trading partner in the four quarters to the end of Q1 2022 accounting for 6.9% of total UK trade.

The most recent figures for outbound investment from the UK into China show investments worth £12.9 billion, representing 0.8% of the total UK outward FDI stock in 2020. In terms of UK inbound investment from China, Chinese businesses invested £3.4 billion

into the UK in 2020, representing 0.2% of the total UK inward FDI stock.

In August, Chinese airline Air China restarted direct flights between Beijing and London as well as Shanghai and London. It is the first carrier in China to resume services after an 18-month hiatus because of the COVID-19 pandemic. Other Chinese airlines including China Eastern Airlines and China Southern Airlines are following suit to resume direct flights between Shanghai and London and Guangzhou and London, respectively.

Note: Figures and stats used in this article are sourced from [Department of International Trade's trade and investment factsheet](#)



R&D TAX CREDITS SUPPORTING CHINESE BUSINESSES INNOVATING IN THE UK

By Thomas Hayden, R&D Director and Gurleen White, Assistant Manager, R&D team at Moore Kingston Smith

What is the R&D tax credits?

R&D tax credits, launched in 2000, form a crucial part of the UK Government's policy to reward innovation in business, reducing the actual cost of investment in improving products and processes. There are two different schemes available: one for SMEs (Small and medium-sized enterprises) and one for larger companies (RDEC - R&D Expenditure Credit) and these schemes together form one of the largest single Government funding mechanisms available for businesses in the UK.

The R&D scheme allows companies who have incurred R&D expenditure to either reduce their corporation tax liability, or to gain a payable tax credit.

As a result, companies claiming R&D tax relief will often recognise the value of the cash incentives when planning their R&D budgets. The average SME claim value is around £60,000 and average RDEC claim value is around £300,000.

Who can apply for it?

UK registered companies and subsidiaries of foreign companies that are subject to UK corporation tax can claim R&D tax relief, so long as they are:

- Incurring expenditure on a project that seeks an advance in a field of science or technology.
- Overcoming scientific or technological uncertainty in the pursuit of this advancement.

R&D tax relief claims are made through a company's corporation tax return in respect of expenditure incurred during that financial period. As such, so long as the company continues to carry out compliant R&D activities then it can continue making claims.

How much can a business claim?

For small or medium sized enterprises, the benefit can be as much as 33p for every £1 spent on qualifying R&D. By contrast, large companies will receive around 11p.

Common misconceptions demystified

- o You can only claim R&D tax relief if you are a scientist working in a laboratory
 - R&D occurs across a wide range of industries, and the legislation reflects this. The key requirement is that a company is seeking to advance a field of technology through the resolution of scientific or technological uncertainty.
- o You cannot make a claim if your project is not successful
 - There is no requirement for the advance to have been realised – in fact, failed projects can be great indicator of the technological complexity of an R&D project.
- o You cannot make a claim if your business has received a grant
 - While receiving a grant may restrict a claim under the SME scheme, it is likely still claimable under the RDEC regime.
- o You cannot make a claim if your business is not making a profit
 - Both profit-making and loss-making companies can claim R&D tax relief, with a payable tax credit available for companies who have no corporation tax liability.
- o You cannot make a claim if you sub-contracted R&D work or if you are sub-contracted to do work by another company
 - Product development that has been outsourced can usually be included in an R&D tax credit claim, however one needs to be careful as sub-contracting rules can be tricky and the process is not particularly straightforward

CASE STUDY: MOORE KINGSTON SMITH HELPS A MANUFACTURER AND STOCKISTS OF GROMMETS AND CUSTOM MOULDED PRODUCTS TO CLAIM TWO YEARS OF R&D TAX CREDITS

Our client is UK's leading manufacturers and stockists of grommets and custom moulded products. They worked on achieving exceptional manufacturing efficiency with their engineers experimenting with various operational parameters and analysis into novel adaptations to increase throughput without affecting the quality of the product. Moore Kingston Smith successfully identified and maximised the qualifying R&D activity across the mix of successful and failed projects and within a month of submitting the claim, the client received their payments for both the years from HMRC.

Moore Kingston Smith will work with you to identify all the qualifying activities and expenditure using a claim methodology tailored to suit your needs. Our specialist team of scientists, engineers and tax advisers will aim to keep your time investment to a minimum, whilst ensuring your claim is robust and maximized in value, thus leaving you to concentrate on running your business.

For more information and to find out how much you could claim, please contact Thomas Hayden on thayden@mks.co.uk or Gurleen White on gwhite@mks.co.uk from the Moore Kingston Smith R&D tax team.





OPPORTUNITIES IN CHINA'S TECHNOLOGY SECTOR

By Moore MS Advisory

Over the last decade China has seen a meteoric rise in its tech sector and with the economy being shifted from a manufacturing-based economy to a consumer-based economy, the high-tech sector plays an essential role.

China's looks to tech

While now emerging as a serious competitor, for a long time China's efforts and output were a few steps behind that of its Western counterparts. Over the past few years, we have seen the rise of Chinese tech firms such as Baidu, Alibaba, Tencent and Xiaomi, with others starting to garner global recognition.

More recently tech investments in China have seen a departure from a small group of large players, to increased investment in tech start-up scene. Investment in Chinese start-ups topped more than \$130 billion in 2021, this despite a sweeping crackdown on the technology industry by the Chinese government in the same year. These venture capital investments not only set the record for investment in the tech industry in China but was also a 50% increase on the same investment a year before.

Even though the Chinese tech sector did experience multiple challenges with the government attempting to reign in the big tech firms, venture capital firms and entrepreneurs remained agile and sought new opportunities.

Where are the opportunities in the Chinese technology sector?

Regardless of China's technology sector remaining a few steps behind that of the US, there are specific areas in tech where they are gaining the advantage. When it comes to semi-conductors, chipmaking and integrated circuit design, Chinese firms had received more than six times the funding than that of US companies in 2021.

China's latest five-year plan also lays out a blueprint for a major push in R&D, illustrating an enhanced focus on innovation with more investment in the high-tech industry. Looking back over the 2021, there is a noticeable increase in investment in specific areas such as biotechnology, robotics and SaaS.

Looking towards the future

For those looking at investing in China, the tech sector has been and continues to be an attractive prospect. With an aggressive focus on innovation and deep tech, it appears as though China is only midway through their pursuit of becoming a leading technology hub. Importantly, for investors looking towards the tech sector, doing business in China is vastly different from the west and as such requires a comprehensive understanding of the local business environment and how it works.

Discover more about the Chinese business landscape and its challenges in Moore – MS Advisory's ["Complete Guide to Doing Business in China"](#).

CASE STUDY: MOORE KINGSTON SMITH ADVISES HONG KONG FINTECH FIRM RC365 AS IT LISTS ON LSE AND COMPLETES A FUNDRAISE OF £2 MILLION

By Moore Kingston Smith

Moore Kingston Smith has supported RC365 Holding Plc on its fundraise of £2 million and admission to the London Stock Exchange on 23 March 2022.

RC365 is a leading fintech solutions service provider in Asia Pacific, with headquarters in Hong Kong. Founded in 2013, the group focuses on payment gateway solutions, and IT support and security services. A key focus for the group is developing innovative products and services and the IPO will allow RC365 to boost their marketing, fund licence applications and establish a development centre. The company's market capitalisation was approximately £6.7 million after the successful fundraise, and was £16.13 million as of 14 July 2022.

Matt Meadows and Adele Hebditch from Moore Kingston Smith's corporate finance team acted as reporting accountants as part of the IPO and admission. This involved producing an in-depth report on working capital requirements and supporting RC365 throughout the IPO process.

Vincent Cheung Hon Keung, Executive Director, and CFO of RC365, said: "We enjoyed working with Moore Kingston Smith. As our reporting accountant, they provided advice and support at a strategic level and were always quick to respond. We have always found the MKS team friendly and approachable, and we trust them to do the best for our business.

Matt Meadows, Corporate Finance Partner at Moore Kingston Smith, commented: "It was a pleasure working with Vincent, Michael, and the rest of the team at RC365 on their IPO and successful fundraise. They will now be able to start expanding their payment gateway services in the UK and throughout Europe in addition to developing new and innovative fintech solutions. We are excited to follow their journey and wish them every success in the future."



中秋節快樂
Mid Autumn
FESTIVAL



HAPPY MID-AUTUMN FESTIVAL

By Moore Kingston Smith

Moore Kingston Smith has been actively involved in the Asia-UK business corridor for over a decade. This year, we hosted our UK Mid-Autumn celebration dinner with our clients, contacts and friends to mark the festival.

Mid-Autumn Festival, also known as the Mooncake Festival or Moon Festival, is one of China's biggest

holidays. The festival is also a popular observance in many other Asian countries such as Japan, Korea, Malaysia, and Singapore. The festival represents a time for reunion with families and friends, a little like Thanksgiving. Chinese people celebrate it by gathering for dinners, worshipping the moon, lighting paper lanterns, eating mooncakes, etc.

On 20 September, we hosted a dinner to celebrate this festive with our close friends and contacts. We hope you and your family had a wonderful time of reunion during Mid-Autumn.



UP COMING EVENTS

26 October 2022, 0830 UK time/ 1530 China Time

English-Chinese simultaneous translation provided

Webinar: The UK's Dynamic Tech Landscape – Business Opportunities and Challenges

This online seminar session aims to provide an update on the UK technology landscape and its relevant business opportunities and to explain how businesses can benefit from the UK government's incentives and regulatory landscape to drive research and development (R&D) and the technology sector.

Panel speakers:

- Bingbing Zhao, Chief Representative Greater China, London and Partners
- Jamie Seaford, Partner, Moore Kingston Smith
- Thomas Hayden, R&D Director, Moore Kingston Smith
- Paolo Palmigiano, Partner, Taylor Wessing

[Register here](#)



CHINA GROUP

Moore Kingston Smith has been helping clients build their businesses for more than 90 years and has worked with businesses from China and the Far East from entrepreneurs to well established corporates for over a decade.

Our China Group today advises and assists a wide range of businesses from China and the Far East with their international operation. Our bilingual international expansion specialists have the relevant skills and expertise to help grow your global footprint smoothly and efficiently.



CONTACT US



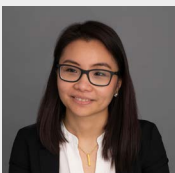
Jon Sutcliffe
Partner
jsutcliffe@mks.co.uk



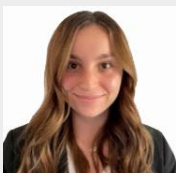
Alice Ooi
Senior Manager
aliceooi@mks.co.uk



Yaoyao Liang
Manager
yliang@mks.co.uk



Winnie Seow
Sales Lead
wmei@mks.co.uk



Lauren Celik
BD & Marketing Assistant
lcelik@mks.co.uk