

2021 Annual Business Survey Report on Chinese Enterprises in the United States

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CGCC FOUNDATION
美国中国总商会基金会



美国中国总商会
China General
Chamber of Commerce - USA



Building a better
working world

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Table of contents

1	Chairman's message	04
2	Methodology	05
3	Executive summary	06
4	Key observations	09
	▶ COVID-19 had a significant impact on Chinese companies operating in the U.S., although it varied across sectors	09
	▶ Revenues and profitability suffered due to COVID-19, but parent companies remain committed to the U.S. market	16
	▶ Legal and regulatory compliance challenges necessitate ongoing investments	21
	▶ Observations from specific sectors or areas: financial services, energy and electric vehicle and continued access to U.S. capital markets	24
	▶ Outlook of U.S. business environment	29
5	Advice for Chinese companies operating in the U.S.	33
6	Appendix 1: Additional survey results	34
7	Appendix 2: 2021 Business Survey Exclusive Q&A	72

Chairman's message

I am delighted to share with you the findings of the eighth Annual Business Survey on Chinese Enterprises in the United States, a resource created by China General Chamber of Commerce – USA (CGCC), with support from Ernst & Young LLP, the U.S. firm (EY). The report provides first-hand data on, and analysis of, key trends and the overall business sentiment of Chinese companies operating in the U.S. market.

Since the first survey in 2014, we have been witnessing growth and deeper intertwinement of U.S. and Chinese economies as part of an ever-more connected global economy. This interconnectedness, as shown across our eight surveys, benefits both countries' economic activities and serves as an integral part of the bilateral business relationship. After a volatile 2020 due to the global effects of COVID-19, and as the post-pandemic recovery continues, we believe the eighth CGCC business survey comes at a critical time because it provides important data and insight to help relevant stakeholders better understand the position of Chinese investments in the U.S. and supports more fully informed and data-driven decision-making.

Tensions in U.S.-China relations in recent years, alongside the negative effects of COVID-19, have impacted our members' views on the U.S. business environment and affected their confidence. Some have delayed new investments in the U.S.

Yet, within this backdrop, it is exciting to see the clear optimism and resilience on the part of Chinese companies, as seen in this year's survey. Our members have generally responded well to the pandemic's dual role as an accelerator of transformation and amplifier of disruptive forces. Beyond capital and production investments, Chinese companies are seeking to strengthen their long-term competitiveness in the U.S. market through effective legal compliance, stronger brand recognition, better use of technology, and streamlining business operations.

While the survey data tells a compelling story, we know that there's more that lies beneath the surface. That's why we've combined findings from our nearly 200 survey responses (gathered throughout March and April of 2021) with qualitative insights: from interviews conducted by CGCC of interviewed chief executives from leading Chinese companies. These interviews provide important context to the numbers and yield valuable advice to other Chinese companies on how to operate successfully in the U.S. on how U.S. companies can deepen their corporation with their Chinese counterparts.

I hope you enjoy reading this report and find it useful and informative. As businesses from both countries still hold deep commercial interests in investing in each other's economies, CGCC remains committed to carrying out more constructive engagement and dialogues, building bridges and achieving greater synergies to encourage better understanding and cooperation between U.S. and Chinese business communities.



Chen Xu

Chairman, China General Chamber of Commerce–U.S.A.
President & CEO, Bank of China U.S.A.

Methodology

This report is based on CGCC's eighth Annual Business Survey on Chinese Enterprises in the U.S. The data was collected through a survey of senior executives sent to more than 700 companies, all of which are U.S. operations of Chinese companies. This year's survey was conducted in March and April of 2021 and includes a total of 183 responses. This report outlines the major survey and interview findings, linked to historical data from prior CGCC surveys, where available.

CGCC developed and distributed the survey questionnaire. The survey was comprised of a set of questions for all participants, along with additional questions for companies in financial services and energy sectors. CGCC also conducted a targeted set of interviews with company executives in the energy and financial services sectors. CGCC compiled the

data from across the survey and interviews and identified several key themes. EY analyzed the data and supported the drafting of the report.

This publication is composed of three sections: the core report, which includes narratives of major findings, analyses and recommendations, based on survey results with historical survey data for selected questions. Appendix 1 includes the remainder of the survey results in a question-by-question format. Appendix 2 includes extracts from our interviews with chief executives from seven companies on various topics about Chinese investments in the U.S.

CGCC is grateful to its members and collaborators for their contribution to this important research.





Executive summary

The business operations and investments of Chinese companies in the United States were severely challenged in 2020, which was an unusually volatile year amid pandemic-related disruptions and uncertainties in U.S.-China relations. In its eighth consecutive year, the CGCC Annual Business Survey on Chinese Enterprises in the U.S. details the experiences and sentiments of Chinese companies in the U.S., based on responses from 183 companies and a select number of executive interviews conducted in early 2021. Compared to previous years, Chinese companies surveyed expressed their optimism about the direction of the bilateral relationship and economic cooperation going forward, anticipating a more predictable and stable U.S. business environment.

Since the last survey, the United States and China have both prioritized economic growth, but that economic interdependence exists alongside competition. Throughout the past several years when the CGCC surveys were conducted, responses have indicated that the evolution of U.S.-China diplomatic and economic relations greatly affected corporate performance, investment strategies and overall priorities. Despite the many uncertainties, surveyed Chinese companies continue to view the U.S. as an investment priority and remain firmly committed to the market in the long term.

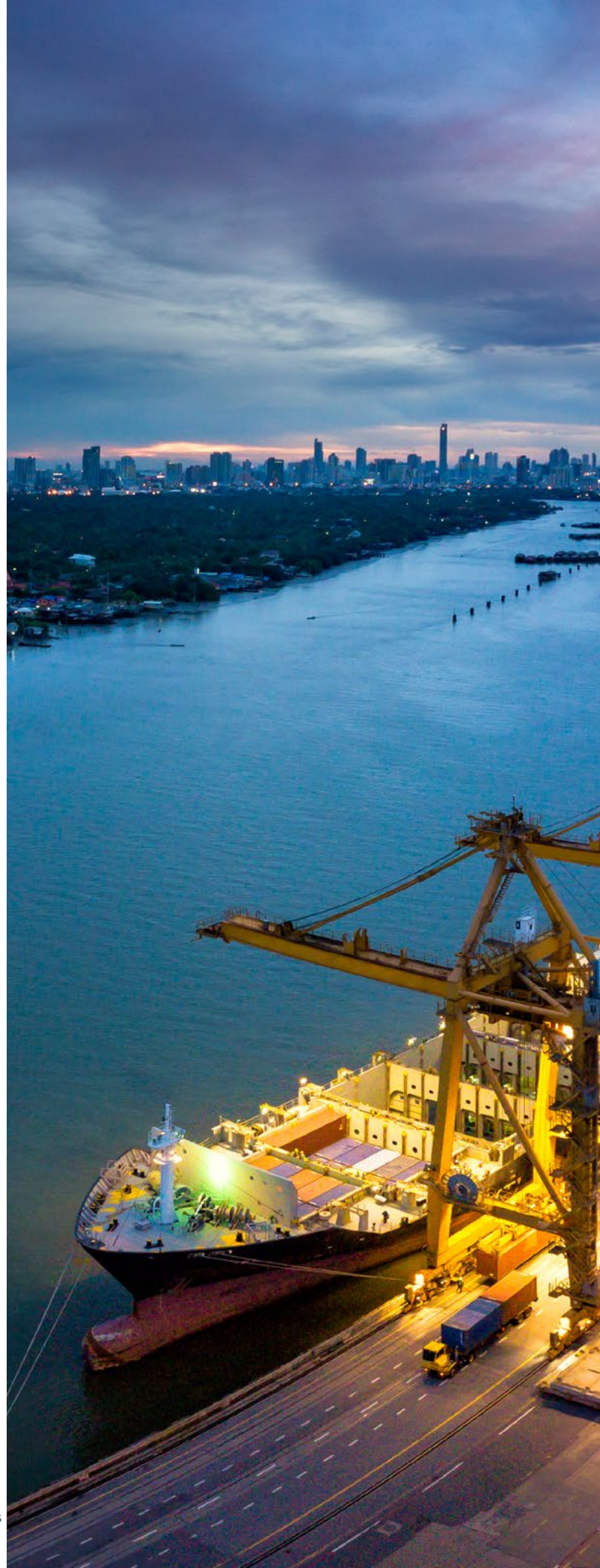
When set in the context of prior surveys, this year's results show:

- 1. Varying sector impacts of COVID-19:** Respondents suggested revenue and profitability suffered in 2020 due to a tougher business environment in the U.S., primarily related to COVID-19. The pandemic's impact was negative for most but varied by sector. Expectations on when revenue and profitability will return to pre-pandemic levels vary by sector, as well, but generally, Chinese companies surveyed are somewhat more positive on the near-term economic outlook than they were last year.
- 2. Positive changes that will endure:** COVID-19 catalyzed many surveyed Chinese companies to make positive, long-lasting changes, including accelerating digital investments and product innovation. In addition, respondents suggested these investments would enhance their ability to identify and manage emerging risks.
- 3. Sustained parent companies' commitment to the U.S.:** Surveyed companies reported that their parent companies continue to see the U.S. remaining an integral part of their global strategy. To support a sustainable, long-term U.S. strategic presence, parent companies suggested they continue to accept lower profitability than at home and support increasing levels of re-investment of profits into their U.S. operations.
- 4. Investments in branding and understanding:** Surveyed Chinese companies continue to invest in elevating their brands as part of a continuation of their U.S. operations and access to U.S. capital markets. They view such investments as especially important in raising brand awareness and recognition, educating stakeholders (including shareholders) on Chinese companies, and countering anti-China/Asia sentiments in public discourse.
- 5. Continued enhancements to compliance:** Chinese companies indicated they continue to adapt to changing U.S. government policies and enforcement priorities at the federal and state levels. After several years of enhancing employee training and working with third-party organizations, Chinese companies reported they are also prioritizing strengthening their compliance systems and procedures to navigate what is perceived to be a complex legal and regulatory environment in the U.S.

6. Optimistic outlook of the U.S. business environment: Looking forward, Chinese companies indicated they are more optimistic about the overall U.S. operating and economic environment than last year and are becoming more positive about U.S.-China relations. In terms of future business objectives, they remain highly focused on growth and profitability, but are increasingly focused on strengthening brand recognition and their corporate image in the U.S. and consolidating and streamlining their businesses.

7. On specific sectors or areas:

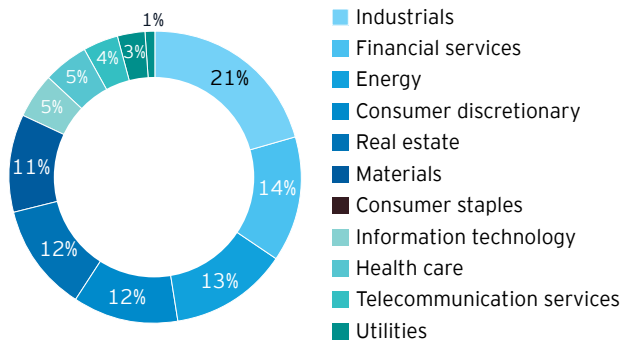
- a. Financial services:** Throughout the ongoing COVID-19 pandemic, Chinese financial services companies reported they have been focused on delivering services and products to their customers and communities in need. To support growth and compliance, they observed they are prioritizing enhancing risk governance (including credit and liquidity risk management) and innovating new products and services (notably in “green finance”).
- b. Energy and electric vehicle (EV):** Chinese energy companies operating in the U.S. indicated they are highly focused on developing and implementing long-term low-carbon strategies to address climate change and support a broader transition to a low- or zero-carbon economy. A small group of Chinese companies also responded that they are evaluating opportunities and challenges to investing in the EV sector, given the technological advancements in the U.S. EV market.
- c. Continued access to U.S. capital markets:** Survey respondents indicated that the U.S. remains one of the top choices for Chinese enterprises to launch their Initial Public Offering (IPO) to gain global exposure, enhance their brand and access liquid markets. Surveyed companies indicate more investment in public relations could improve U.S. market participants’ understanding of their organizations.



Demographics of surveyed companies

In total, 183 companies responded to the survey. These respondents operate across a broad range of sectors, as shown in Figure 1; 12 companies operate in multiple sectors. In terms of their corporate structure, the majority (59%) of respondents are not owned by publicly traded companies; of those that are listed (41%), they are mainly listed in Asian markets. Only a small minority (9%) of companies operating in the U.S. are already listed or planning on going public in the U.S. soon. The surveyed Chinese companies have used a variety of corporate structures to establish their U.S. operations, including greenfield investments/new business entities (69%), mergers and acquisitions (26%) and joint ventures (26%); some used several approaches simultaneously.

Figure 1: Respondents' sectors



COVID-19 had a significant impact on Chinese companies operating in the U.S., although it varied across sectors

The impact of COVID-19 on the performance of inbound Chinese companies was negative, according to respondents. Looking across all companies participating in the survey, half suffered minor negative effects, and another 35% experienced severe negative impacts.

There was significant variation across sectors, as shown in Figure 2. The most negatively affected were those in consumer-facing businesses and real estate, with the overall impact on many of those sectors viewed as severe. Some sectors, such as financial services, telecommunications and utilities were unaffected or only affected in a limited way. Across a small number of sectors, respondents reported some positive impact, especially in health care given its focus on fighting COVID-19.

While the impact of the pandemic is lessening over time, according to surveyed participants – with just a third (36%) now experiencing severe impacts compared to 50% last year – COVID-19 is still depressing corporate performance overall, as shown in Figure 3.

Figure 2: Estimated impact of COVID-19 on overall 2020 financial performance by sector

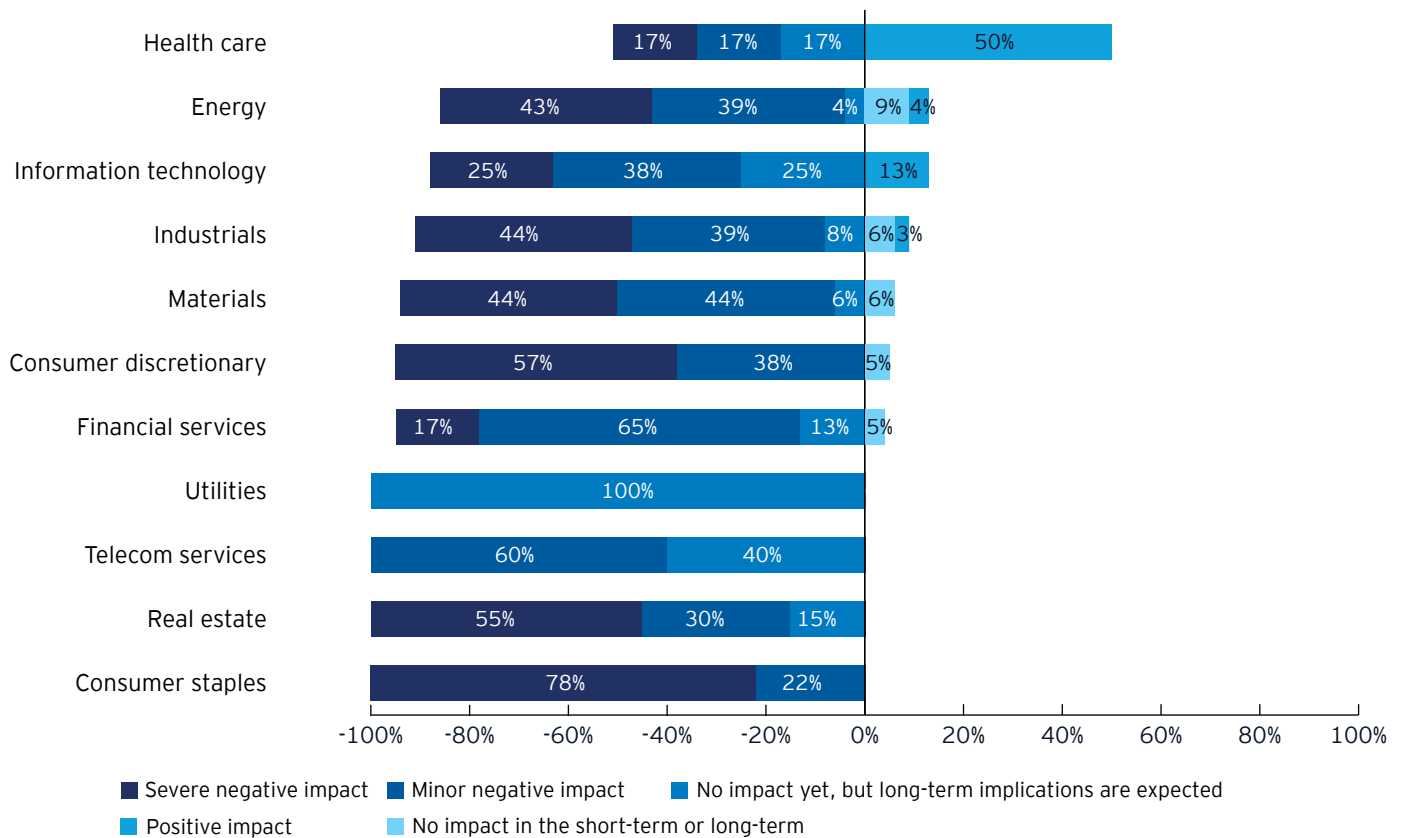
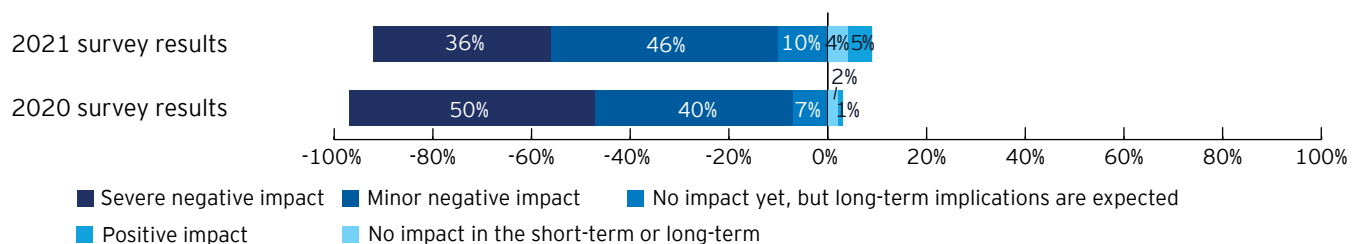


Figure 3: Year-on-year change of estimated COVID-19 impact on financial performance



The knock-on effects of COVID-19 on employment by surveyed Chinese companies varied significantly across sectors, as shown in Figure 4. Health care and telecommunications hired up and extended working hours, as did consumer staples, to a large degree. For most sectors, the effect was negative, but some took positive steps on hiring and pay. However, survey respondents

also reported the most severely affected sectors had to downsize or cut hours or pay to stay afloat and manage through the pandemic.

As the effects of COVID-19 abate, the surveyed Chinese companies operating in the U.S. are focused on job growth and community development and engagement, according to executives interviewed for this report.

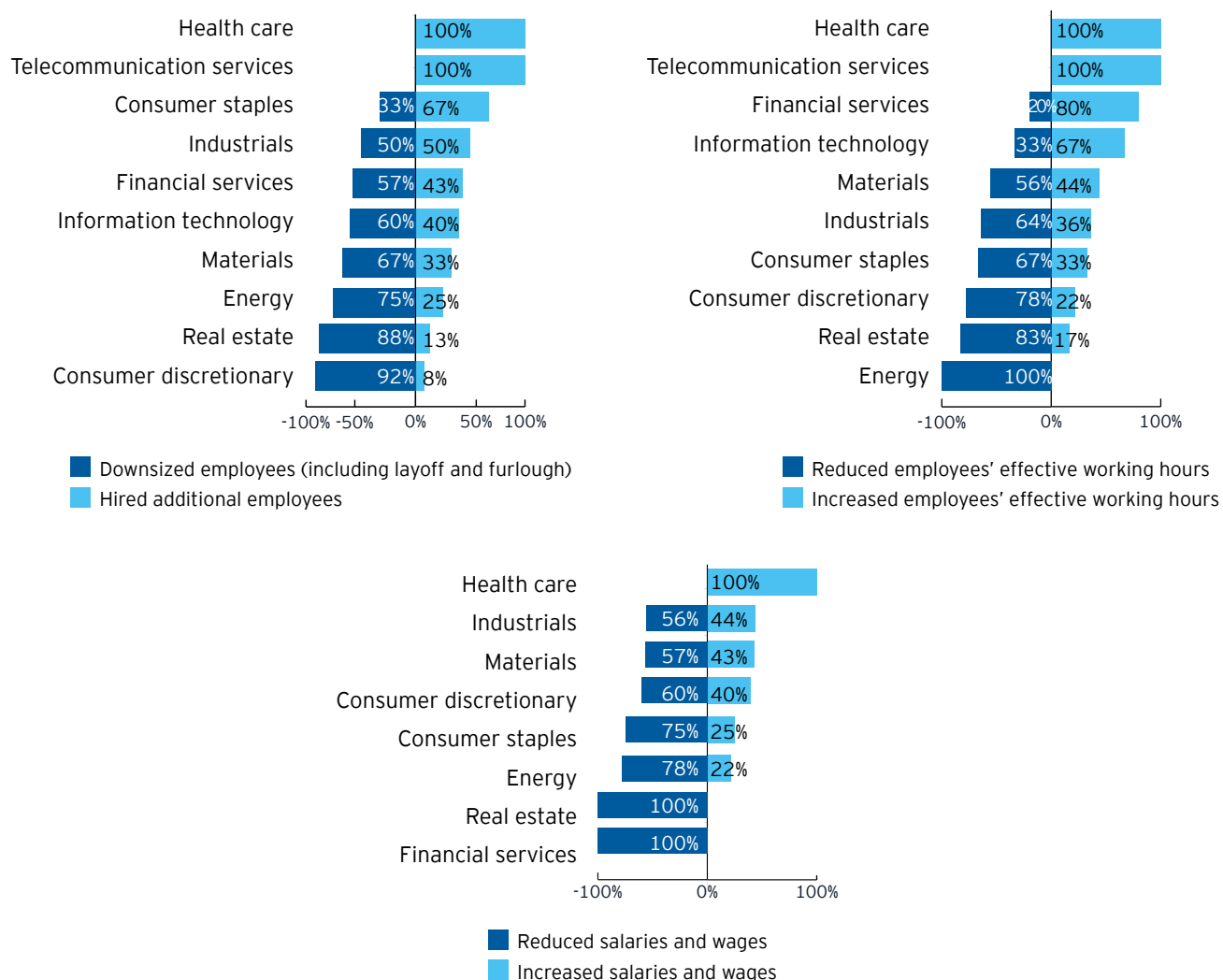
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We continue to create jobs and provide training in the local community.

– JN Fibers, the U.S. subsidiary of a leading polyethylene terephthalate (PET) staple fiber manufacturer based in China, with an annual throughput of 120 million lbs in the U.S.



Figure 4: Changes to employment and payroll as a result of COVID-19¹



The differentiating story across sectors can be seen when respondents forecast when their performance might return to pre-pandemic levels, as shown in Figure 5. The most adversely affected sectors expect performance levels to improve, but expectations vary as to how long this may take. Results indicate that real estate is likely the sector with the longest journey back to pre-pandemic performance.

Two sectors – telecommunications and health care – appear, in general, to be operating at somewhat higher performance levels before the pandemic. In practice, survey responses imply some companies in these sectors anticipate their performance may fall (rather than increase) over the next one to three years to return to pre-pandemic levels.

Surveyed companies are seeing momentum in the recovery in the U.S., as shown in Figure 6. In last year's survey, almost every company (96%) expected it would take six months to a year (55%) or one to three years (41%) to recover to pre-pandemic performance levels. A year on, the views from survey responses are more dispersed, with 24% expecting it to take less than six months to recover and 11% expecting the recovery to take more than three years.

¹Not all surveyed companies disclosed their increase or reduction of salaries and wages.

Figure 5: Expectations on returning to pre-pandemic performance levels by sector

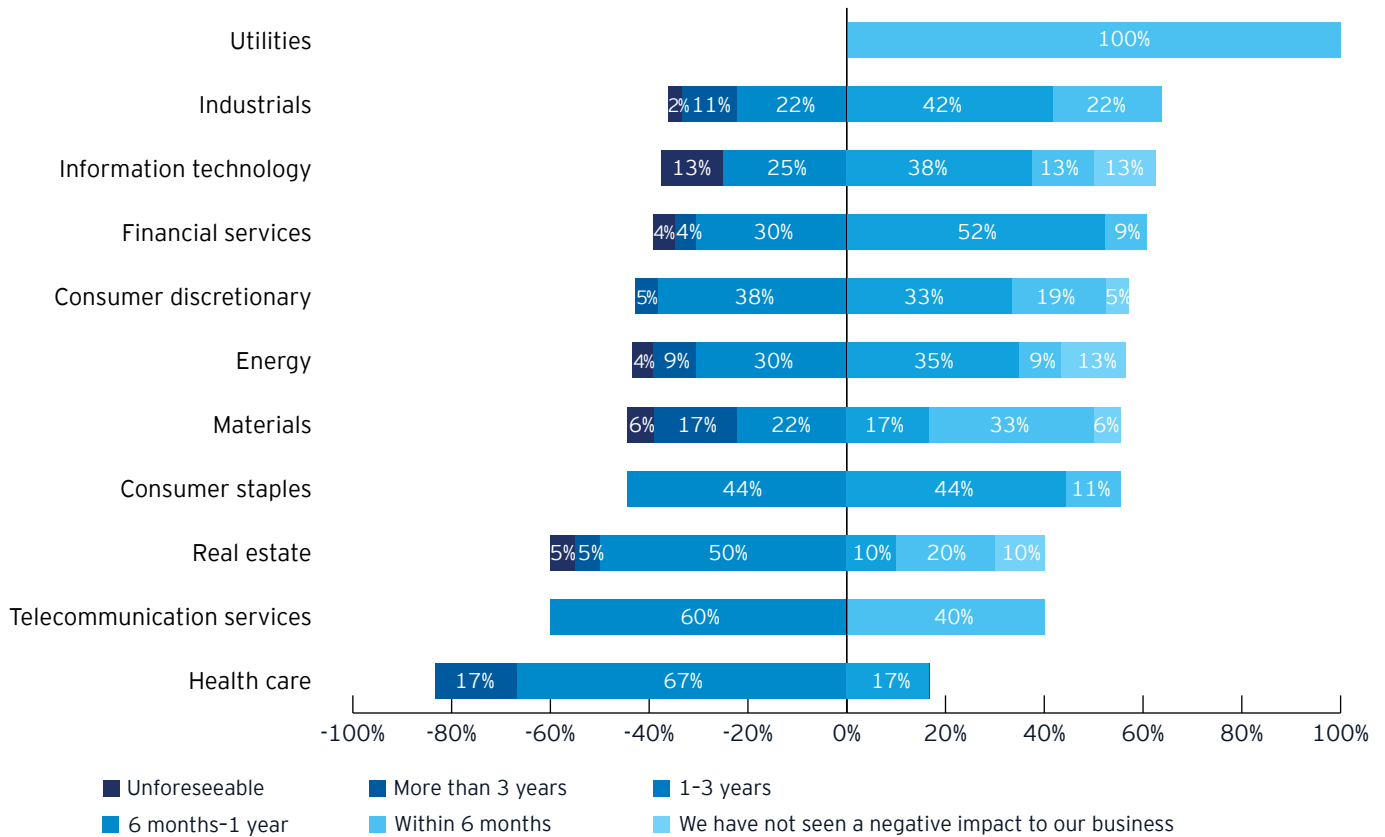
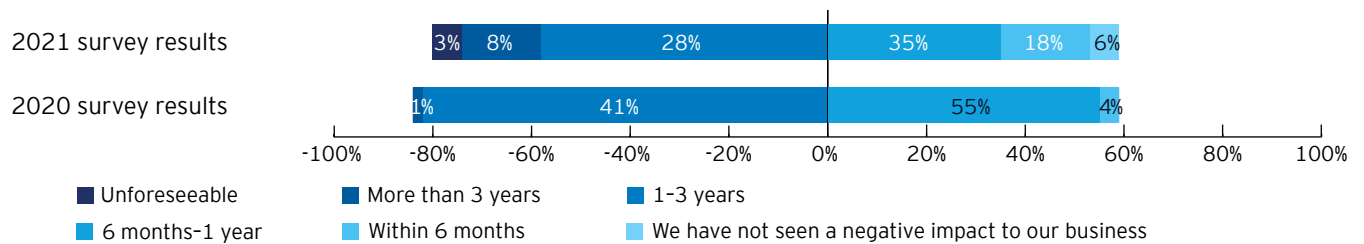


Figure 6: Year-on-year change of expectations on returning to pre-pandemic performance levels



Surveyed Chinese companies identify a range of ways in which their strategy or investment priorities have changed due to the pandemic, as shown in Figure 7. According to the results, the severe, unexpected nature of COVID-19 highlighted the benefits of investing in identifying, evaluating and preparing to respond to emerging risks. It also showed the benefits of maintaining a flexible cost base.

Respondents highlight that the pandemic shone a light on the need for faster and broader digital transformation to meet changing customer needs (e.g., easier access to products) and for more efficient operations. It also spurred investments in new products and services. These investments are anticipated to stimulate long-term benefits for the surveyed companies.

“

We continue to research new products and increase profitability by digitalizing production management and overall enterprise management and investing in automation.

– JN Fibers

Figure 7 shows that, as the pandemic starts to abate, companies are, to some degree, decreasing their focus on operational stability, customer engagement and workforce management. Respondents suggested it doesn't mean those areas are no longer important; it simply means companies are starting to return to "normalcy," according to interviewed executives.

Overall, this reflects changing views by the surveyed Chinese companies on the U.S. business environment, as shown in Figure 9. In CGCC's 2018 survey, there was

a fairly balanced picture when comparing how conditions had changed from the prior year – almost as many were seeing improvements as were seeing worsening conditions, with a clear majority (59%) not seeing any change. By contrast, the 2021 survey shows a significant majority (89%) are seeing conditions worsen since last year's survey; almost a third (29%) view conditions to have worsened substantially.

Figure 7: Impact of COVID-19 on U.S. operations' strategic focus and investments

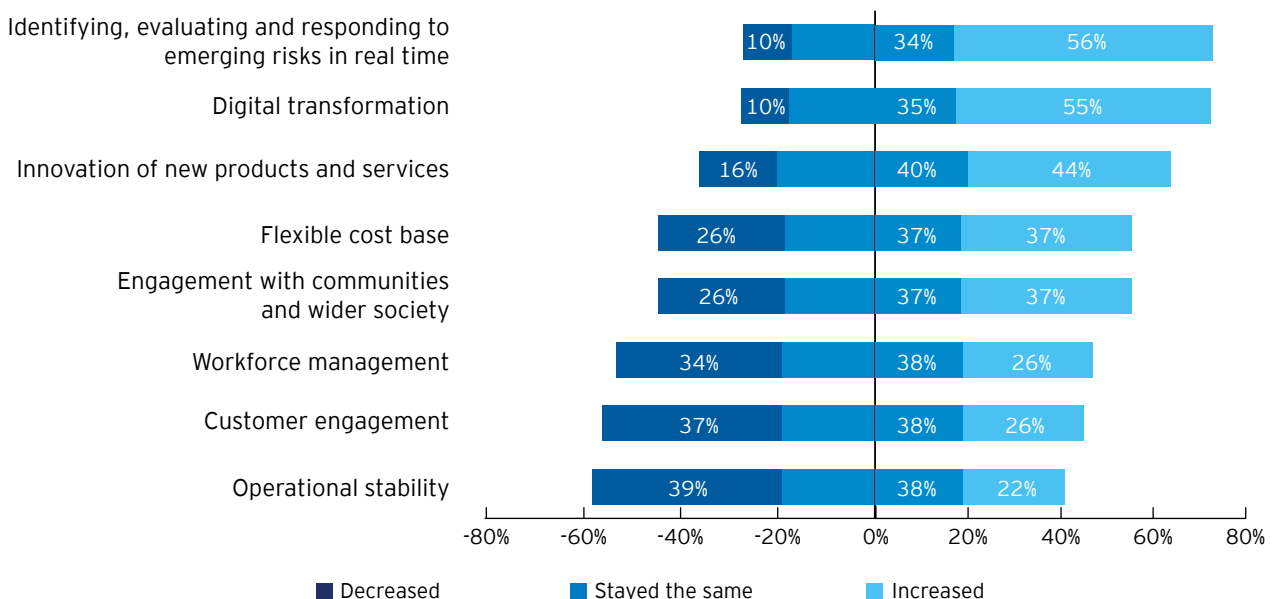
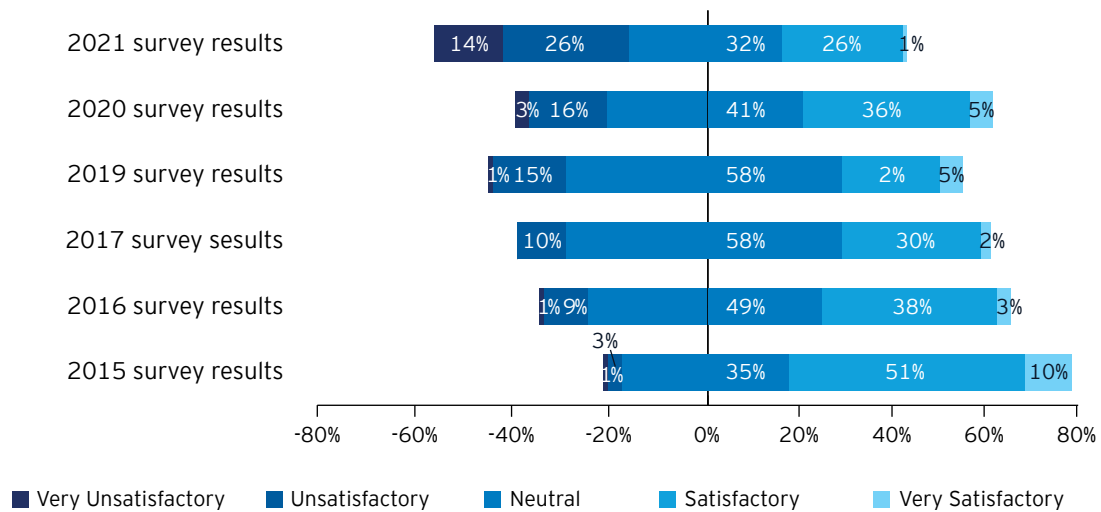


Figure 8: Year-on-year change of satisfaction for Chinese companies with the U.S. investment and business environment



The COVID-19 pandemic accelerated the perception by surveyed Chinese companies operating in the U.S. of a slowly deteriorating investment and business environment in the U.S., as observed in recent years throughout CGCC's annual surveys. For example, the level of satisfaction with the business environment has been falling steadily in

recent years, as shown in Figure 8. In 2015, over three-fifths (61%) viewed the environment positively; only 4% held a negative view. This year, only about a quarter (27%) held positive views, whereas 40% held negative views.

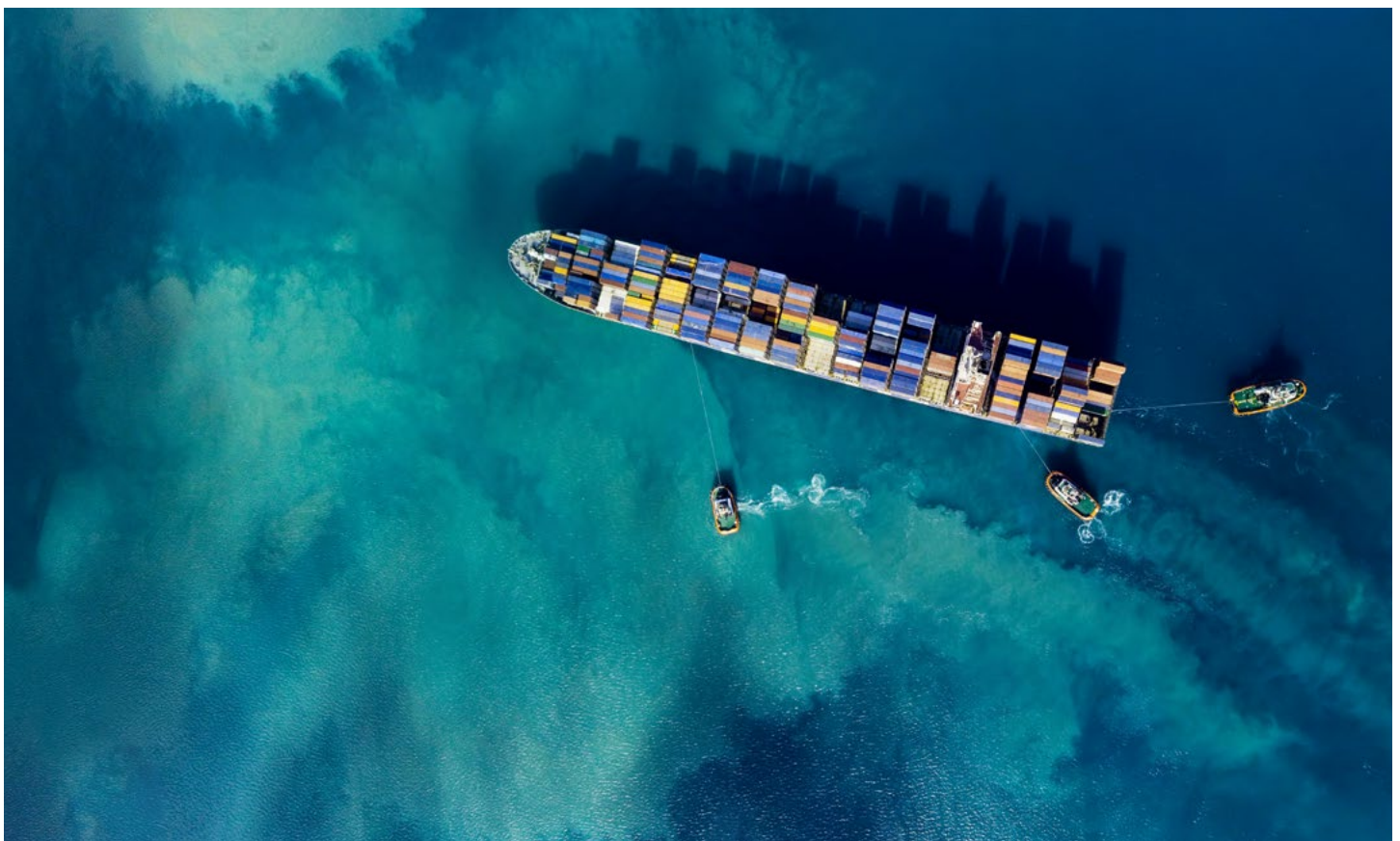


Figure 9: Year-on-year change of investment and business environment for Chinese companies

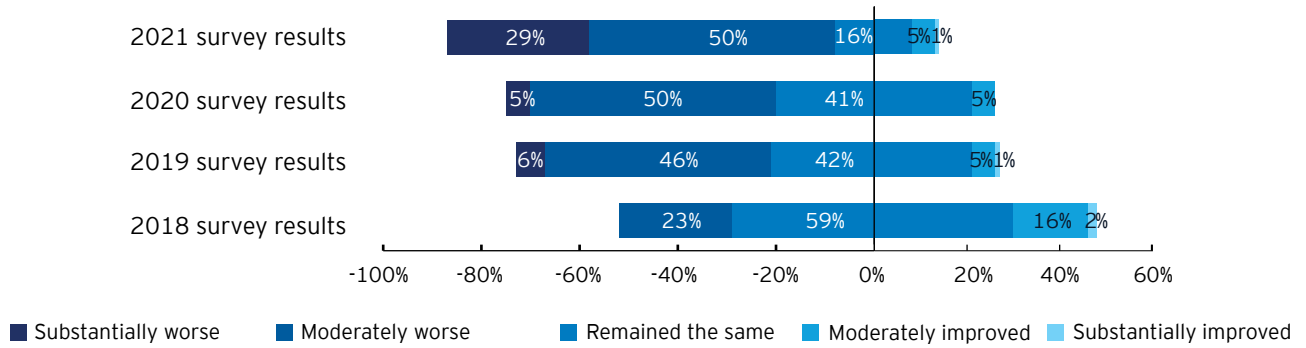
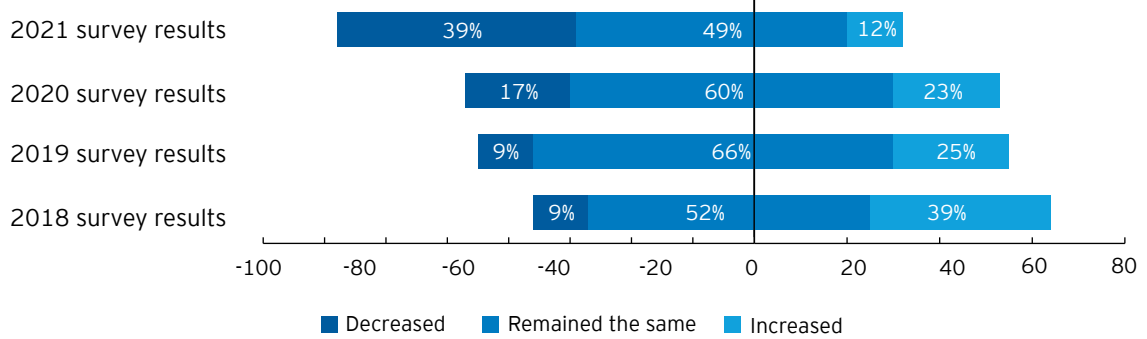


Figure 10: Year-on-year change of new business investment in the U.S. by Chinese companies



In this context, investments in U.S. operations by survey respondents have been slowing in recent years, as shown in Figure 10. According to interviewed executives, this reflects a perceived worsening business environment for Chinese companies and a maturing of investment strategies, when compared to previous years. COVID-19

has also had an impact; investments fell for just over a third of surveyed companies (39%), as parent and U.S. companies managed through the pandemic.



Revenues and profitability suffered due to COVID-19, but parent companies remain committed to the U.S. market.

As shown by the rightward trend in Figure 11, revenues of surveyed Chinese companies operating in the U.S. have been growing year on year. In CGCC's 2017 survey, 55% had revenues of \$10 million or below. Of those surveyed this year, 39% had revenues of this level, whereas 38% had revenues of \$50 million or above (in contrast to 27% in the 2017 survey).

To some degree, the changes in revenue reflect annual growth prior to COVID-19, as shown in Figure 12. The impact of the pandemic last year and this year did lead to some companies' revenues decreasing, at least when compared to 2019.

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We have enhanced our risk management to combat the negative impact of COVID-19 while exploring new opportunities, especially in developing new products, in preparation for the post-COVID era.

– BYD, the world's largest electric vehicle manufacturer for the past three years with operations in the U.S. since 1999



Figure 11: Year-on-year change of surveyed companies' annual U.S. revenues

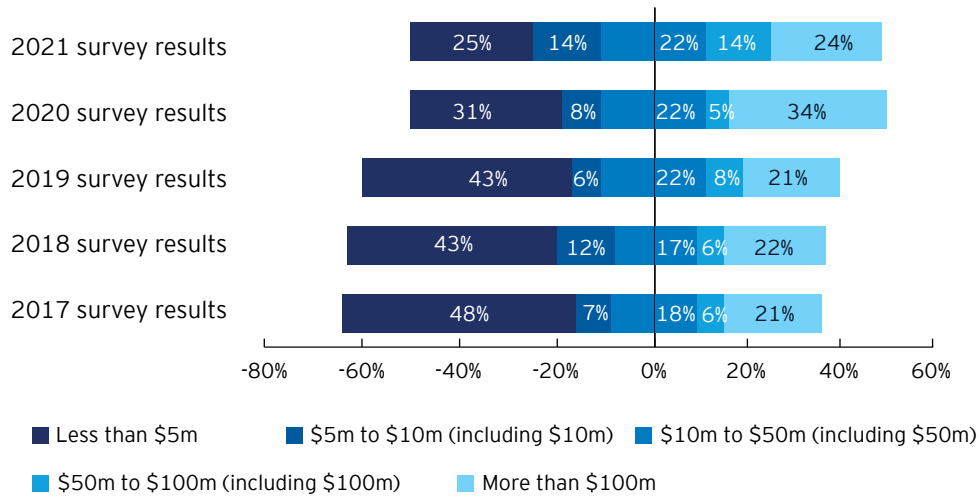
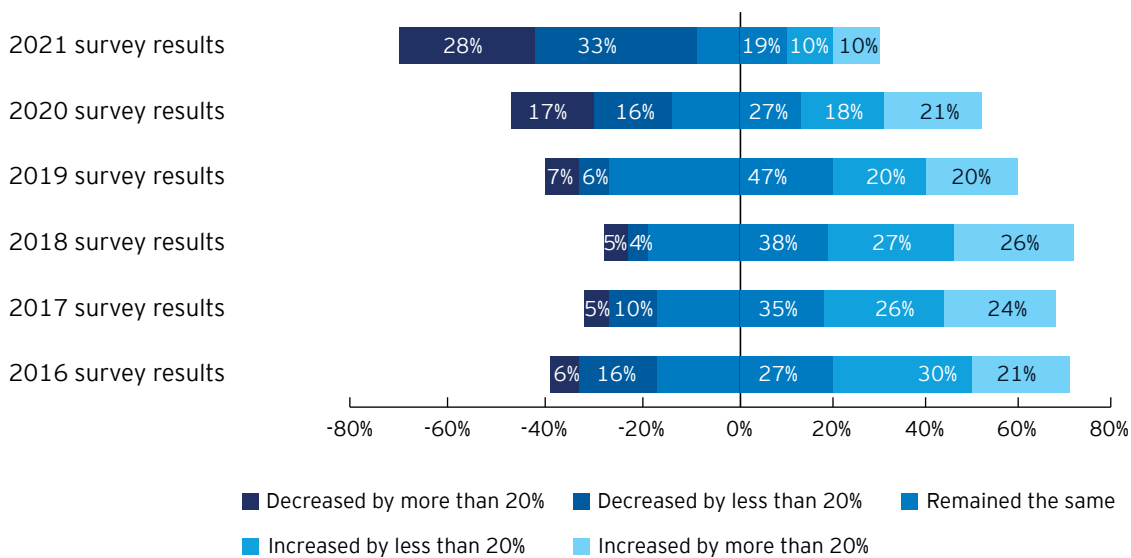


Figure 12: Year-on-year change of companies' annual revenues



Surveyed companies reported they have managed profitability fairly consistently and effectively in recent years (shown as earnings before interest and tax (EBIT), in Figure 13). EBIT was squeezed as a result of the pandemic, as shown in Figure 14. Yet, they reported parent companies have maintained a high level of commitment to their U.S. operations, as shown by their willingness to accept lower levels of profitability in the U.S. compared to levels in China (see Figure 15). Margin

compression wasn't just due to COVID-19. For many enterprises, surveyed executives noted the cost of risk management and regulatory compliance also continues to weigh on profitability. (See "Legal and regulatory compliance challenges necessitate ongoing investments," page 21.)



Lower margins are partly due to increasing business expenses to meet regulatory requirements.

– Bank of China U.S.A., a branch of one of the big four commercial banks in China with the largest global footprint among them, has proudly served the U.S. and Chinese business communities for over 40 years

Figure 13: Estimated EBIT margins

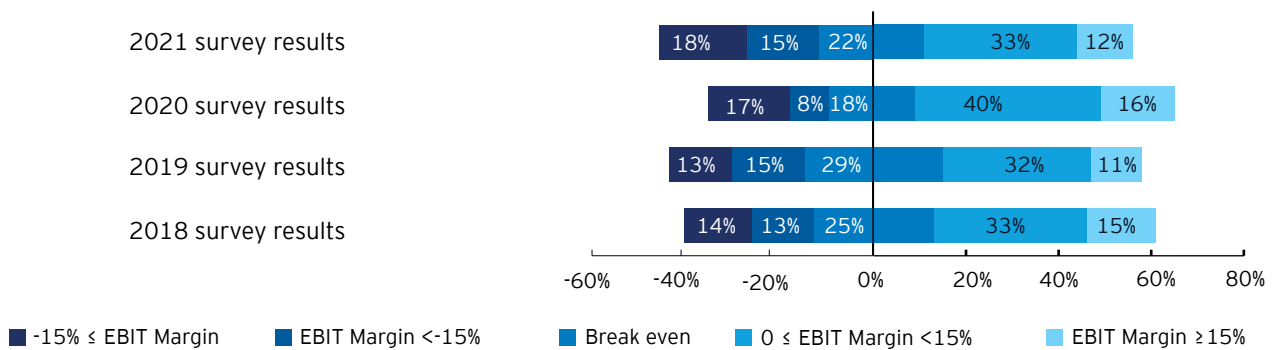


Figure 14: Year-on-year change of companies' estimated US EBIT margin

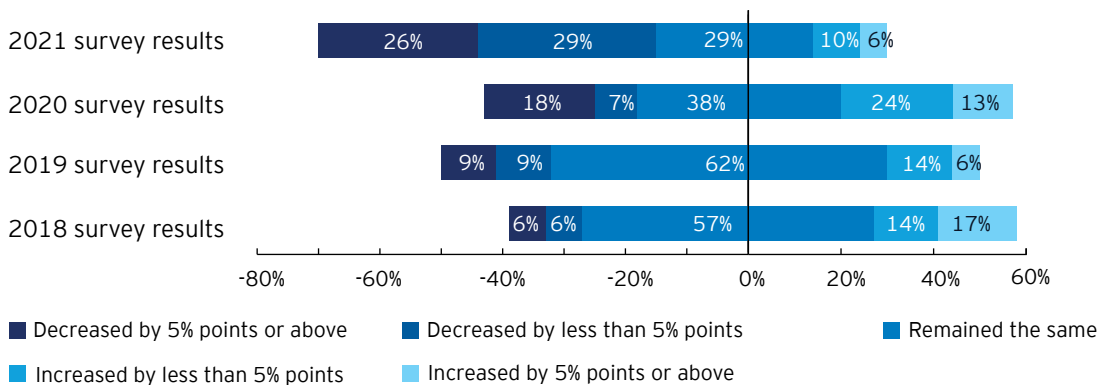


Figure 15: Year-on-year change of comparisons between U.S. company and parent company EBIT margins

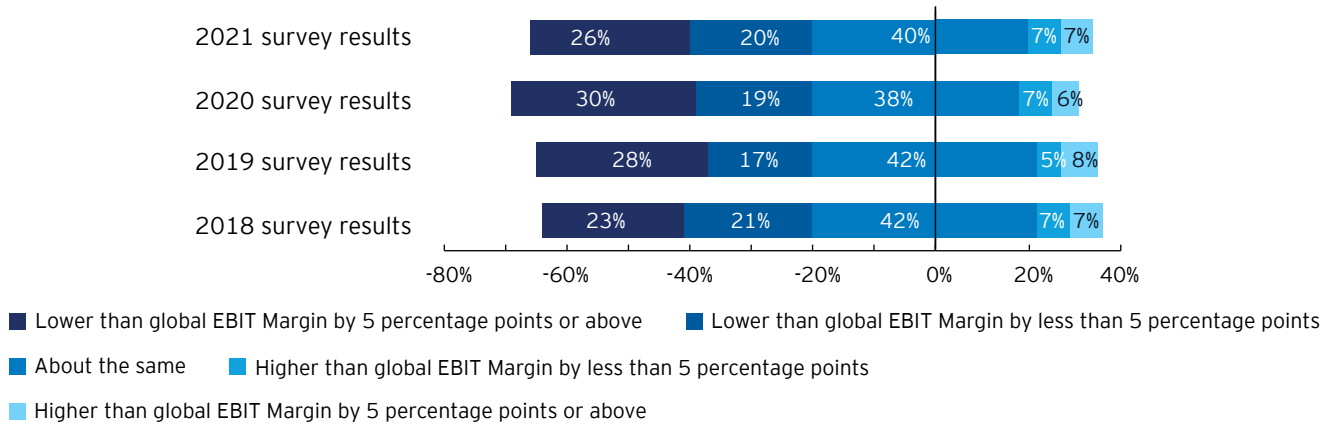
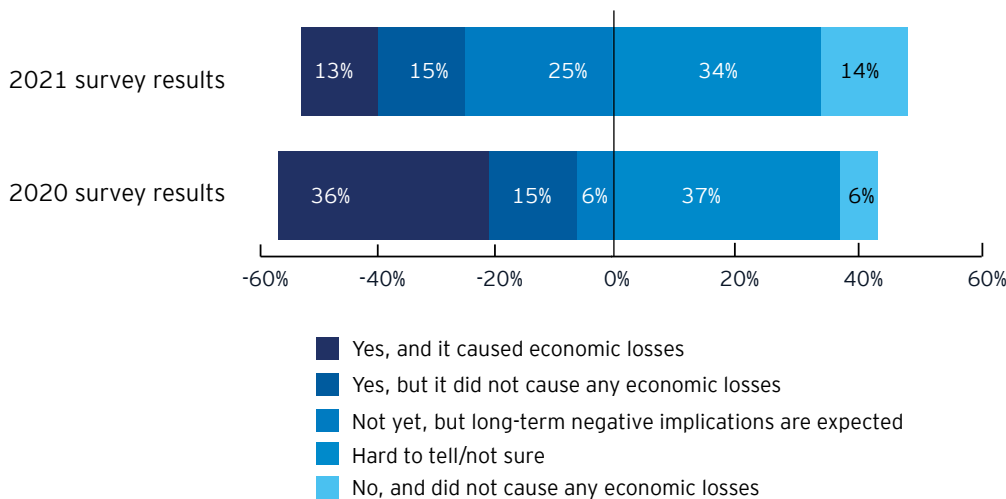


Figure 16: Year-on-year change of view towards impact of anti-China/Asia sentiment during the COVID-19 pandemic



Surveyed companies remain focused on the potential adverse effects of anti-China/Asia sentiment on their employees and corporate performance. Survey data highlights that such sentiment existed prior to the pandemic, but surveyed executives noted that it became more pronounced in public discourse since the onset of COVID-19. As shown in Figure 16, surveyed companies express some concerns as to the short- and long-term, but respondents indicated they feel the impact may not be as negative as they thought last year – the percentage responding to this sentiment has caused economic losses to drop from 36% to 13% over the past year. About a third (34%) still say the effects are hard to tell.

Survey responses and this year’s executive interviews highlight that parent companies remain fully committed to the U.S. market. Not only did they accept lower profitability, as noted above, but they also reported plans to continue to reinvest in their U.S. operations, as shown in Figure 17. In terms of profit distributions, a significant proportion of surveyed companies reinvest profits in their U.S. operations (65% reinvest all their profits in the U.S.). Indeed, the level of reinvestment has been growing in recent years and is yielding results for Chinese companies, with a growing share of global revenues from their U.S. operations, as shown in Figure 18.

Figure 17: Year-on-year change of distribution or use of U.S. operations' profits

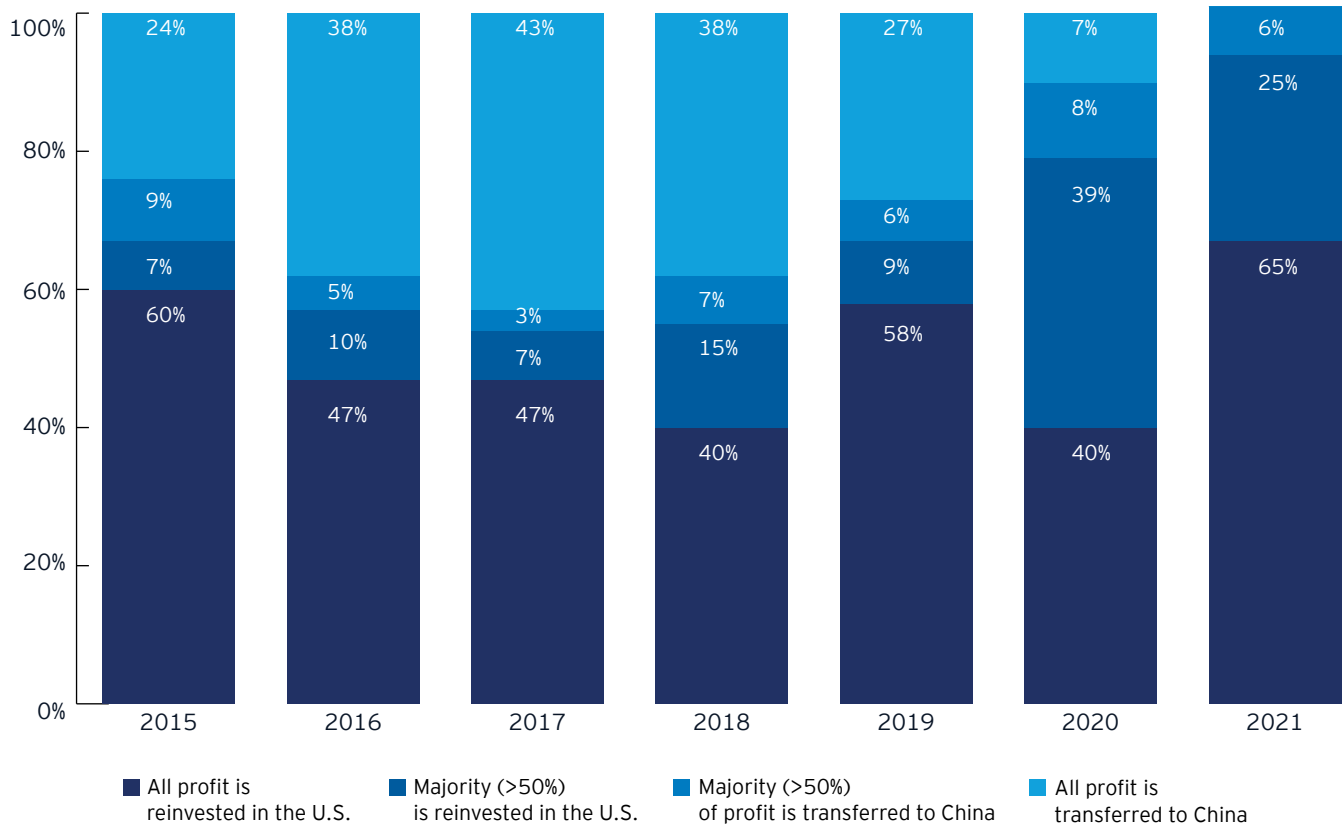
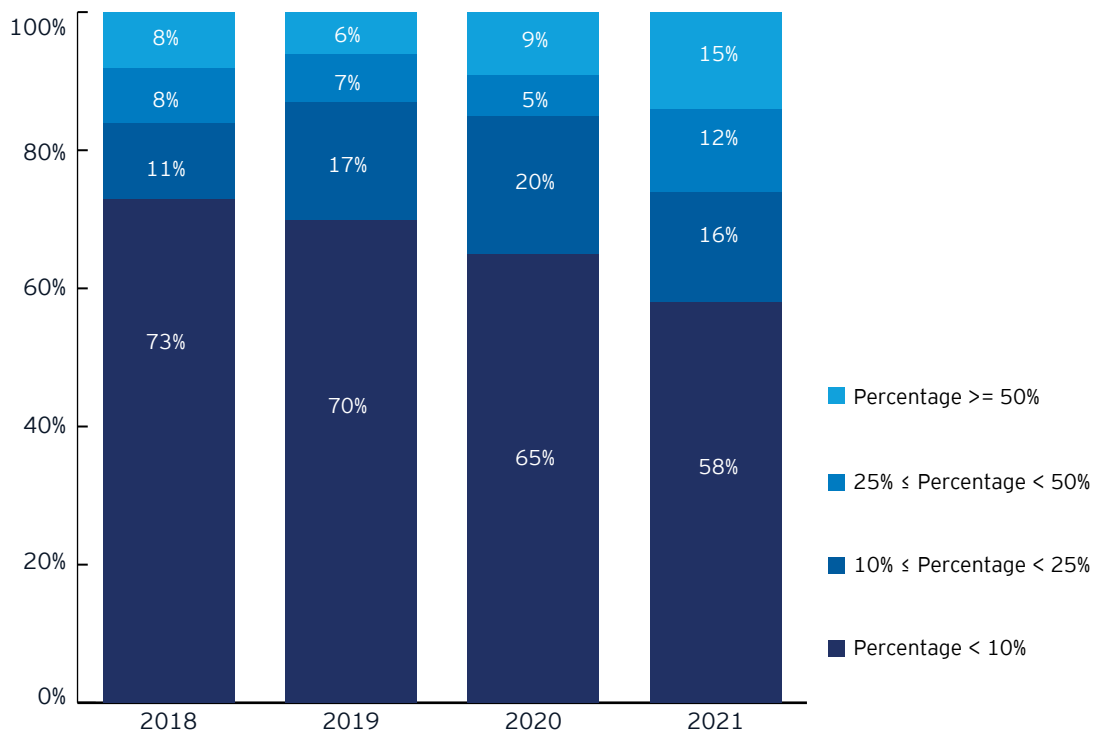


Figure 18: Year-on-year change of contribution of U.S. operations to global revenues

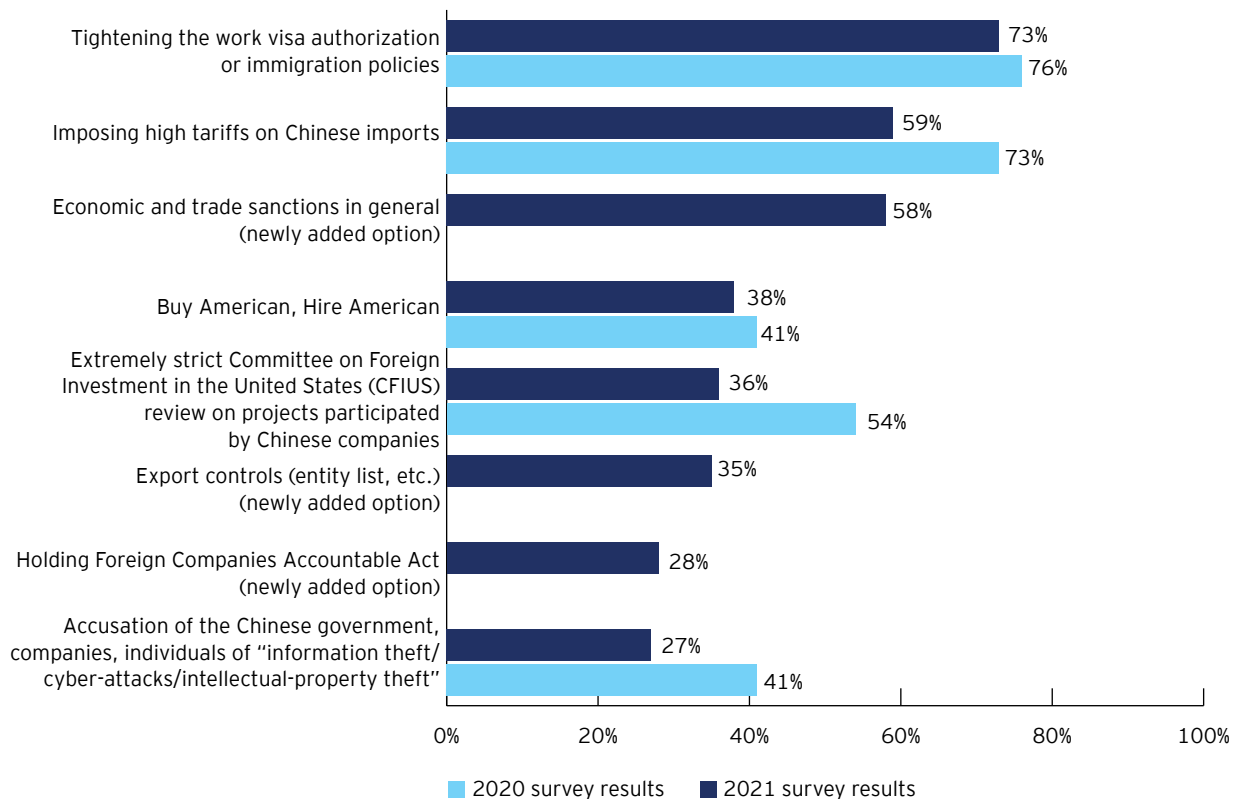


Legal and regulatory compliance challenges necessitate ongoing investments

Beyond the economic, competitive and political challenges of operating in the U.S., surveyed companies highlight that they are keenly focused on regulatory compliance. Executives noted this can be especially challenging given the complex nature of U.S. laws and regulations and the intensity with which they are implemented by authorities and overall cultural differences.

The U.S. government's policies have an impact on surveyed companies' views on the U.S. investment and business environment. As shown in Figure 19, respondents indicated that immigration and visa restrictions, sanctions and "Buy America, Hire America" policies continue to have a negative effect. Responses also suggested policies such as Committee on Foreign Investment in the United States (CFIUS) reviews and import tariffs are having less of a direct effect, when compared to last year's survey.

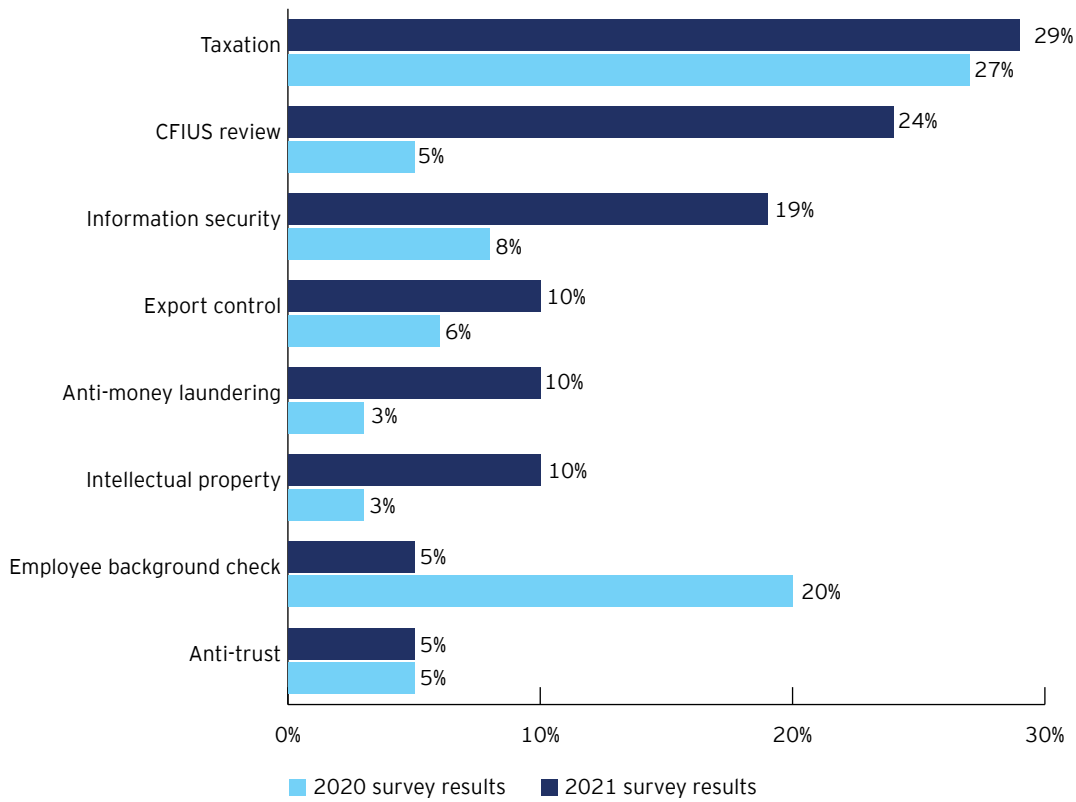
Figure 19: Negative effect of U.S. government policies or positions



According to the 2021 survey, a smaller portion (11%) of surveyed Chinese companies operating in the U.S. were subject to federal, state or other regulatory investigations in 2020, compared to the prior year (17%). However, the 2021 survey generally suggests the focus of the 2020 investigations broadened when compared to 2019, as

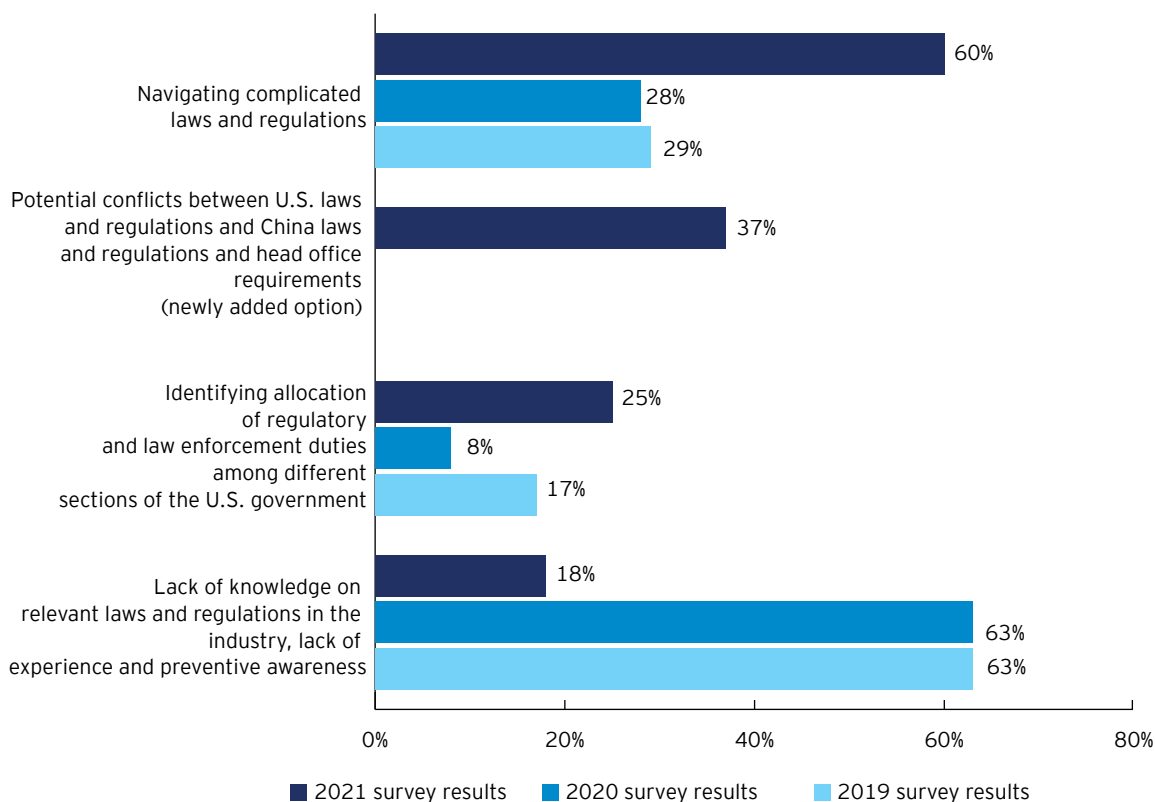
shown in Figure 20, with more companies facing CFIUS reviews or investigations related to information security. By contrast, in 2020, respondents reported there were fewer regulatory investigations into institutions' financial conditions or employees' backgrounds.

Figure 20: Year-on-year change of types of regulatory-authority reviews



This year, the top compliance challenges faced by surveyed Chinese companies shifted from lack of knowledge on relevant laws and regulations to navigating perceived complicated laws and regulations and potential conflicts between U.S. and Chinese laws and regulations, as shown in Figure 21.

Figure 21: Year-on-year change of main challenges in complying with U.S. laws and regulations



Surveyed companies continued to invest in compliance last year, even with tougher economic conditions stemming from the pandemic. Compared to 2019 and 2020 survey results, respondents this year reported that strengthening the company's systems and procedures superseded

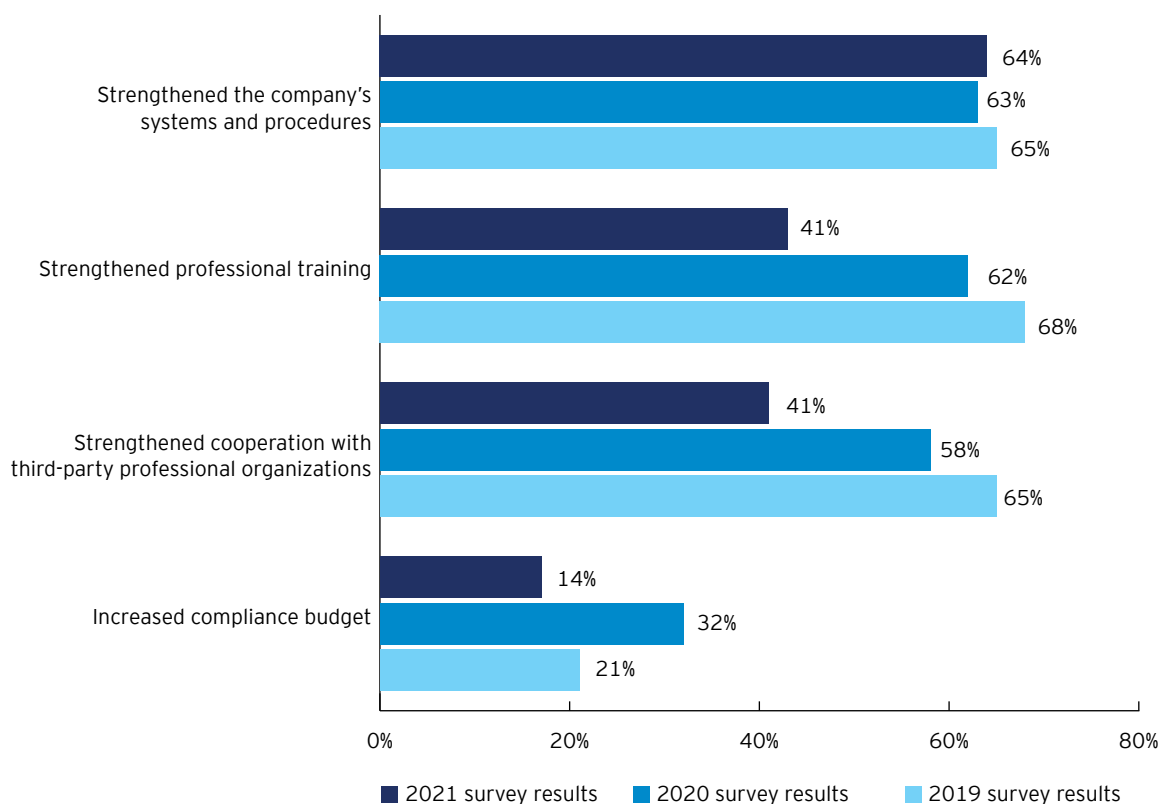
professional training and cooperation with third-party organizations as the key action to enhance regulatory compliance, as shown in Figure 22.

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Our top priority for the next 12 months is to continue strengthening corporate governance, building the risk and compliance culture, improving the enterprise risk management framework, and improving compliance operations and information security.

– ICBC, the largest bank in the world by total assets as of 2021 with 13 branches in the U.S. and over 13 years of operating in the U.S.

Figure 22: Year-on-year change of actions to strengthen compliance



Financial services

The financial services sector is the second most prominent sector among surveyed companies (14% of respondents, only second to industrials). The sector offers a wide range of services in the U.S. market: two-fifths (41%) offer wholesale banking services and just over a third (36%) provide trade finance services.

Overall, these companies reported that they endured fairly well throughout the pandemic; as shown on Figure 3 (page 9), less than a fifth (17%) experienced severely negative performance impacts. Most (65%) respondents only experienced minor impacts on performance, and about an eighth (13%) experienced no impacts. Companies in this industry sought to support customers, the broader economy and financial markets during the pandemic, according to interviewed executives. Most (55%) of the surveyed financial services companies reported that they place maintaining business-as-usual as their primary focus in the next 12 months while the effects of the

COVID-19 pandemic continue, followed by enhancing risk management and meeting regulatory requirements. In this context, as shown in Figure 23, Chinese financial services companies highlighted that they are investing in strengthening risk governance across the three lines of defense, managing credit and fair lending practices, and maintaining ample liquidity. Respondents indicated some of these enhancements link to a broader strategy among financial services companies to leverage emerging technologies: about two-thirds (63%) are exploring such an approach; of those, about two-thirds (64%) plan to enhance digitization, two-fifths (42%) to use cloud technologies, and just over a quarter (28%) to leverage artificial intelligence and machine learning.

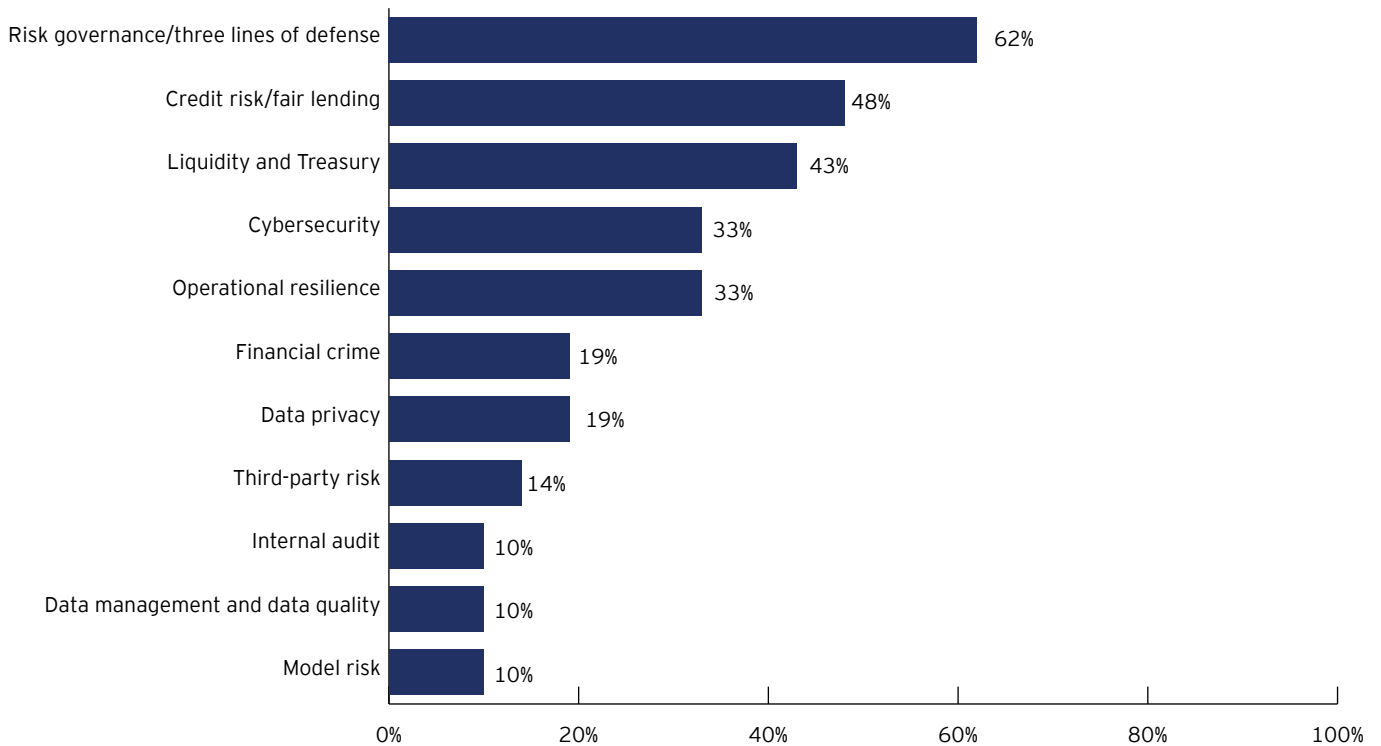
Interviewed executives highlighted that financial services companies are also focused increasingly on emerging commercial opportunities, especially in sustainable finance, and environment, social and governance (ESG).

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We plan to comprehensively use various financial products and resources to promote green finance.

– ICBC

Figure 23: Financial services' top areas of focus for compliance



Energy and EV

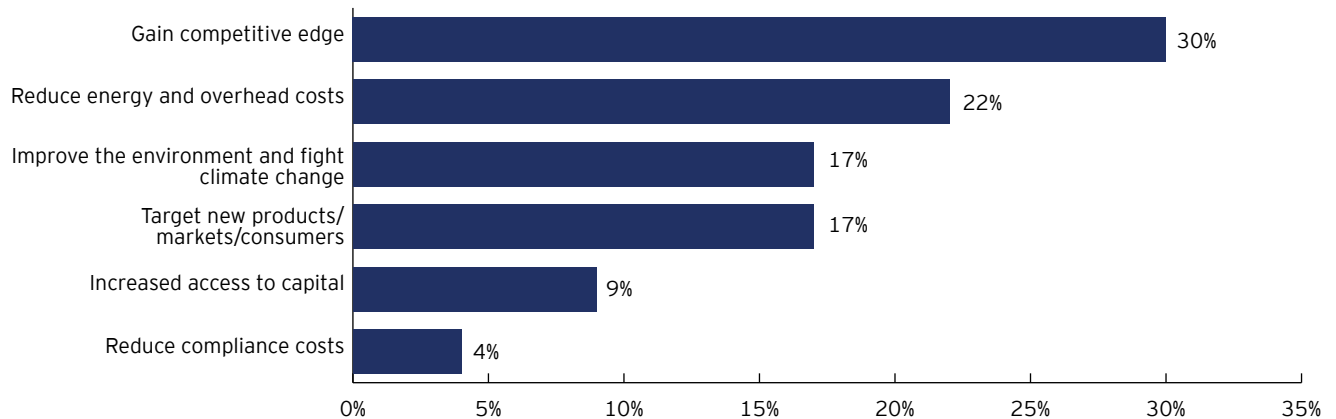
About 13% of surveyed institutions are in the energy sector. Half focus on oil and gas, a quarter on chemicals and specialty materials, and almost a fifth (17%) on industrial products and construction.

COVID-19 had an overall negative impact on companies operating in energy; according to survey responses, almost as many (39%) suffered minor performance issues as those experiencing severe impacts (43%).

Surveyed Chinese companies indicated how, given the global focus on climate change, they are increasingly focused on implementing long-term low-carbon strategies.

A quarter are already implementing such a strategy; over another third (36%) are in the process of developing a strategy; 14% recognize the need to develop such a strategy. Surveyed energy companies recognize they will accrue various benefits from implementing a low-carbon strategy, as shown in Figure 24. However, interviewed executives highlighted various constraints on implementing low-carbon strategies, including their view that renewable energy currently is still unaffordable, transition plans from fossil fuels are challenging and battery storage technologies are not sufficiently advanced. Interviewed executives expressed different expectations on how soon these constraints can be addressed to make the low-carbon strategies pay off.

Figure 24: Energy companies' views of benefits of implementing a low-carbon strategy



A small group of surveyed Chinese enterprises in the energy sector responded that they are evaluating opportunities to invest more in the U.S. EV market given the recent technological advancements in the U.S. Surveyed executives noted COVID-19 has not deterred them from considering such investments as they still see a major business opportunity in fast-developing technology solutions. Respondents said key concerns for investing in energy-related sectors are whether to build new or access

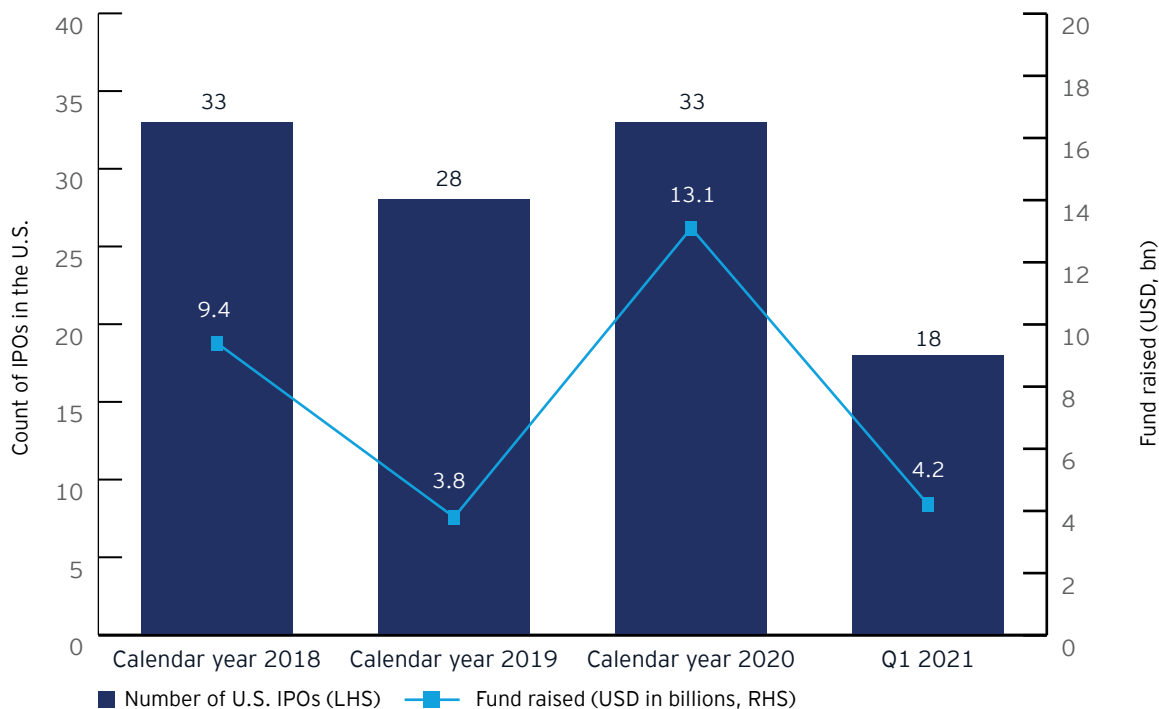
existing infrastructure while successfully navigating a fast-changing U.S. regulatory landscape. They also noted the need to address potential challenges, such as taxes and duties, and the supply chain issues involved in such activity. If additional investments are required, executives indicated they likely would obtain capital injections from their parent companies before raising capital externally.

Continued access to U.S. capital markets

U.S. capital markets have been consistently attractive to Chinese enterprises, as seen in the past three years in Figure 25. Indeed, in 2020, with a backdrop of an extremely active U.S. IPO market, around half of all inbound IPOs were by Chinese companies, with 33 deals raising a record \$13.1 billion.² This trend continues in

2021, with 18 deals already completed and \$4.2 billion in proceeds in Q1 2021. A majority of survey respondents (57%) view the U.S. as the key IPO market of choice and cited global exposure and branding as well as valuation and liquidity as key reasons.

Figure 25: U.S. inbound IPOs by Chinese companies³



²All data is sourced from the Global IPO trends by EY Global Limited for Q4 2019, Q4 2020 and Q1 2021. In 2020, the U.S. capital market was the most active since 2014, in terms of both number of deals (224) and proceeds (\$86.2b), according to the reports for each quarter.

³Data in Figure 25 is sourced from the Global IPO trends by EY Global Limited for Q4 2018, Q4 2019, Q4 2020 and Q1 2021.



Respondents identified several concerns they think adversely affect valuations of launching IPO in the U.S.: a perception of relatively weak corporate governance (67%), a lack of understanding of the economic and political environment in China in which the companies mainly operate (58%), and less confidence in the quality of financial and nonfinancial information disclosures made by these companies (58%).

When surveyed, respondents believe Chinese companies should do more to have a voice in U.S. capital markets, with a majority (54%) saying more investment should

be made in public relations and almost a quarter (23%) noting companies should improve transparency.

Looking forward to the next three years, surveyed Chinese companies view Hong Kong as the most attractive stock market to raise capital (46%), followed by Mainland China (31%) and the U.S. (15%).

Outlook of U.S. business environment

Looking forward, surveyed Chinese companies remain highly sensitized to broader U.S.-China relations. As shown in Figure 26, surveyed enterprises' views on future U.S.-China relations have been fairly balanced and stable in recent years. More (39%) expect improvements than those (25%) expecting relations to deteriorate. Interviewed executives highlighted that their companies are actively monitoring bilateral relations and are playing a role in building stronger, positive relations, for example, through industry associations.

“

We consistently monitor the evolving complexities between the U.S. and China to better meet the business needs of our U.S. and Chinese clients.

– Bank of China U.S.A.

Figure 26: Year-on-year change of future expectations on China-U.S. relations

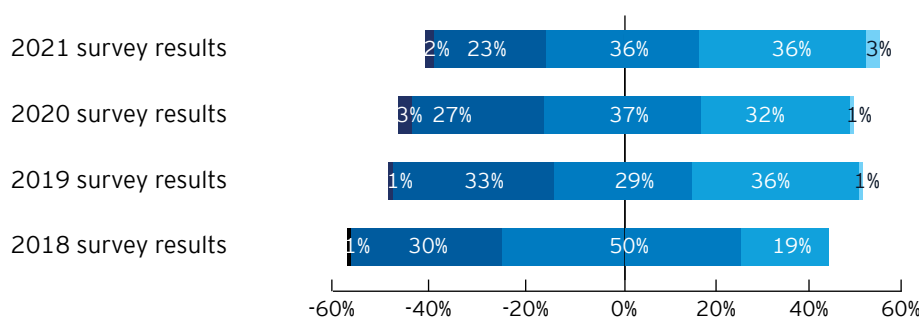
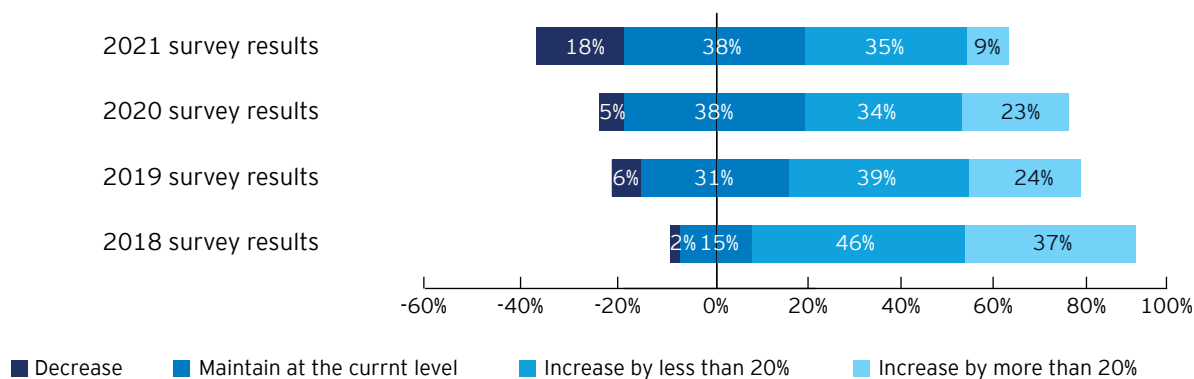


Figure 27: Year-on-year change of forecasted revenue projections over next two years



All of these factors have taken a toll on revenue expectations, which respondents indicated have been falling in recent years: in CGCC's 2018 and 2019 surveys, 83% and 63%, respectively, were forecasting revenue increases in the coming two years. In this year's survey, only 43% expect higher revenues over the next two years; almost a fifth (18%) are expecting lower revenues (see Figure 27).

Investments in U.S. operations by the surveyed companies have evolved somewhat in recent years, as shown in Figure 28. For most (60%) companies, investments are

expected to remain the same, although almost a quarter are still planning on investing more (fairly consistent with prior years). A small minority (16%) are decreasing their investments. Overall, surveyed Chinese companies maintain a strong focus on the U.S., even with short-term challenges from the pandemic and headwinds in terms of the business and investment environment.

Expected future challenges continue to evolve, as shown in Figure 29. The most notable changes between last year and this year are COVID-19 and its impact on economic growth.

Figure 28: Year-on-year change of investment in the U.S. in the coming year

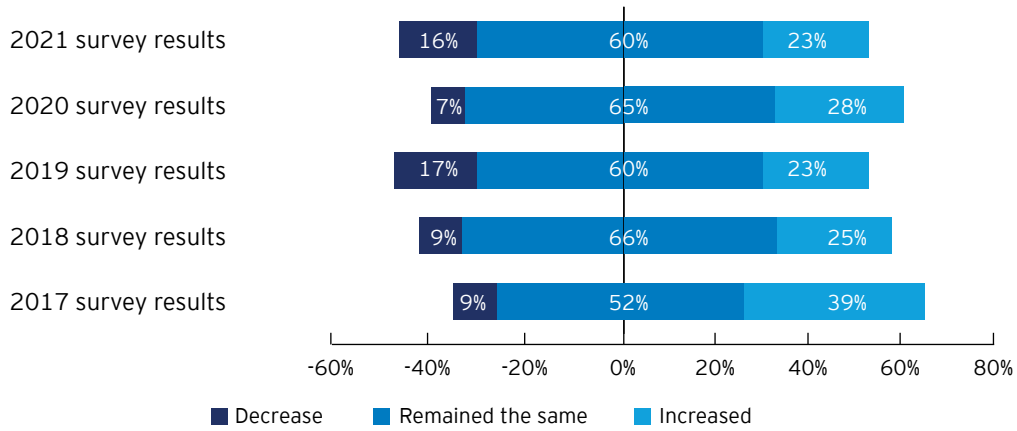
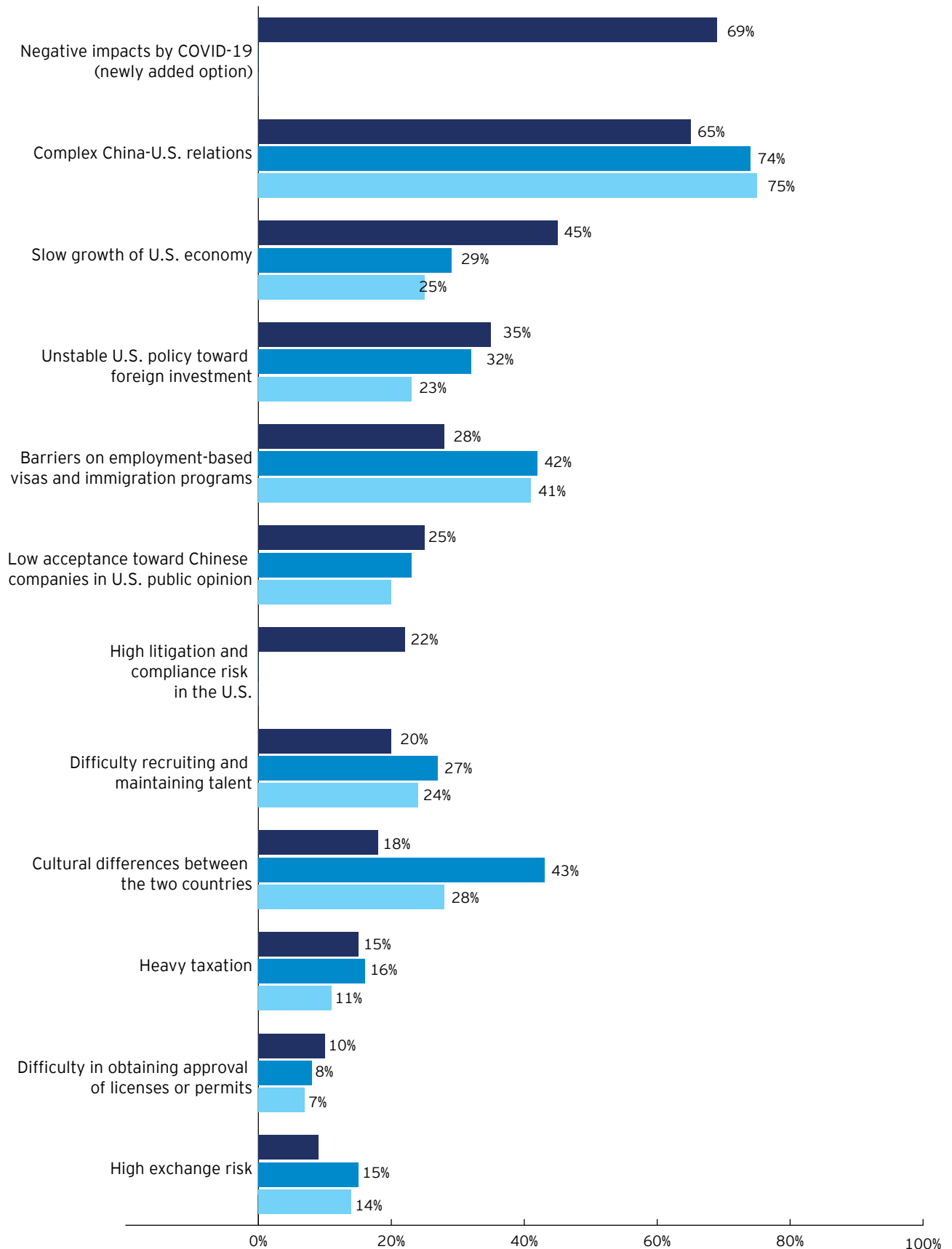


Figure 29: Year-on-year change of challenges in conducting business in near-term



Investment objectives continue to shift, as shown in Figure 30. Growth and improved profitability remain primary objectives for most surveyed companies.

However, respondents note they are investing less in learning new technologies and developing management expertise, reflecting a maturation of these companies' U.S. strategies. Now, they are focusing more on applying those technologies and expertise to drive growth, innovation and operational excellence, for example, by consolidating and streamlining businesses after several years of growth through acquisitions.

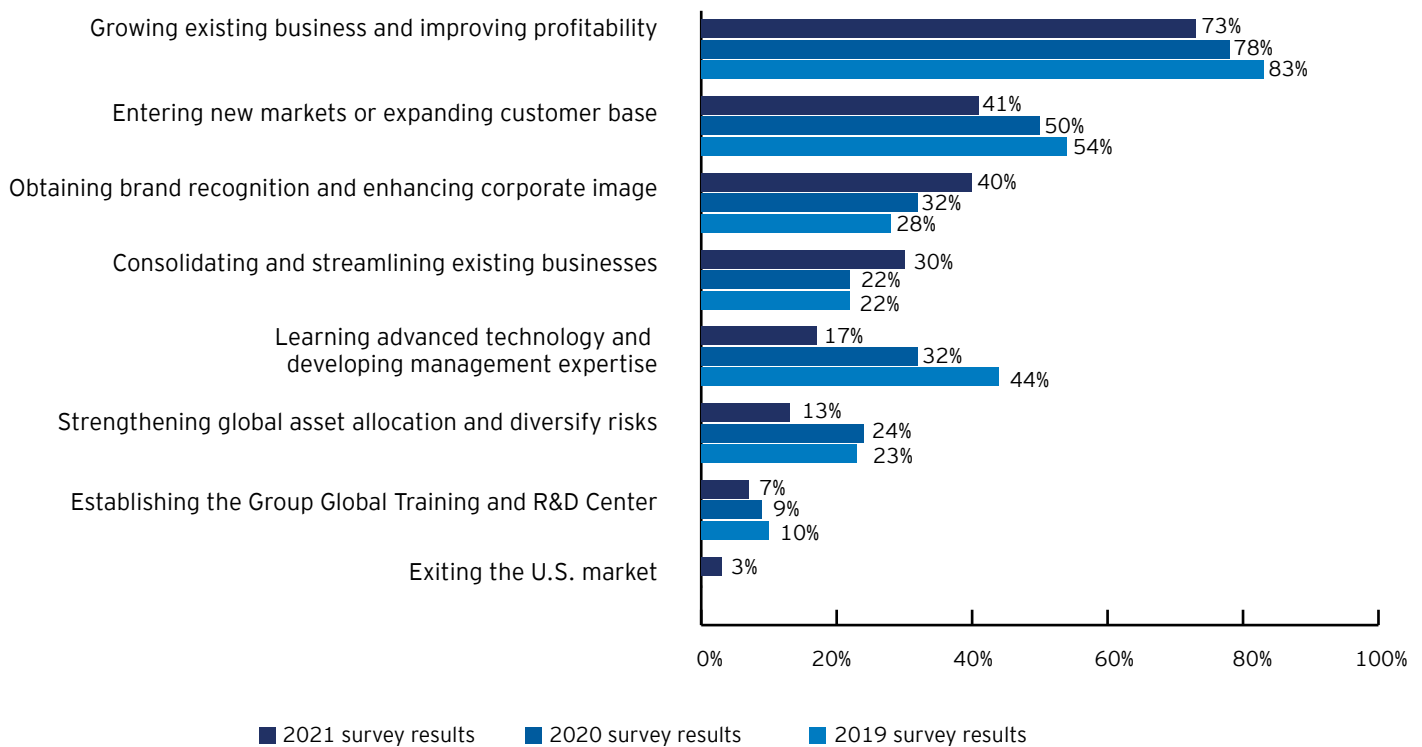
Obtaining brand recognition and enhancing corporate image is ranked much higher in this year's survey (40%) than in previous years, as shown in Figure 30. According to surveyed executives, companies are focusing more on enhancing their brand as part of a broader strategy for their products and services to receive greater acceptance and counter anti-China/Asia sentiment.

“

Our strong performance is due to advanced technology, technical expertise and dedication of Surge employees.

– Surge Energy America

Figure 30: Year-on-year change of primary objectives of 2021-22 U.S. investments





Advice for Chinese companies operating in the U.S.

In reflecting on their experiences of operating in the U.S. in recent years, surveyed company executives identified the following key points to share with other Chinese companies, including:

Stay focused:

“

Invest in industries that you are the most familiar with and fully analyze the feasibility of each project, including resources, industry, U.S. policy, etc.

– JN Fibers

Leverage opportunities:

“

Be aware of the abundance of resources in the U.S.

– Sinopec, one of the largest integrated energy and chemical companies in China with integrated upstream, midstream and downstream operations, strong oil and petrochemical core businesses and a complete marketing network

Localize strategies:

“

Understanding the U.S. consumer market is key, because consumer tastes vary greatly from state-to-state.

– Karma Automotive, a southern-California-based, global producer of luxury electric vehicles and subsidiary of Wanxiang Group

Watch for emerging risks:

“

Strengthen management’s awareness of risks and mitigations, be aware of the U.S. regulatory environment and be ready to respond.

– ICBC

Maintain regulatory compliance:

“

Compliance should be a top priority; seek the right internal and external resources and constantly enhance compliance capabilities.

– Bank of China

Engage your local community:

“

Continue to be a proactive and responsible community member.

– Bank of China

Appendix 1: Additional survey results

Generic questions

Figure 31: What is the estimated impact of COVID-19 on your company's overall financial performance for 2020?

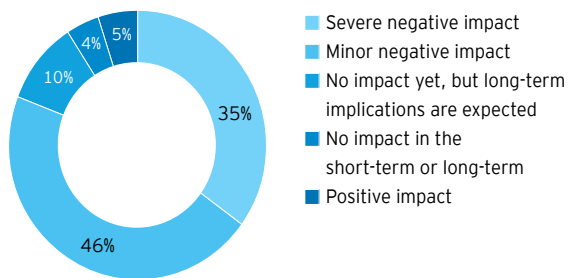


Figure 32: Estimated impact of COVID-19 on overall 2020 financial performance by sector

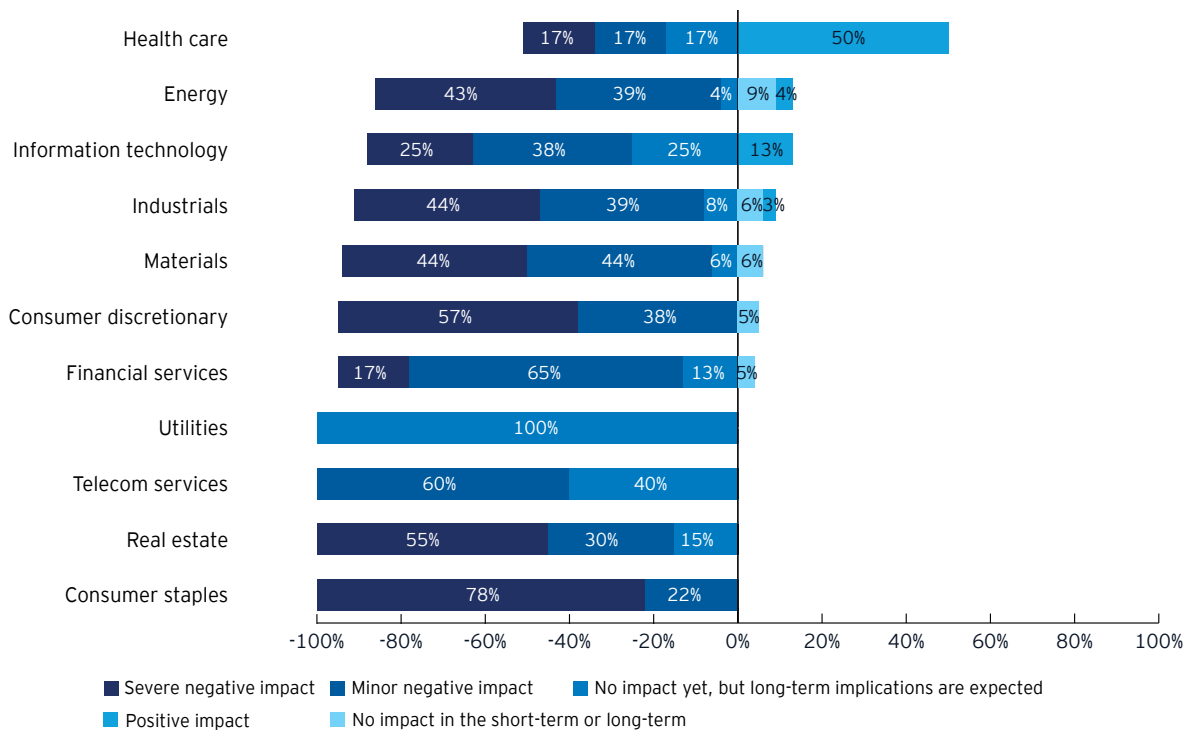


Figure 33: Year-on-year change of estimated COVID-19 impact on financial performance

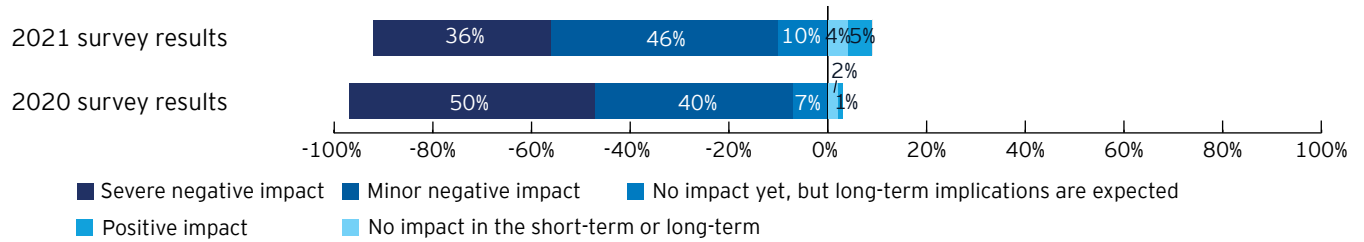


Figure 34: When do you expect to see your business operating at pre-COVID performance levels?

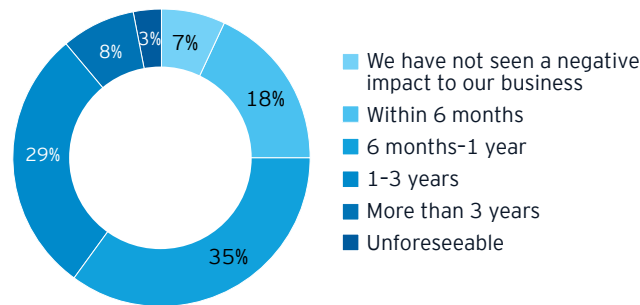


Figure 35: Expectations on returning to pre-pandemic performance levels by sector

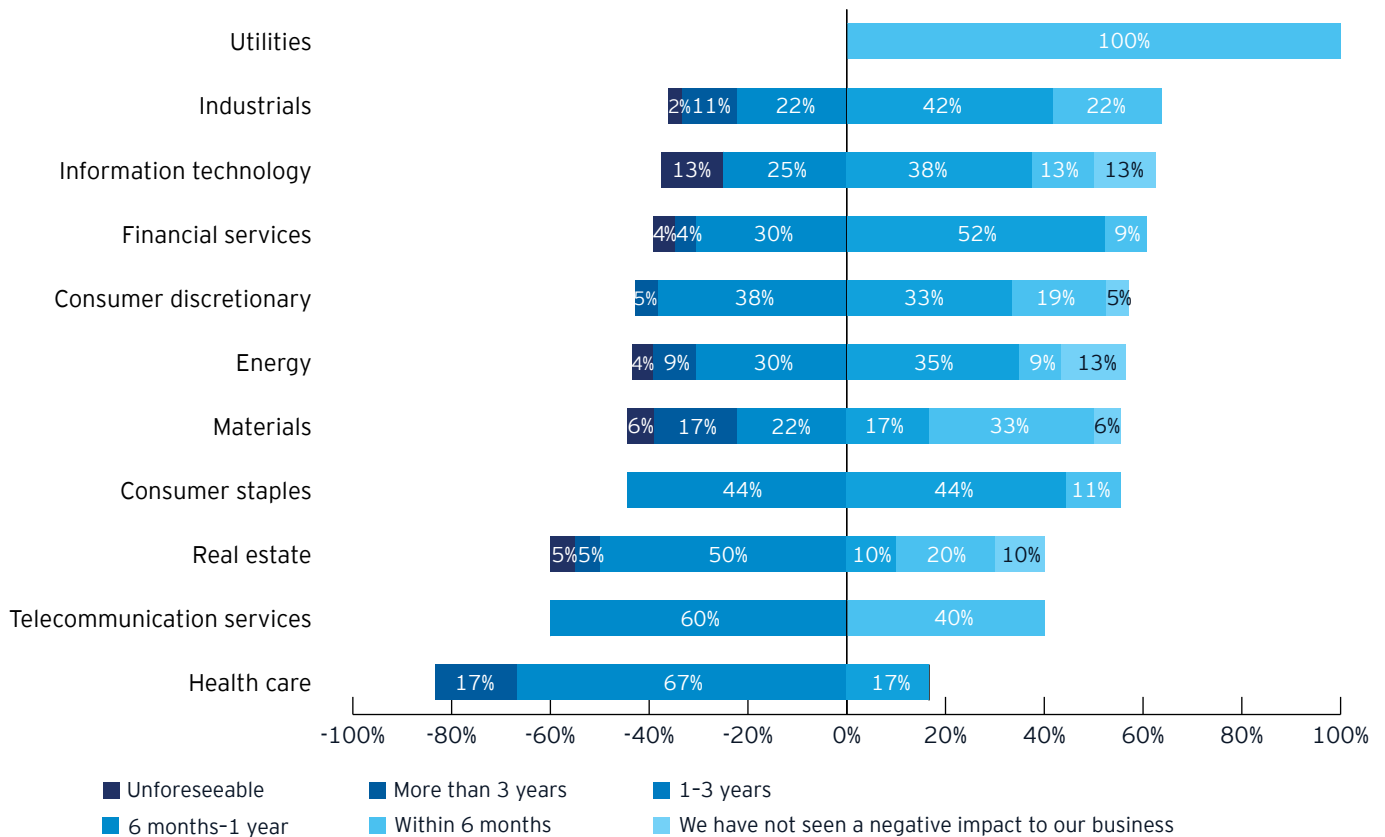


Figure 36: Year-on-year change of expectations on returning to pre-pandemic performance levels

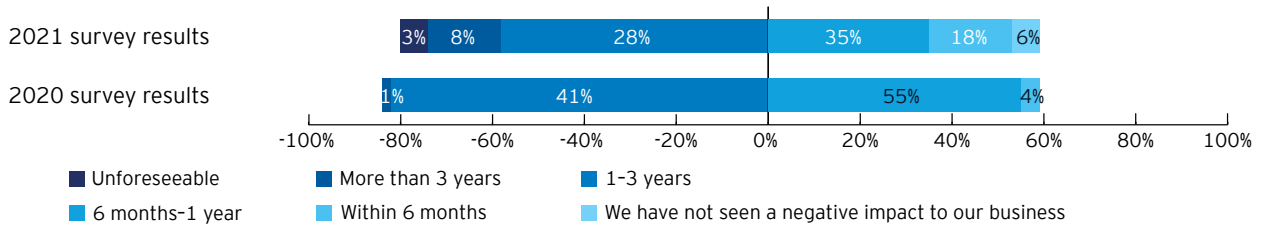


Figure 37: Impact of COVID-19 on U.S. operations' strategic focus and investments

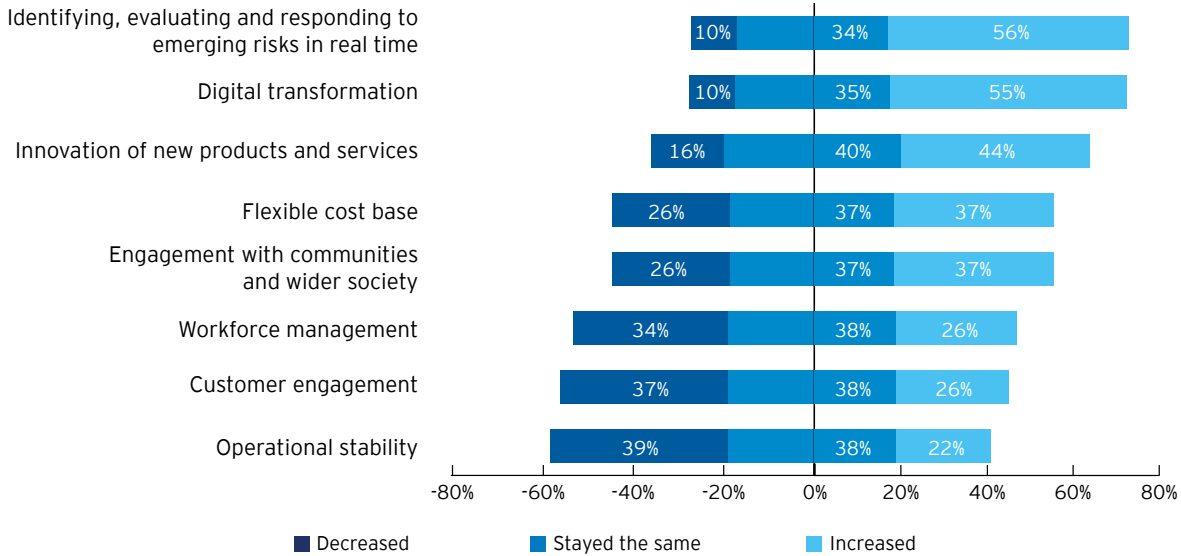


Figure 38: Impact of COVID-19 on U.S. operations' strategic focus and investments – digital transformation

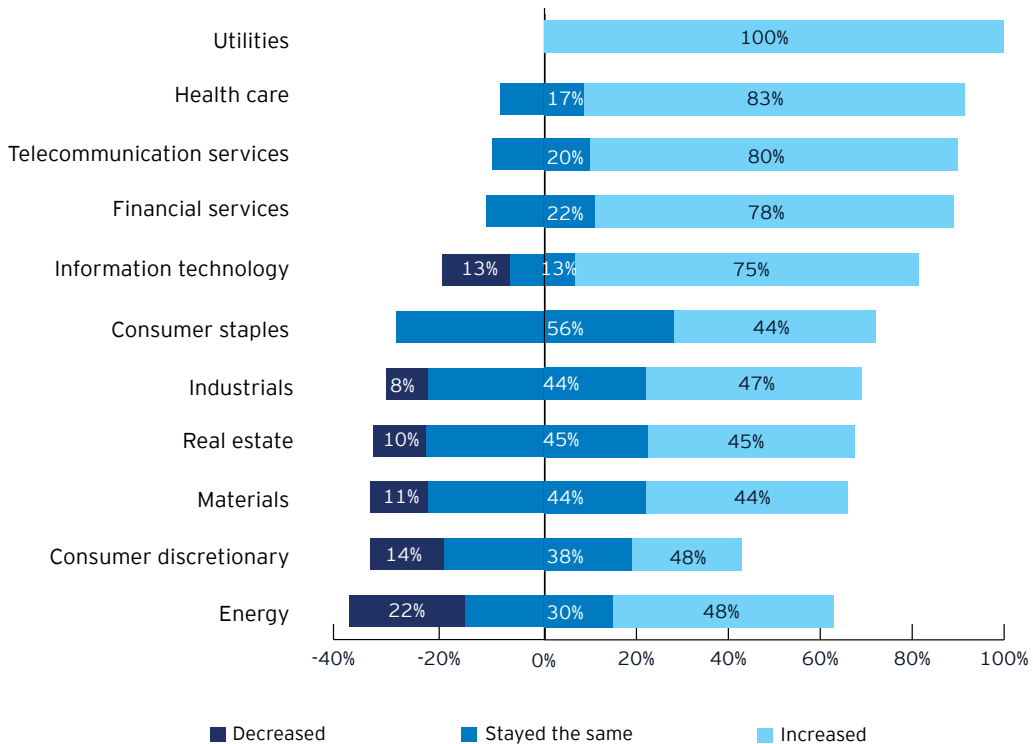


Figure 39: Impact of COVID-19 on U.S. operations' strategic focus and investments – customer engagement

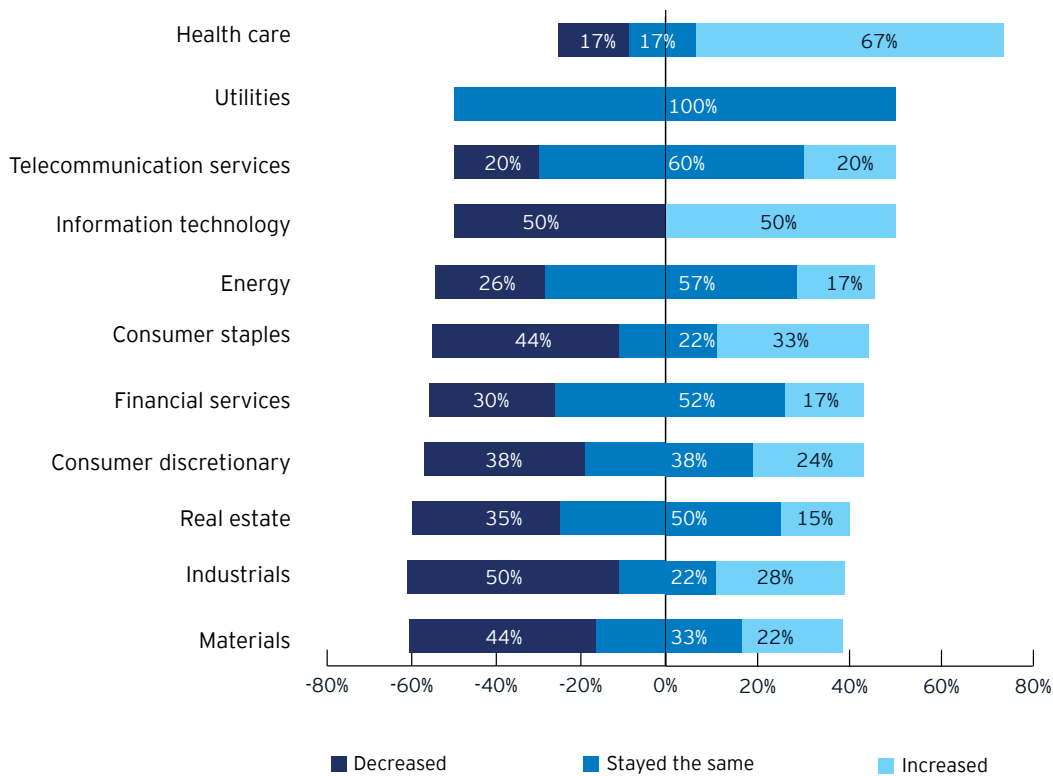


Figure 40: Impact of COVID-19 on U.S. operations' strategic focus and investments – operational stability

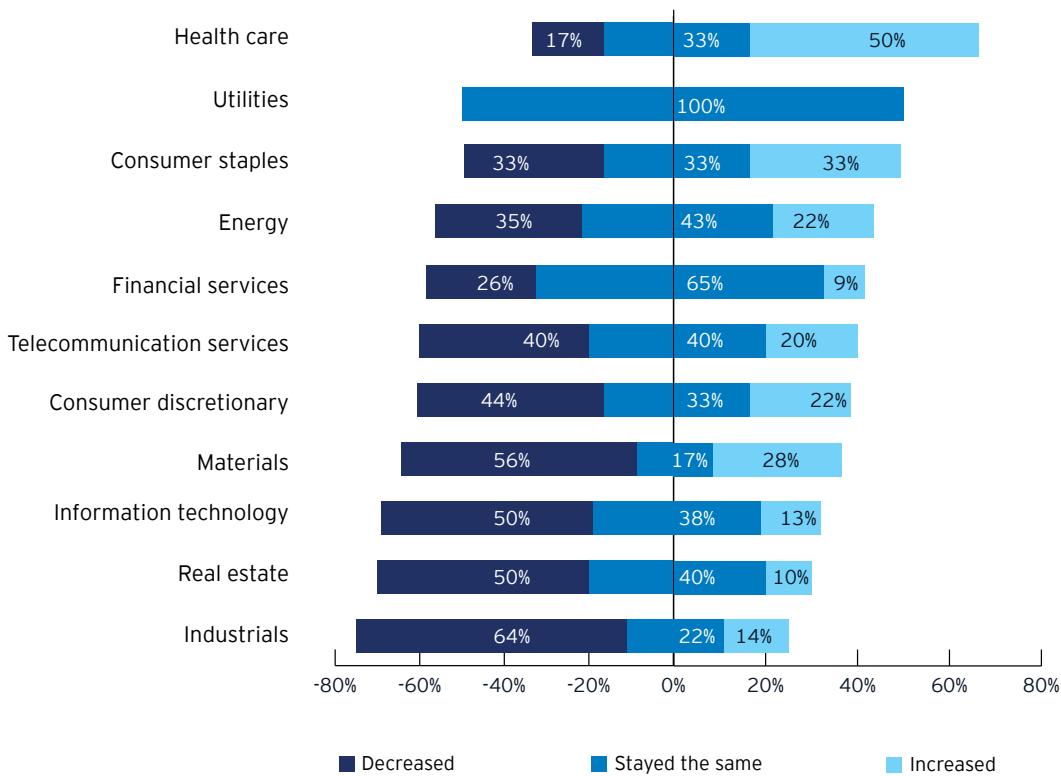


Figure 41: Changes to employment and payroll as a result of COVID-19

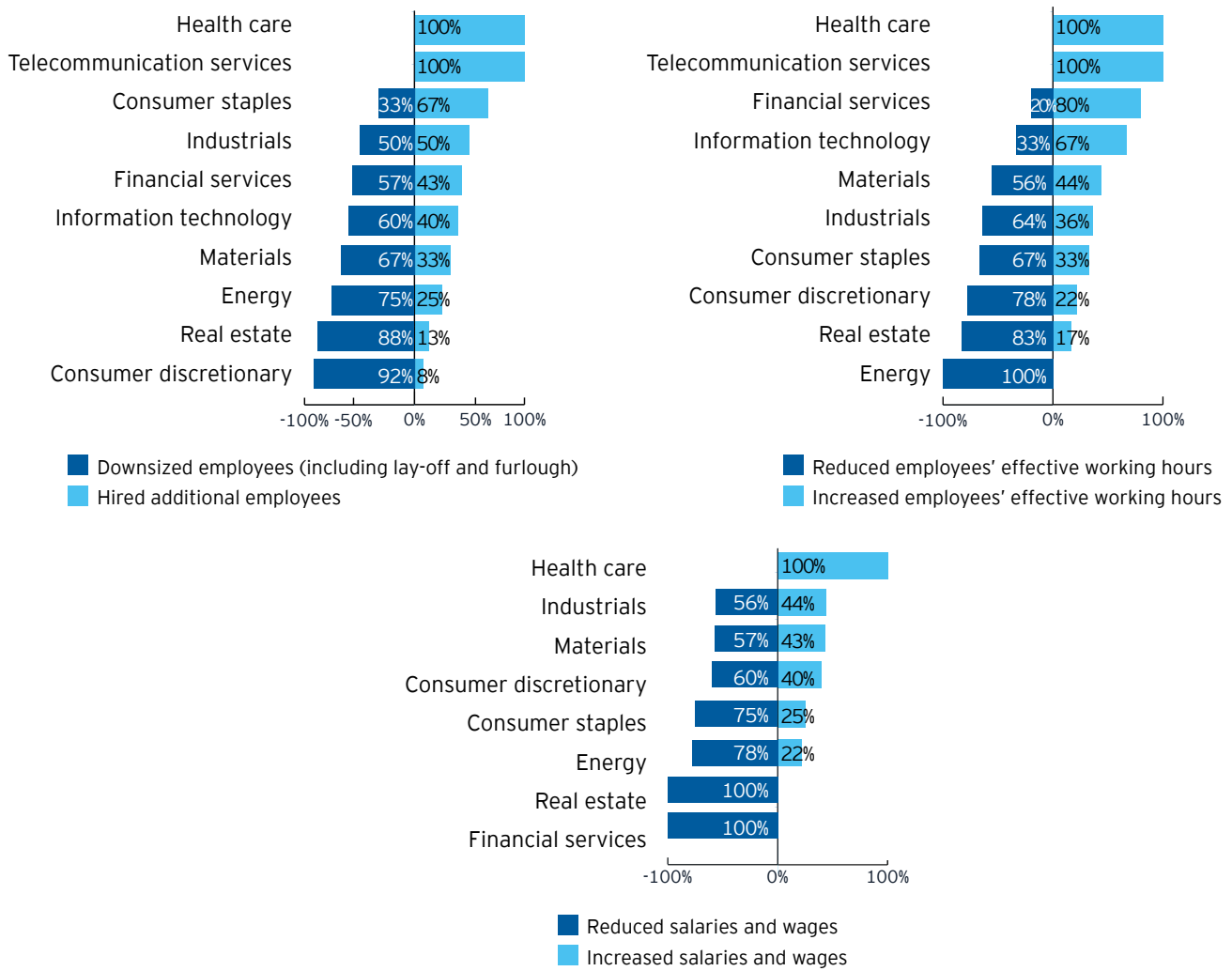


Figure 42: Has your company been adversely impacted by the anti-China/Asia sentiment during the COVID-19 pandemic?

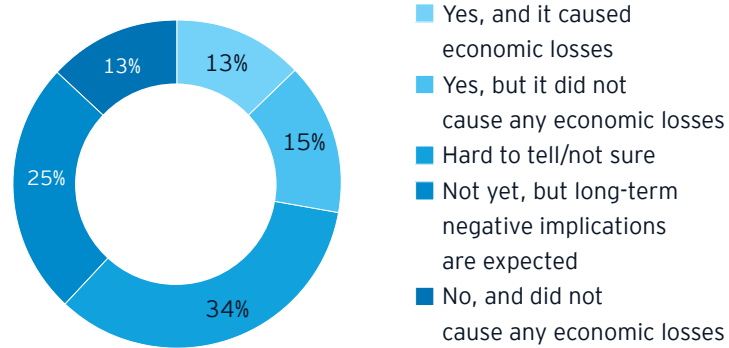


Figure 43: Year-on-year change of view towards impact of anti-China/Asia sentiment during the COVID-19 pandemic

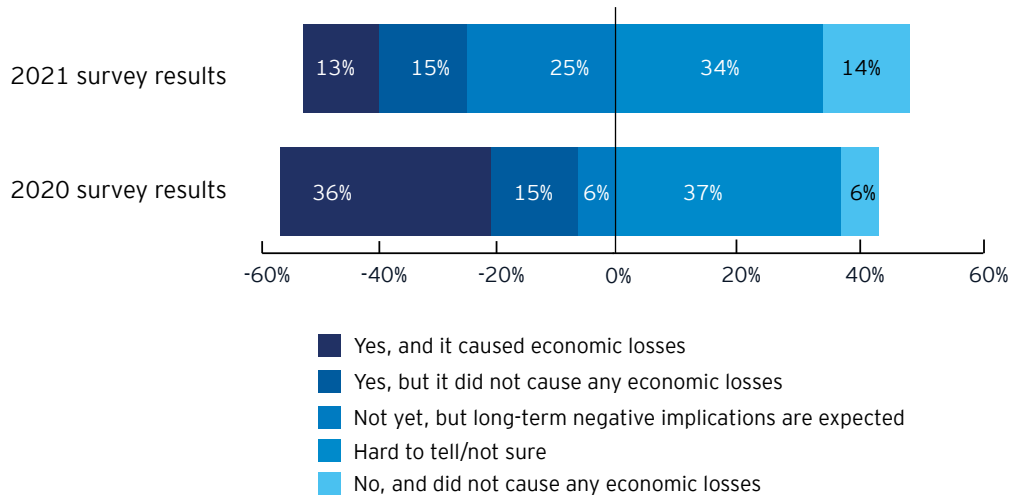


Figure 44: Compared to 2019, how has the U.S. investment and business environment changed in 2020?

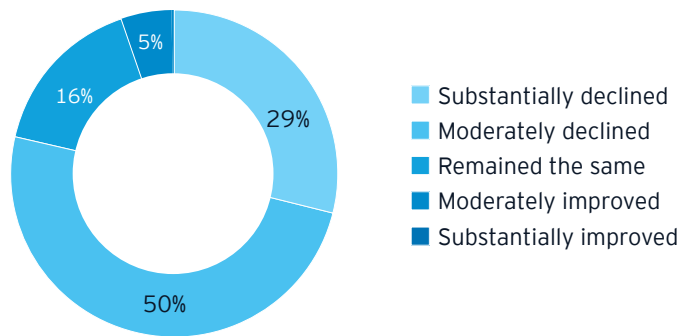


Figure 45: Year-on-year change of investment and business environment for Chinese companies

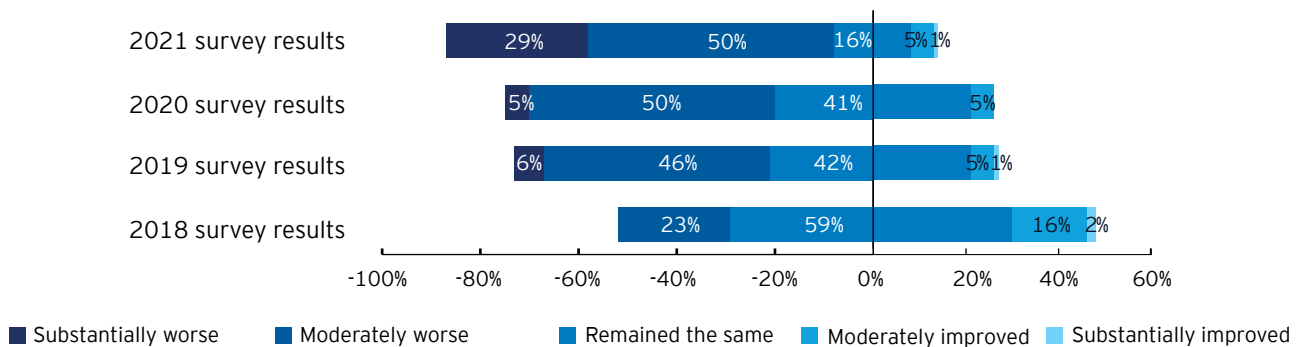


Figure 46: What was your company's annual U.S. revenue in 2020?

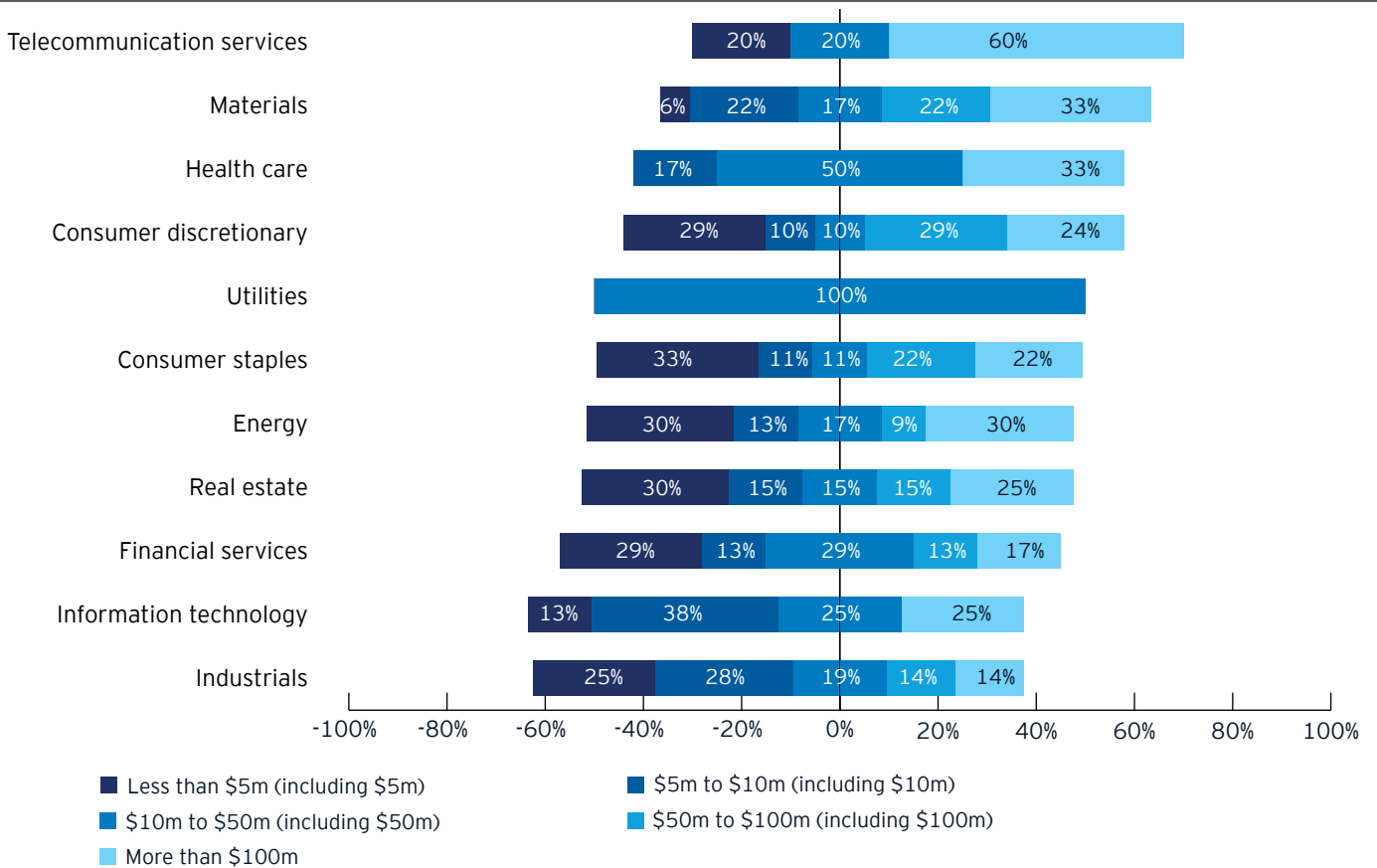


Figure 47: Year-on-year change of surveyed companies' annual U.S. revenues

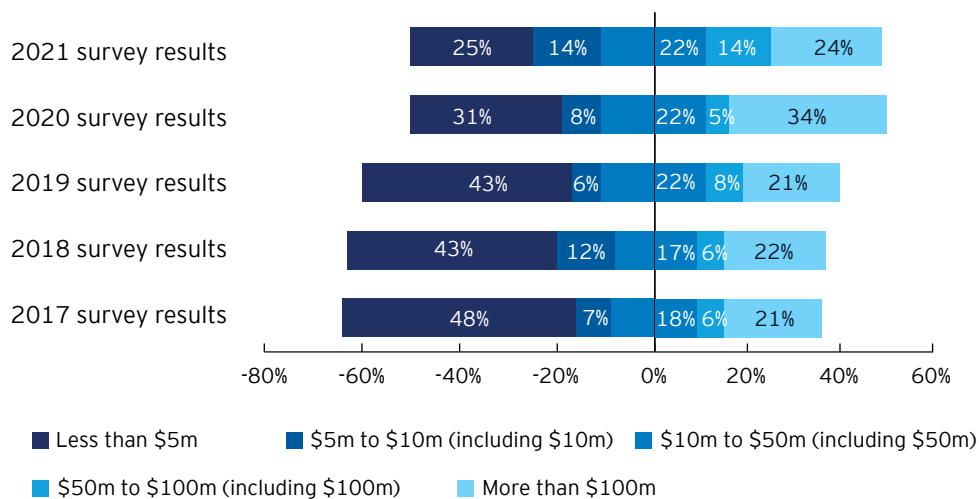


Figure 48: How did your company's annual U.S. revenue change in 2020 compared to 2019?

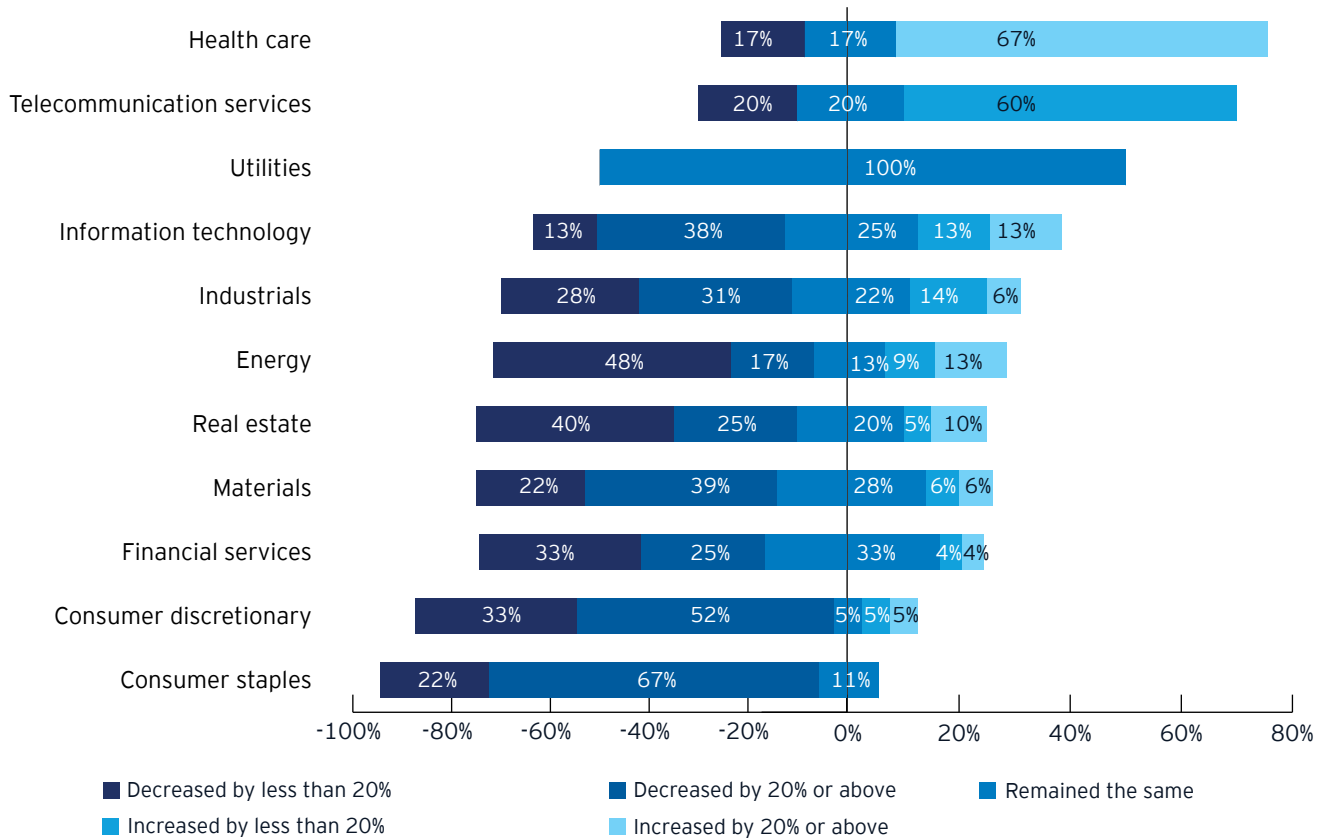


Figure 49: Year-on-year change of companies' annual revenues

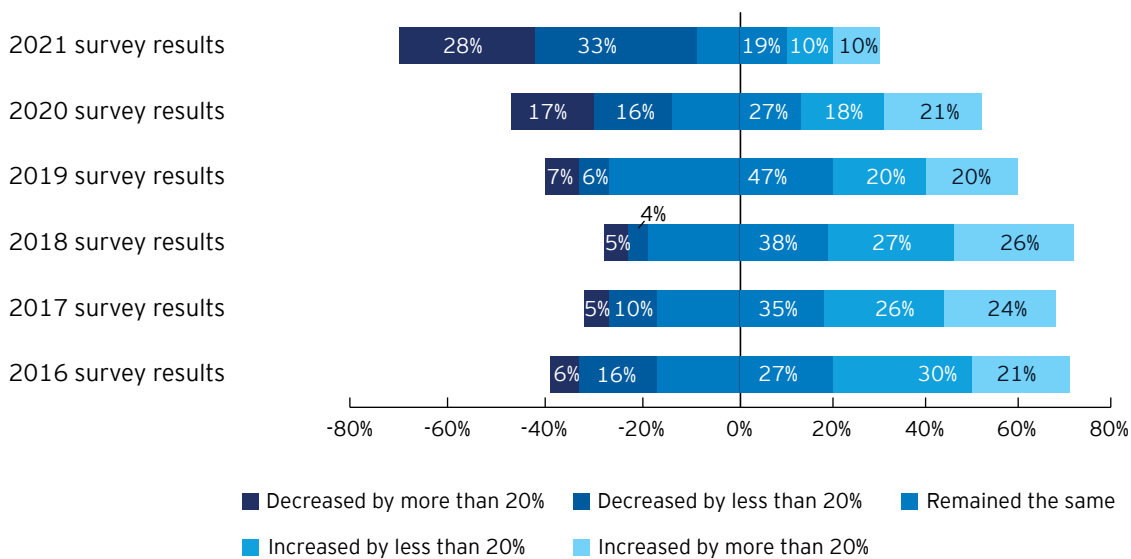


Figure 50: Estimated EBIT margins

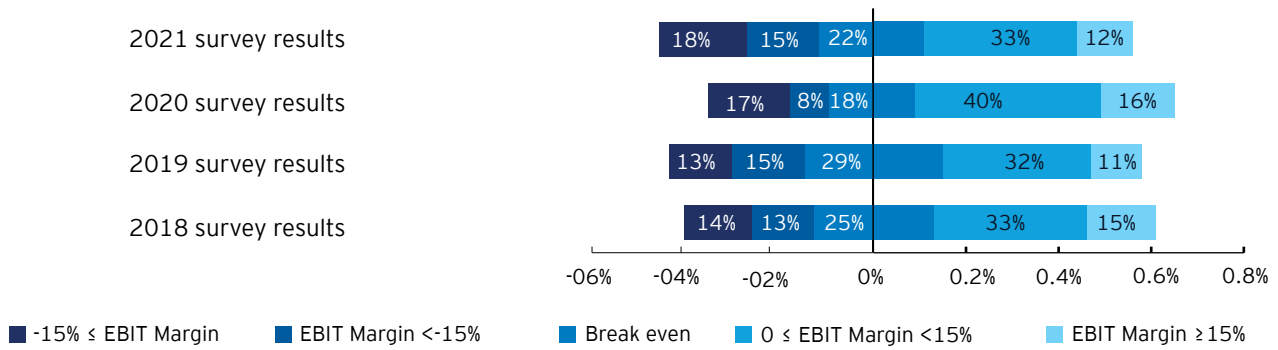


Figure 51: What was your company's estimated EBIT margin in 2020?

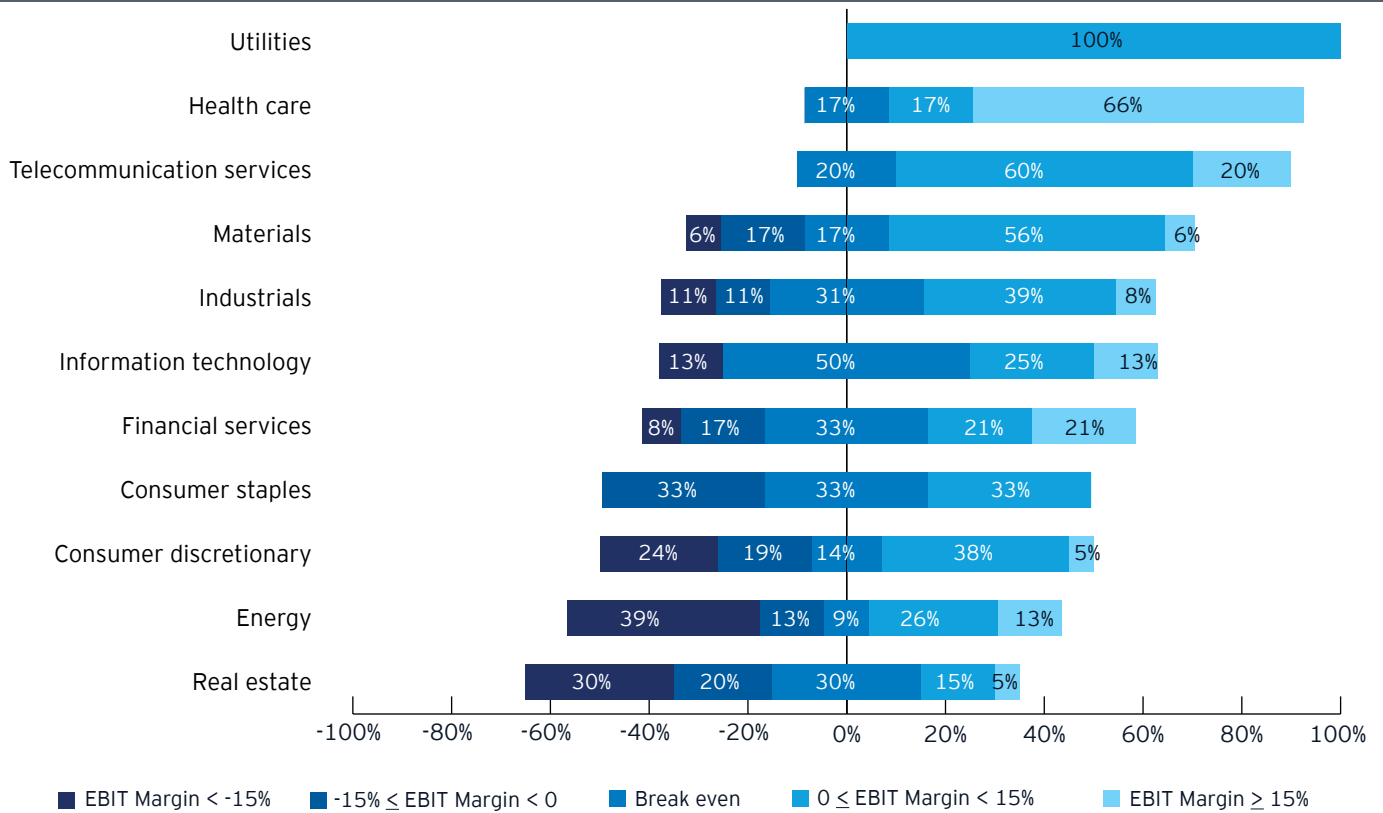


Figure 52: Year-on-year change of companies' estimated US EBIT margin

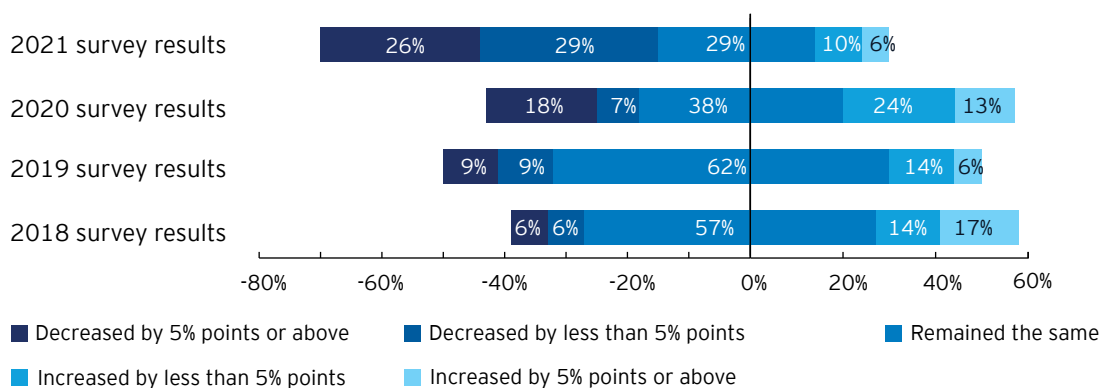


Figure 53: How did your company's U.S. EBIT margin change from 2019 to 2020, in percentage points?

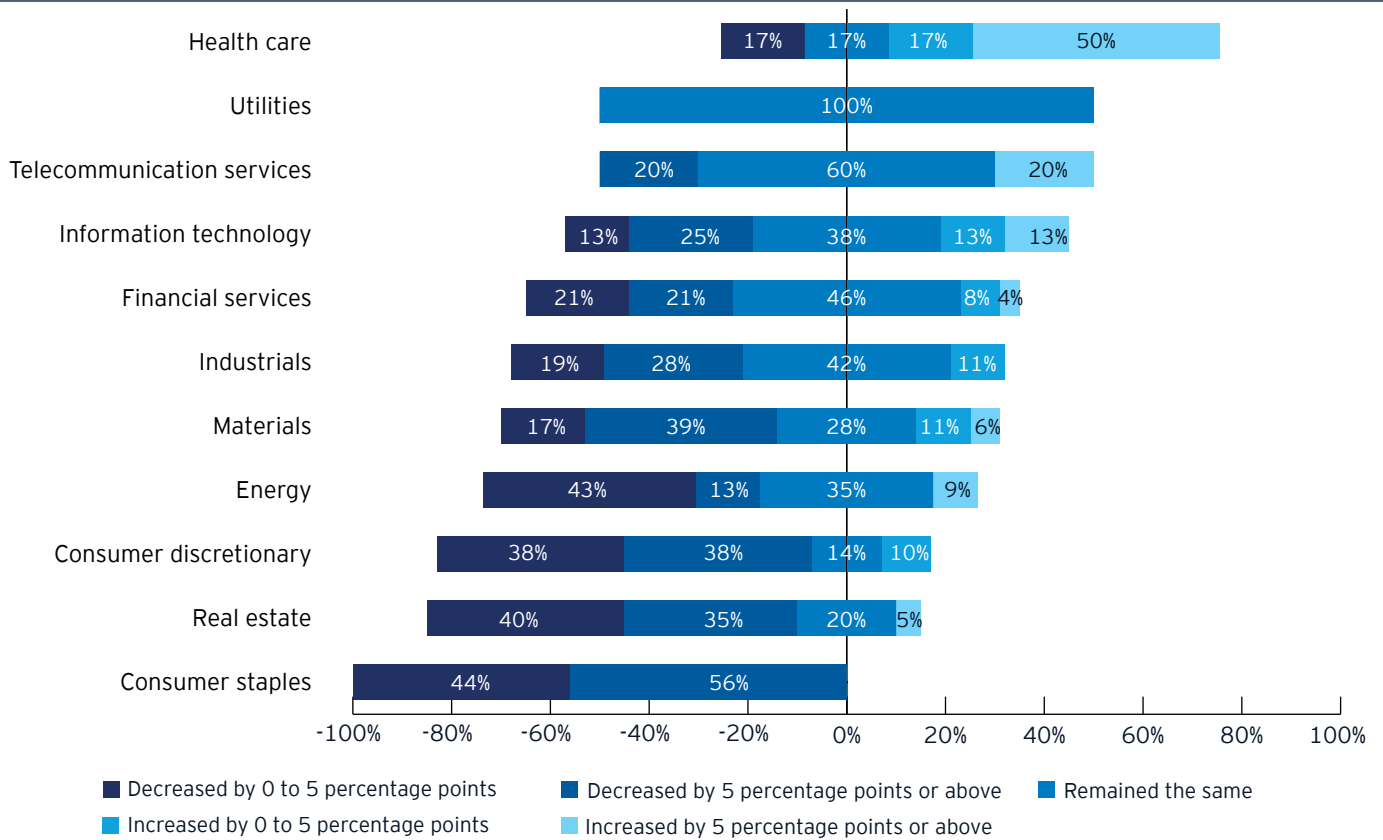


Figure 54: How has your company's new business investment in the U.S. changed in 2020, compared to 2019?

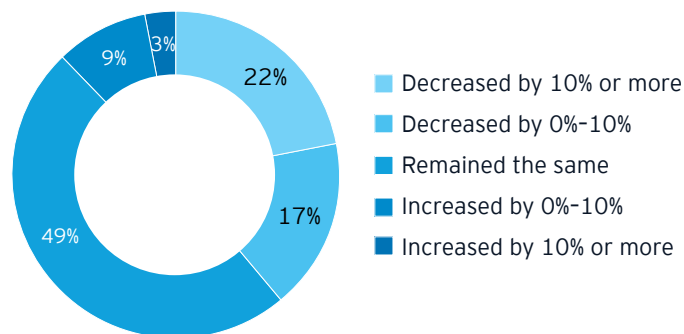


Figure 55: How has your company's new business investment in the U.S. changed in 2020, compared to 2019?

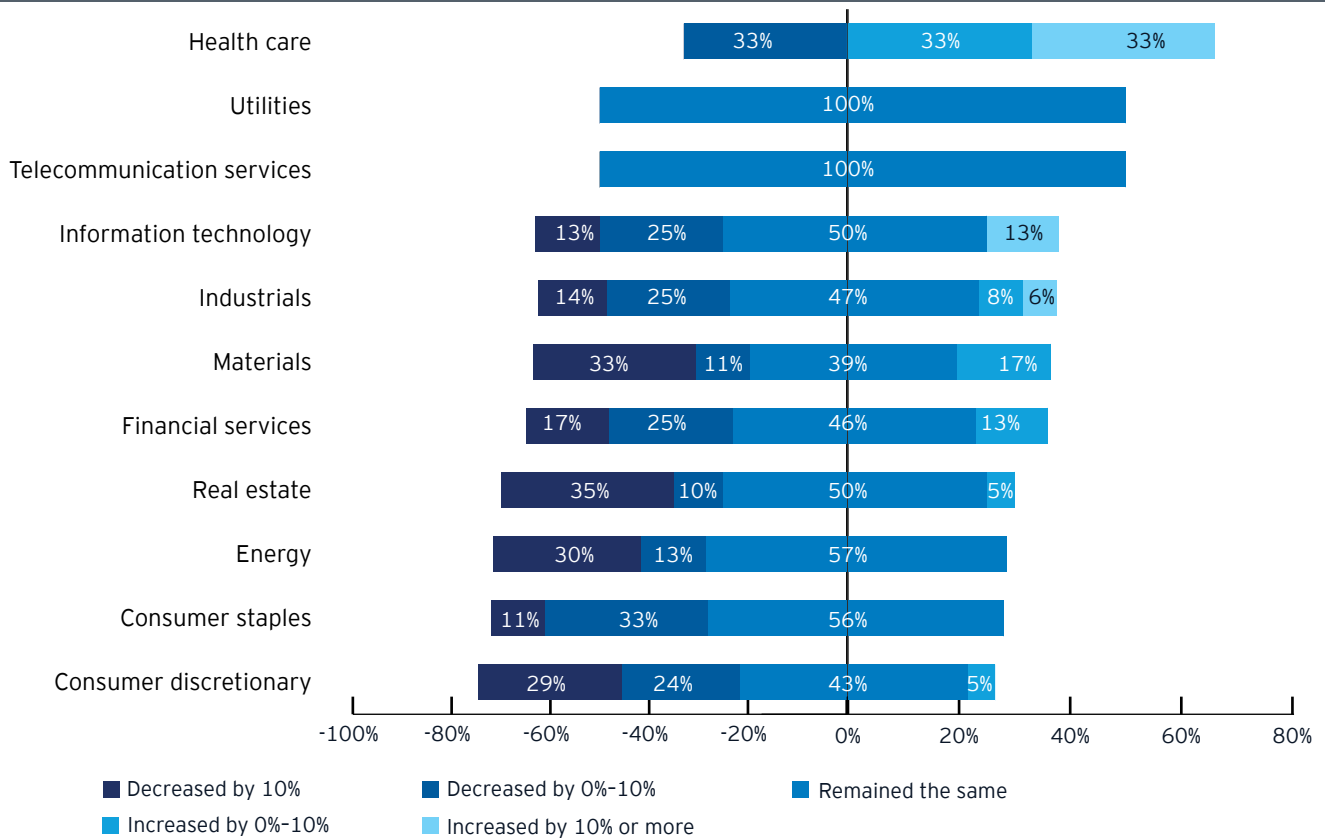


Figure 56: Year-on-year change of new business investment in the U.S. by Chinese companies

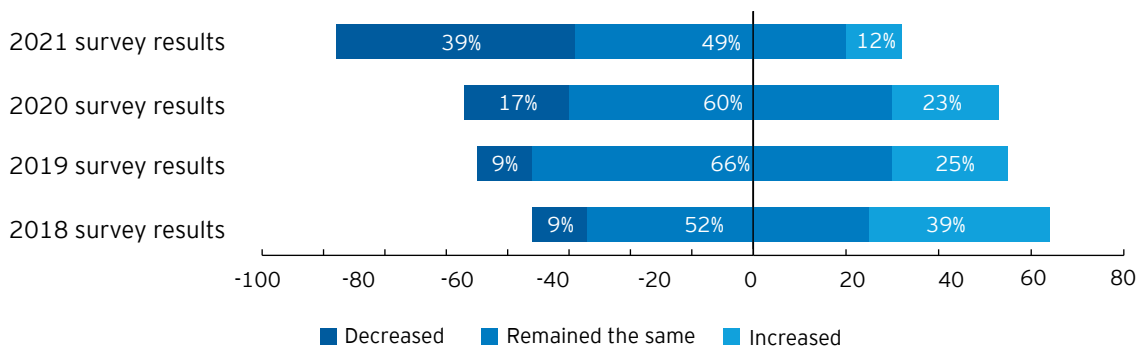


Figure 57: Year-on-year change of comparisons between U.S. company and parent company EBIT margins

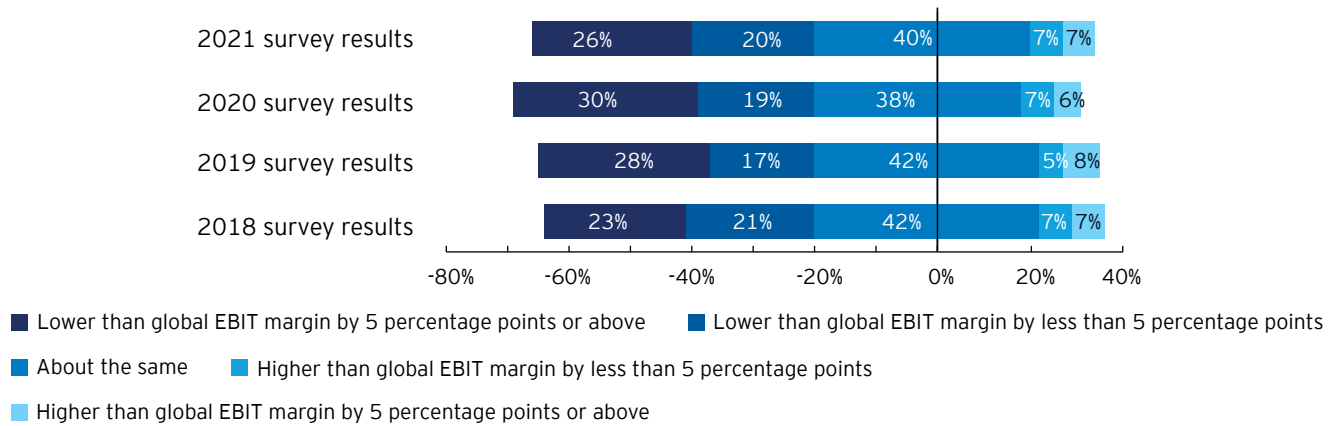


Figure 58: How does your U.S. company's EBIT margin compare to your parent company's EBIT margin globally in 2020?

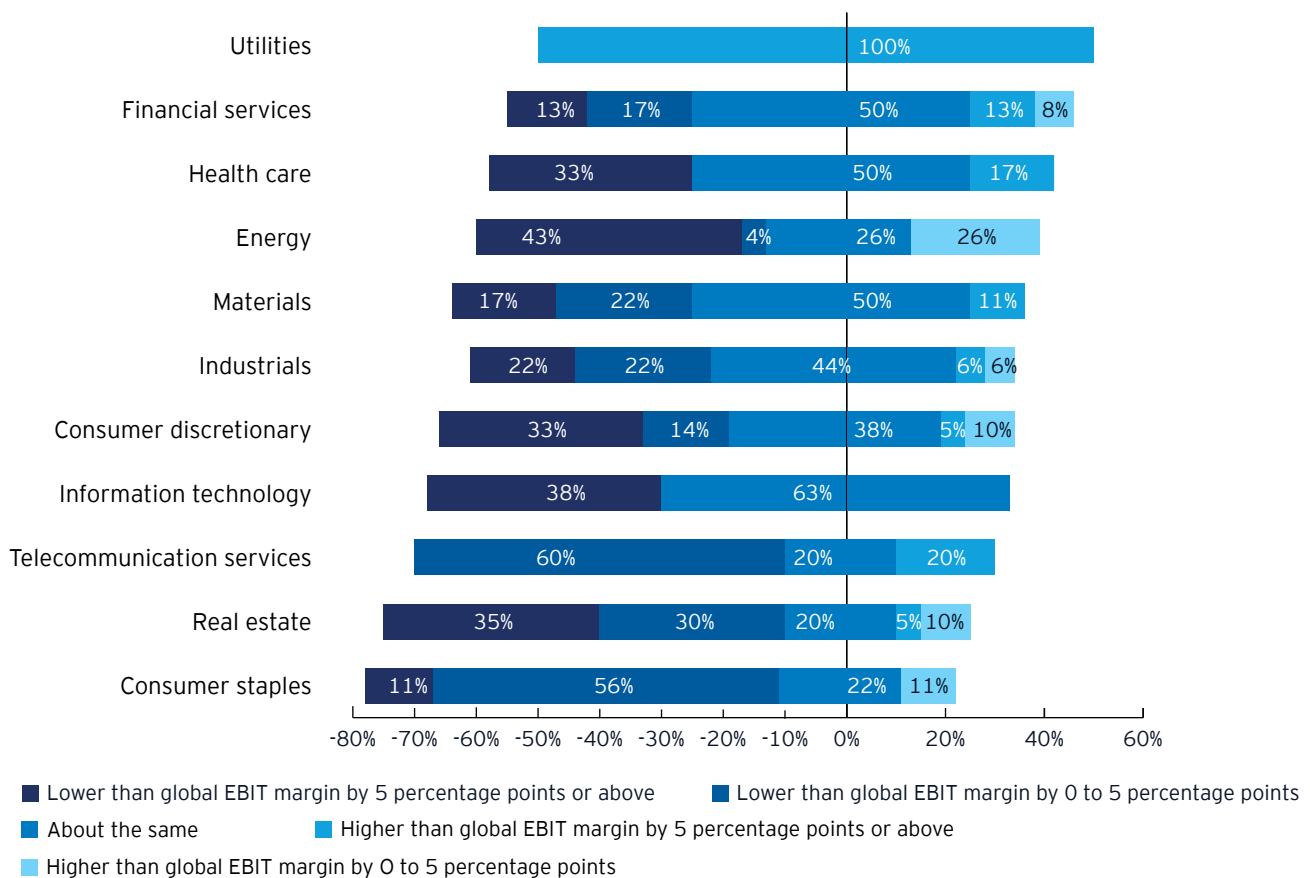


Figure 59: How would you evaluate the following aspects of the U.S. investment and business environment in 2020?

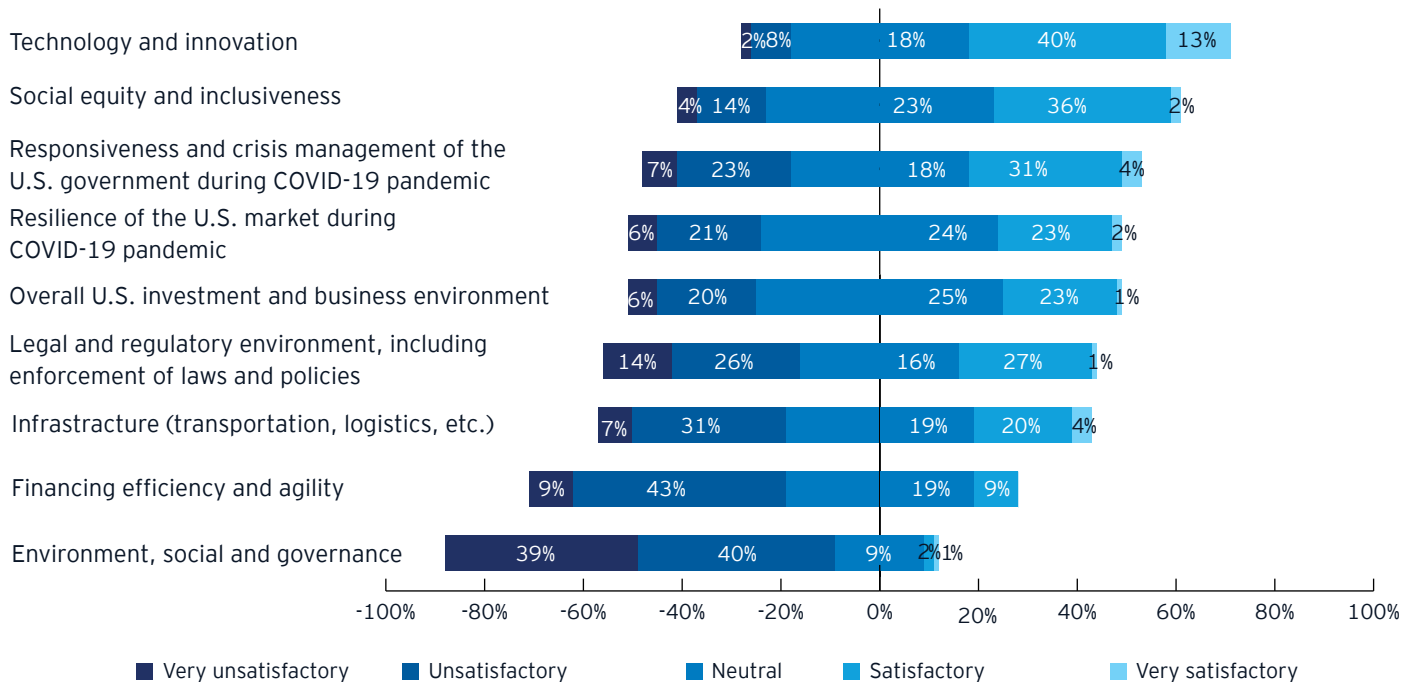


Figure 60: How would you evaluate the overall U.S. investment and business environment in 2020?

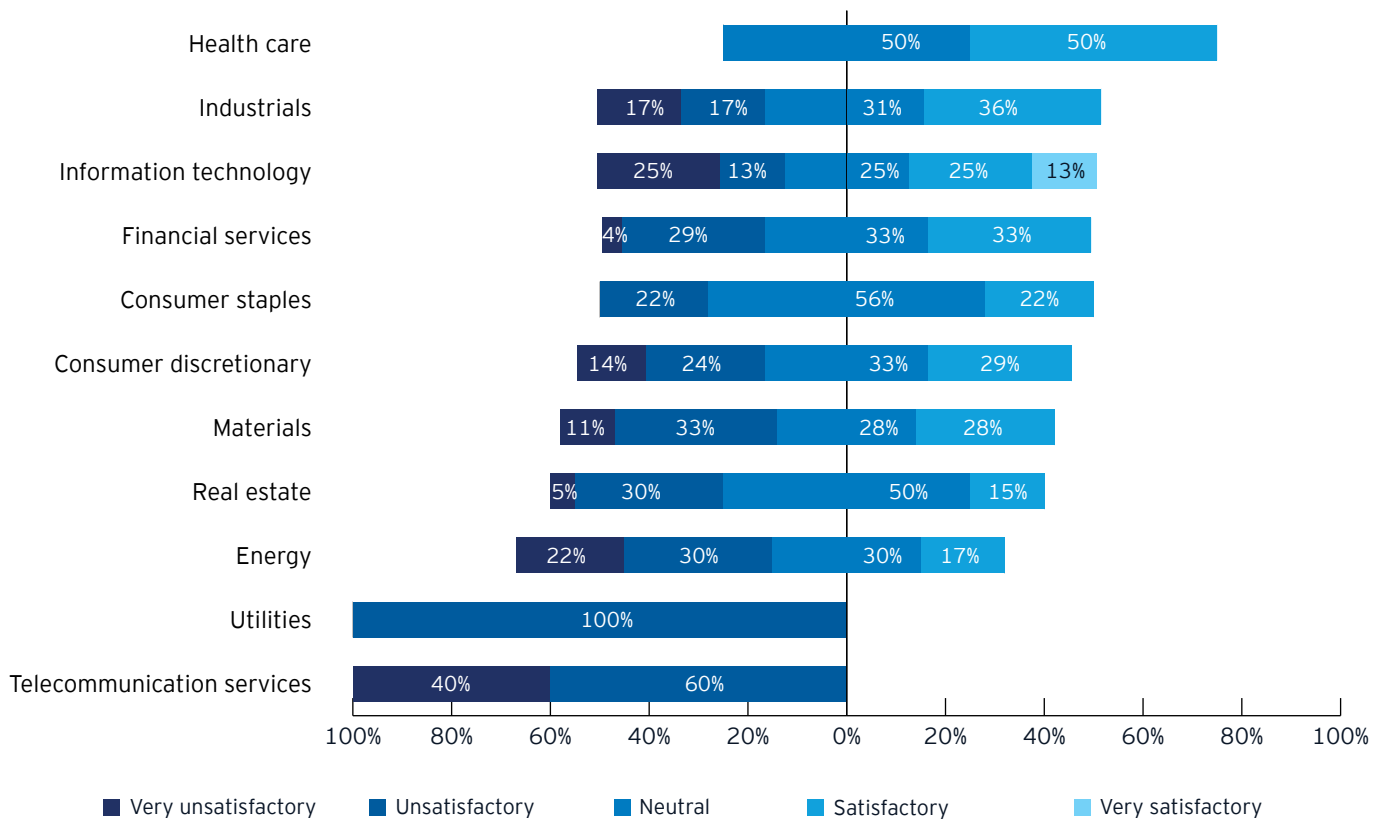


Figure 61: How would you evaluate social equity and inclusiveness in 2020?

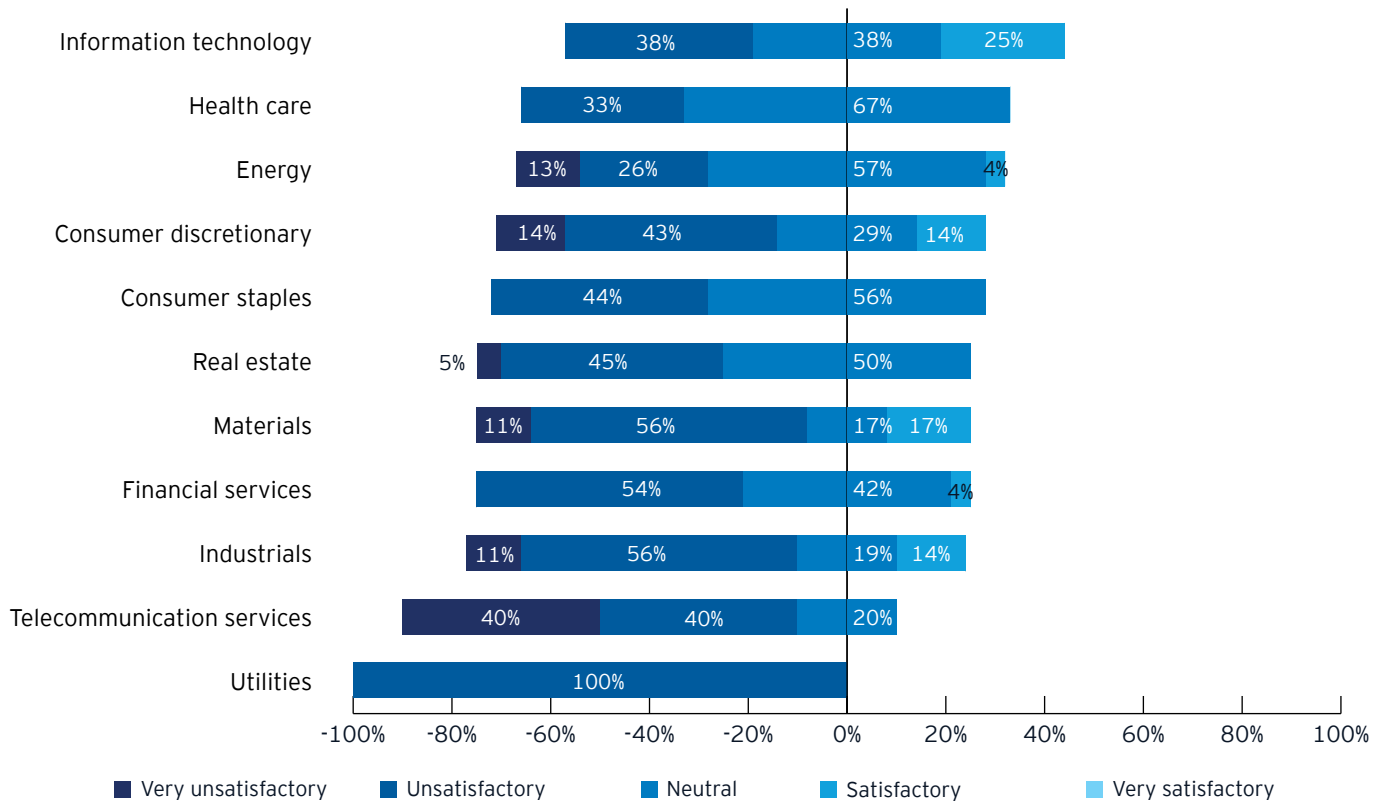


Figure 62: How would you evaluate the responsiveness and crisis management of the U.S. government during the COVID-19 pandemic in 2020?

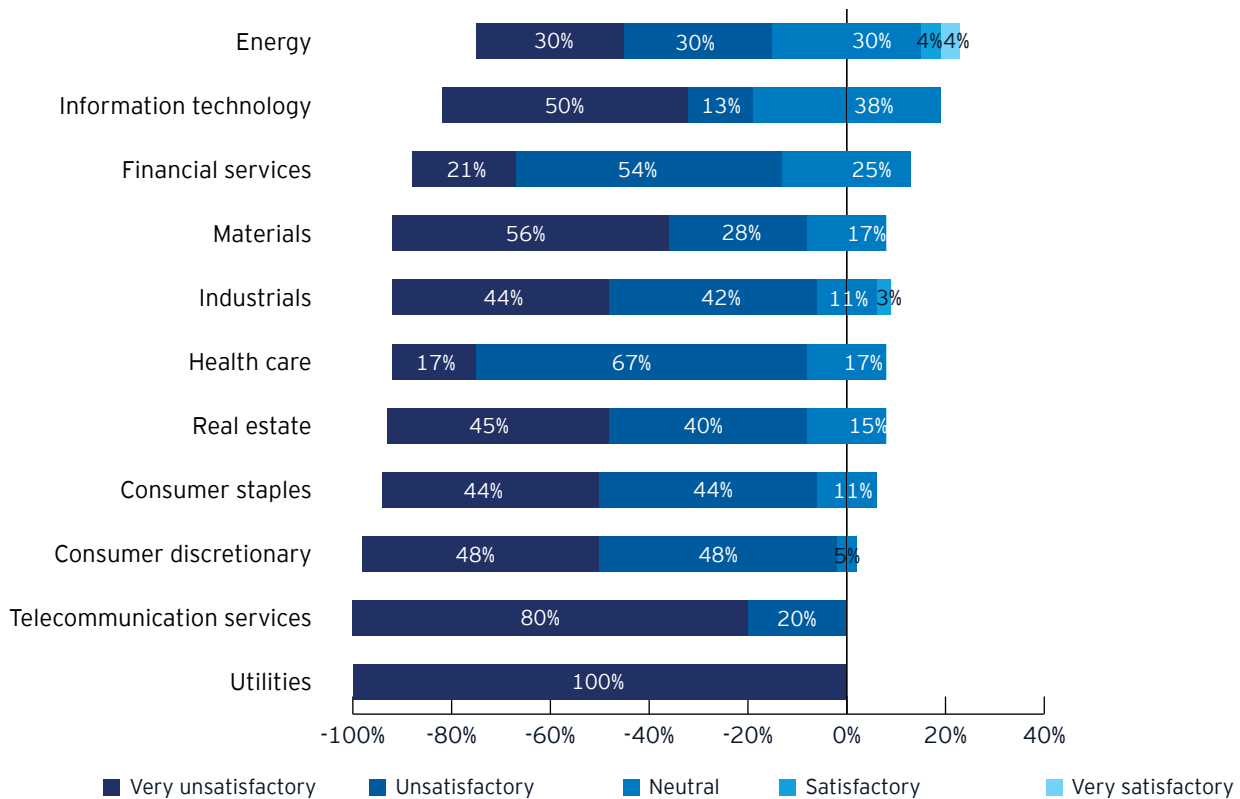


Figure 63: Year-on-year change of satisfaction for Chinese companies with the U.S. investment and business environment

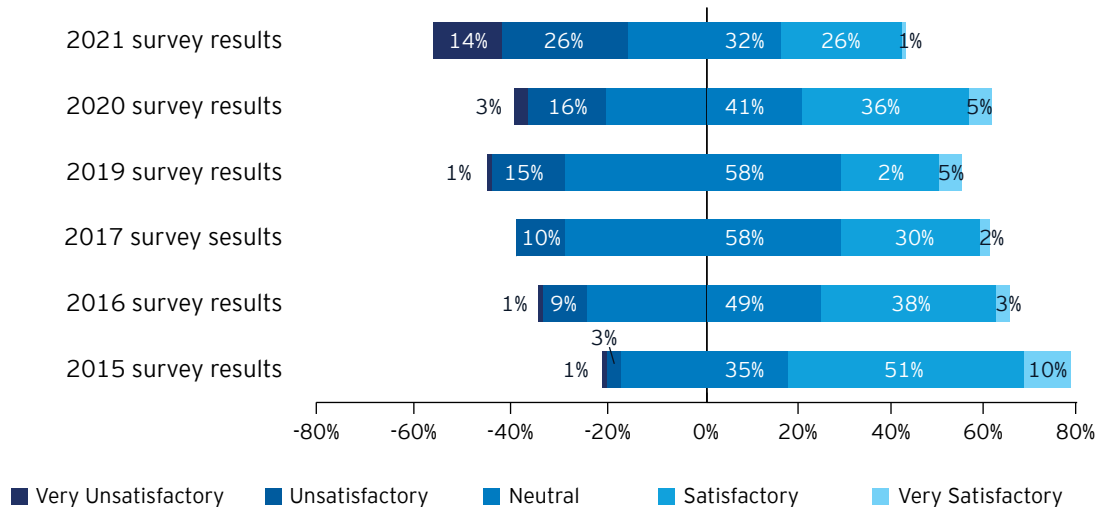


Figure 64: Year-on-year change of forecasted revenue projections over next two years

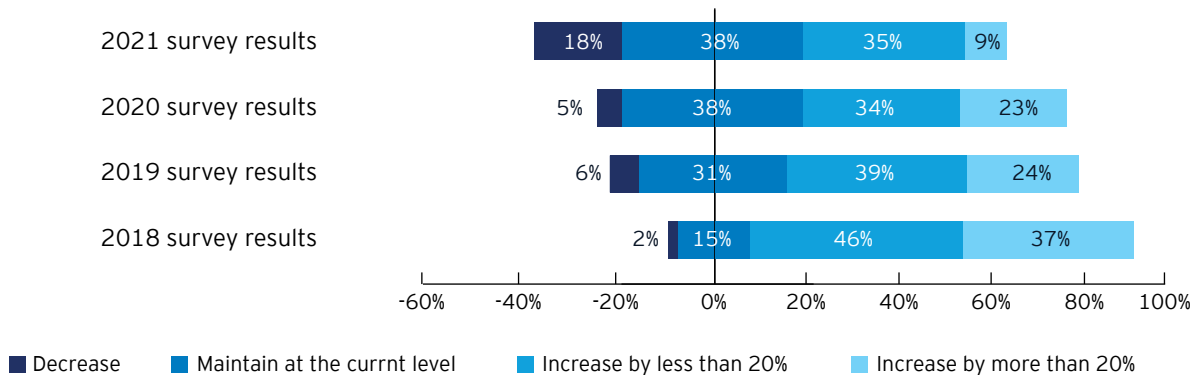


Figure 65: What is your annual revenue forecast for the next two years for your U.S. company (i.e., 2021 and 2022) compared to 2020?

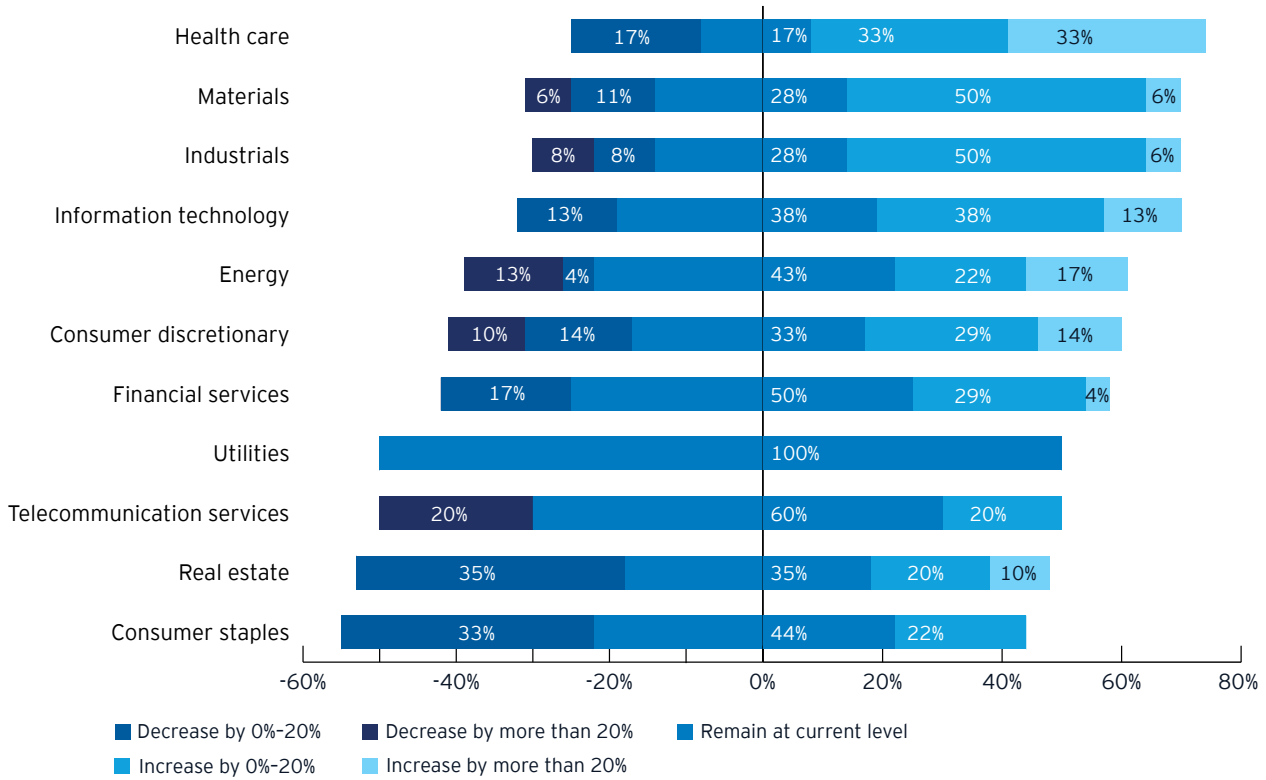


Figure 66: Year-on-year change of primary objectives of 2021-22 U.S. investments

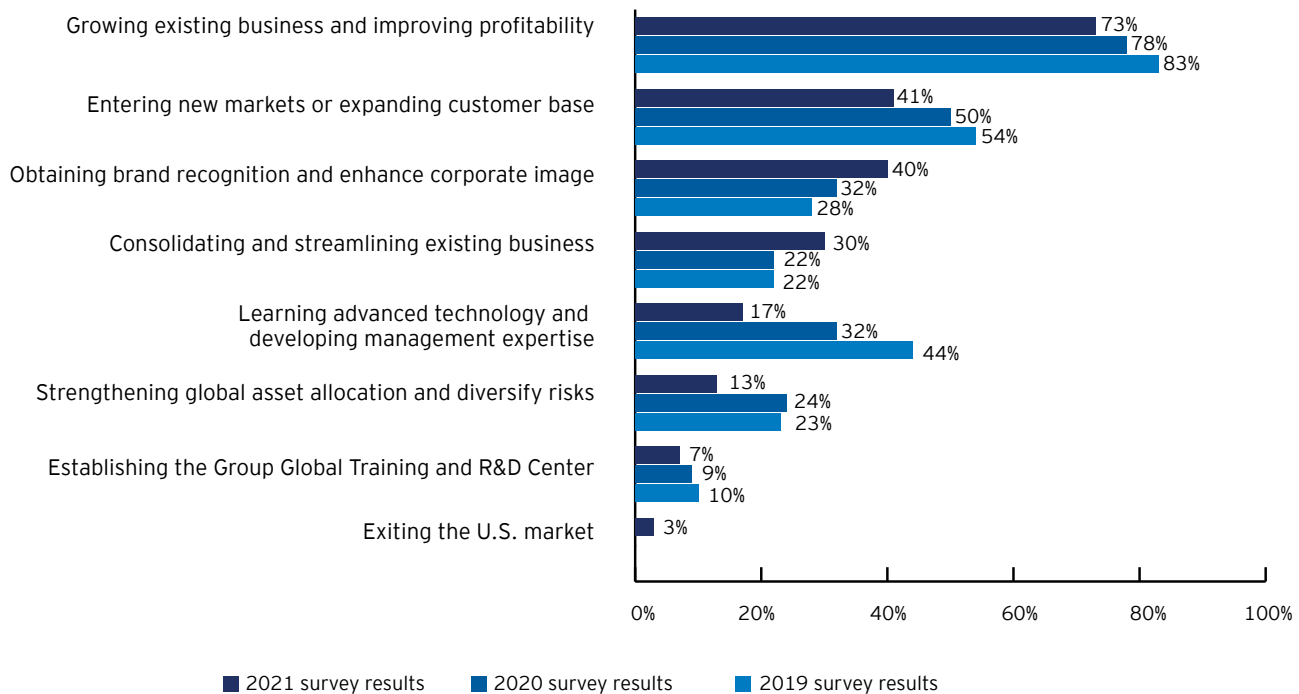


Figure 67: Year-on-year change of challenges in conducting business in near-term

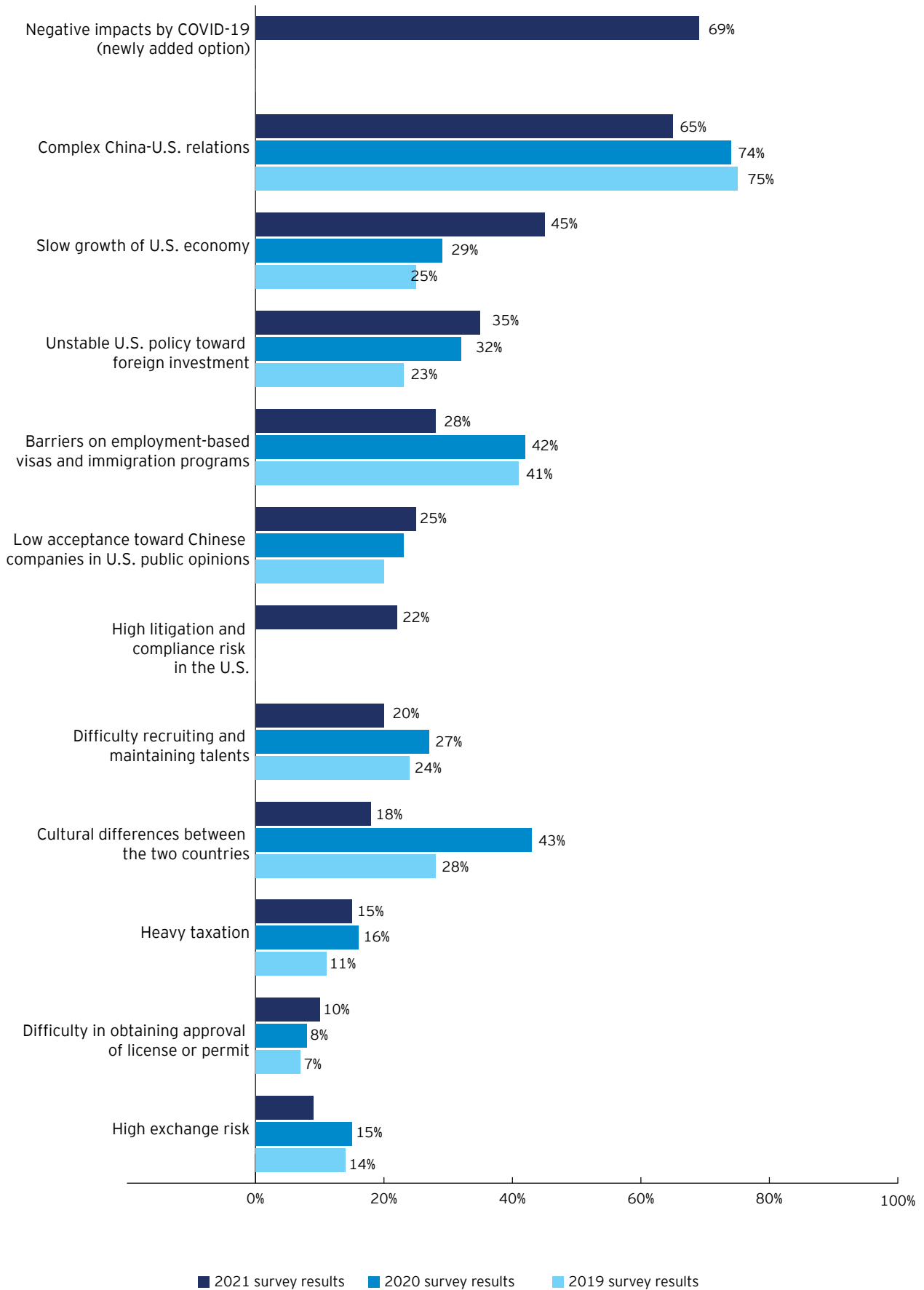


Figure 68: Did your company experience any investigations by federal, state, or other regulatory authorities in 2020?

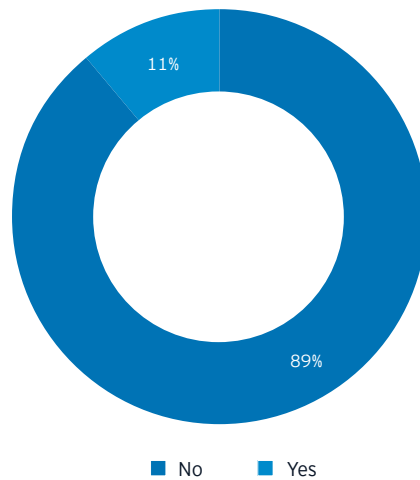


Figure 69: If you chose "Yes" in the previous question, what types of investigations did the regulatory authorities pursue? Select all that apply.

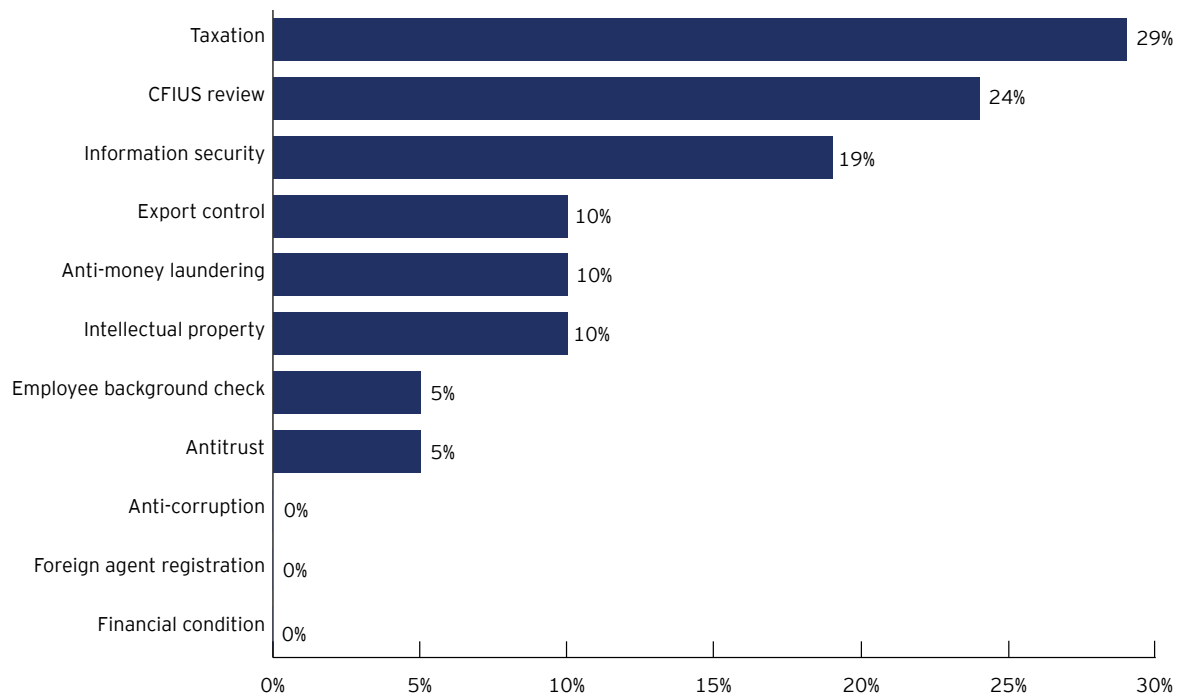


Figure 70: In 2020, which of the following steps did your company take to address possible challenges in complying with government regulations? Select all that apply.

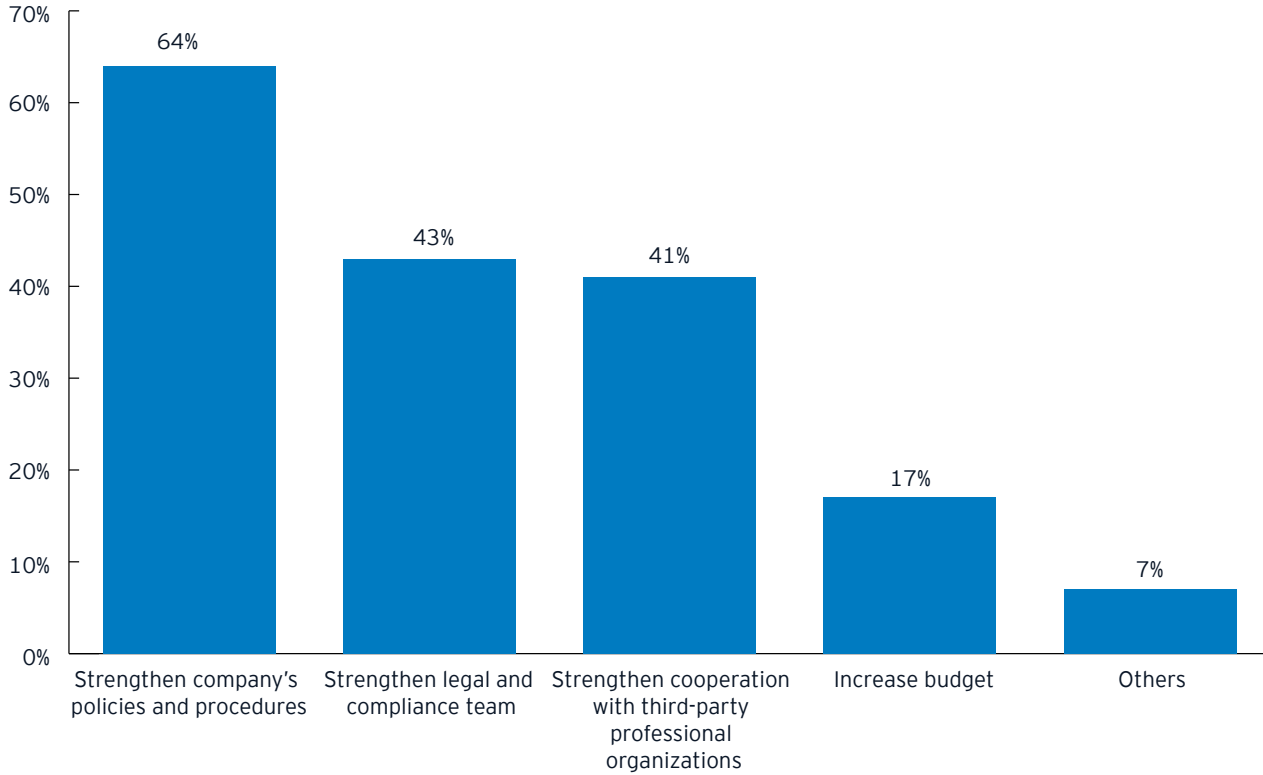


Figure 71: Year-on-year change of types of regulatory-authority reviews

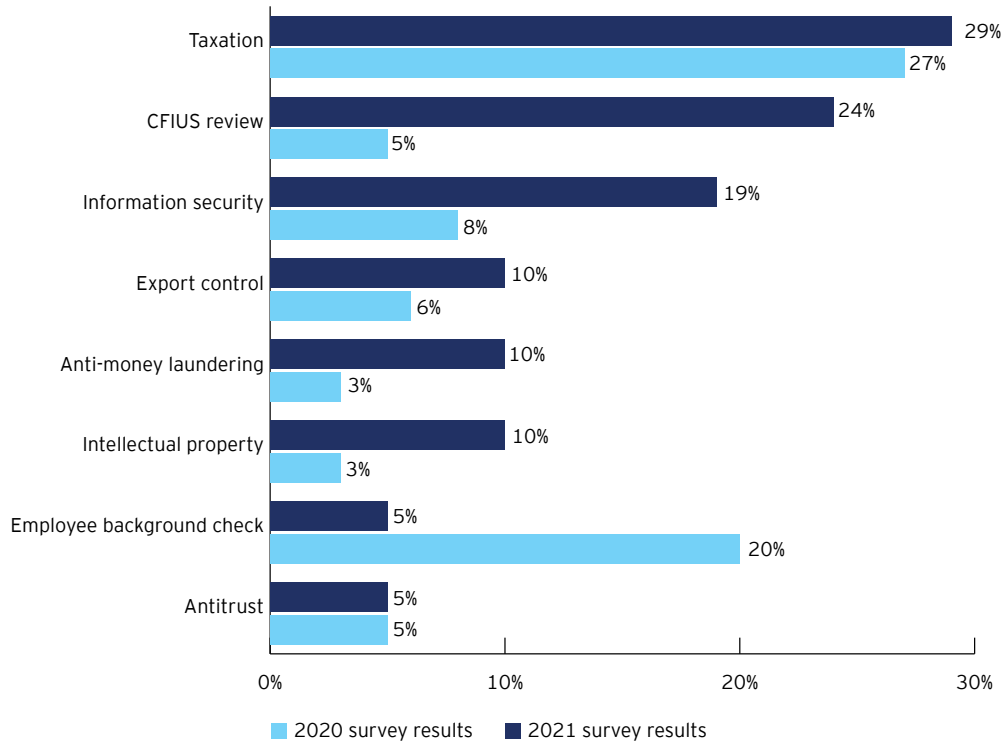


Figure 72: Year-on-year change of actions to strengthen compliance

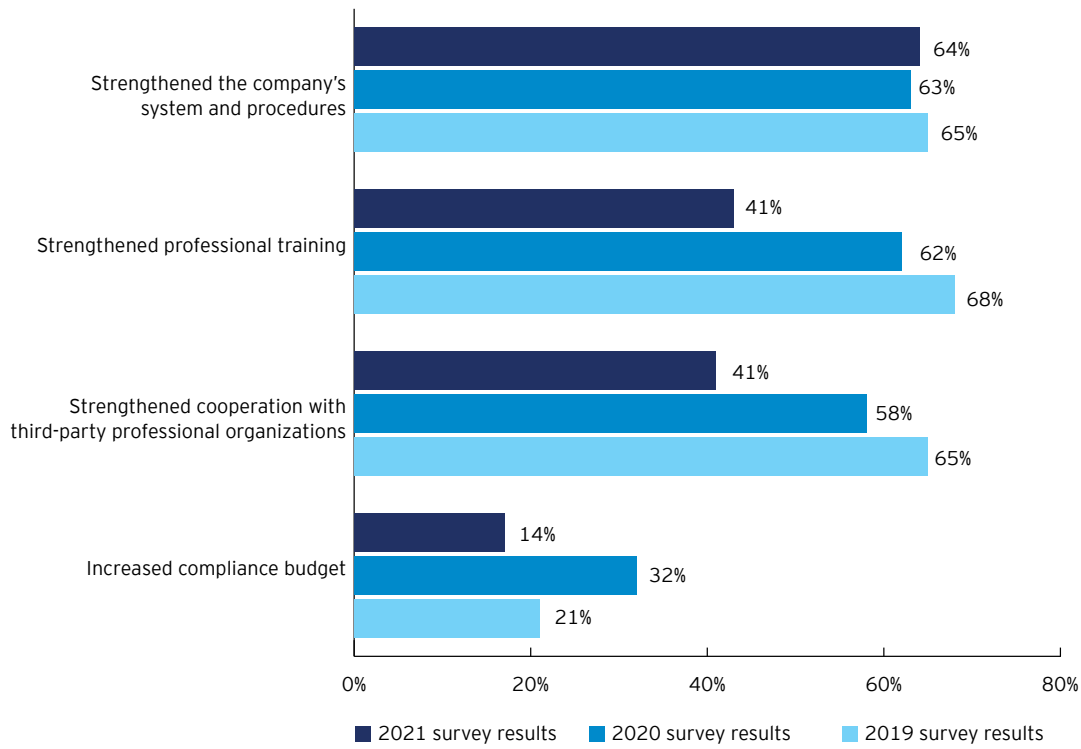


Figure 73: How do you expect your company's new business investment in the U.S. to change in 2021?

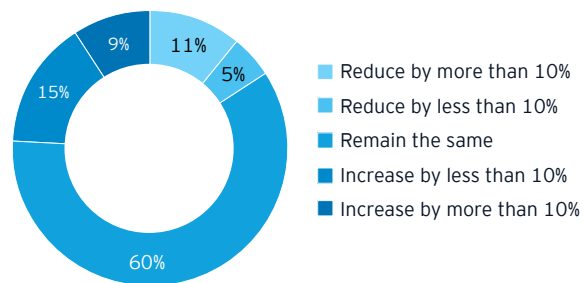


Figure 74: Year-on-year change of investment in the U.S. in the coming year

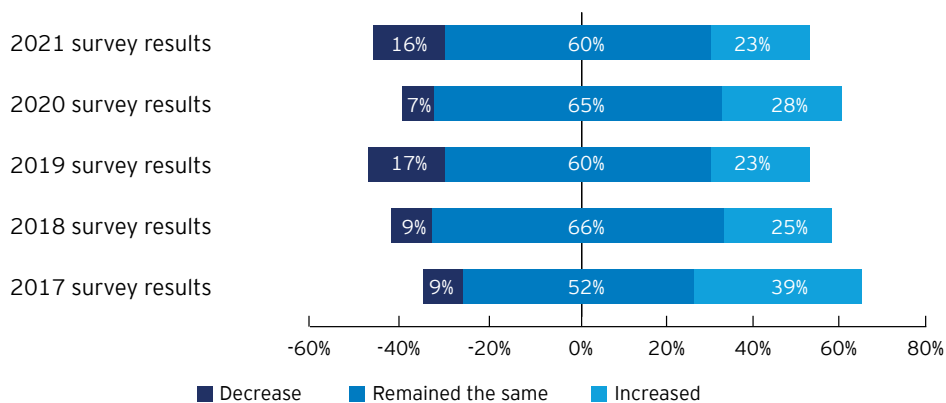


Figure 75: How do you expect your company's new business investment in the U.S. to change in 2021?

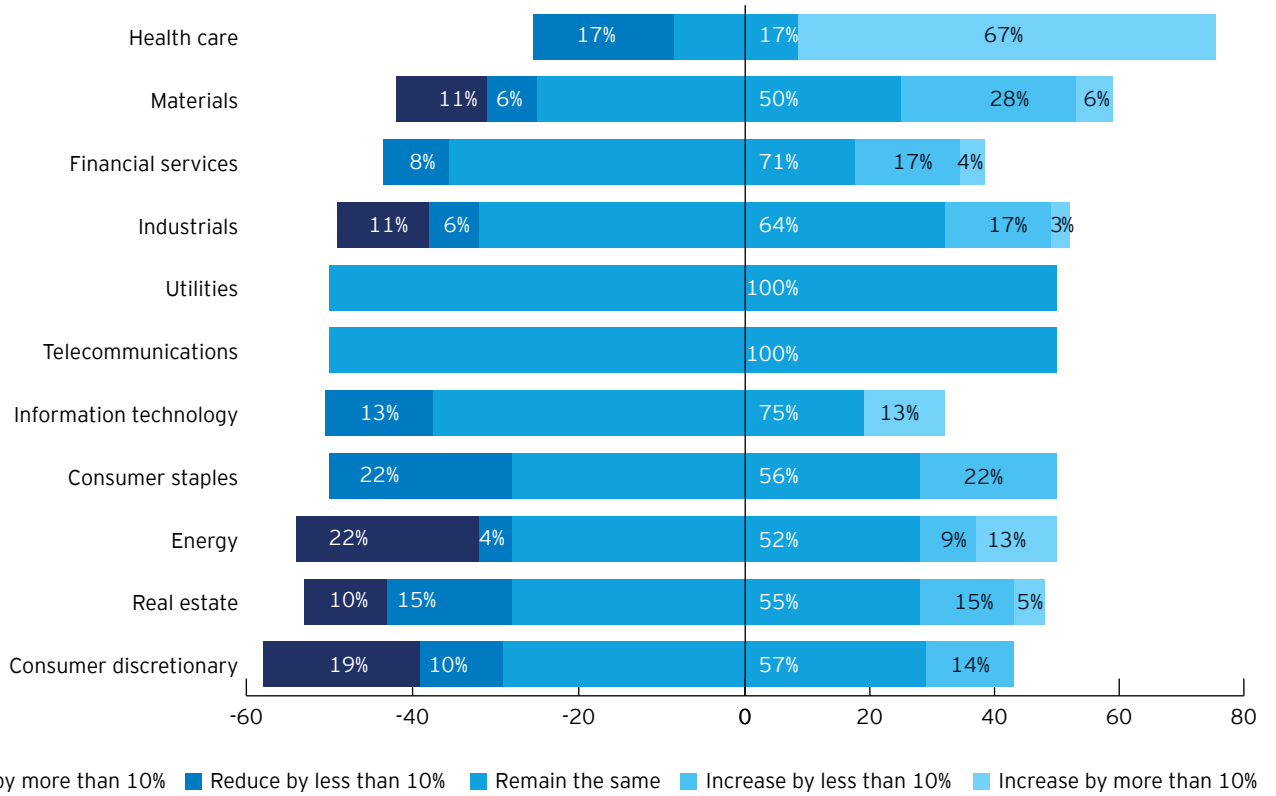


Figure 76: Year-on-year change of future expectations on China-U.S. relations

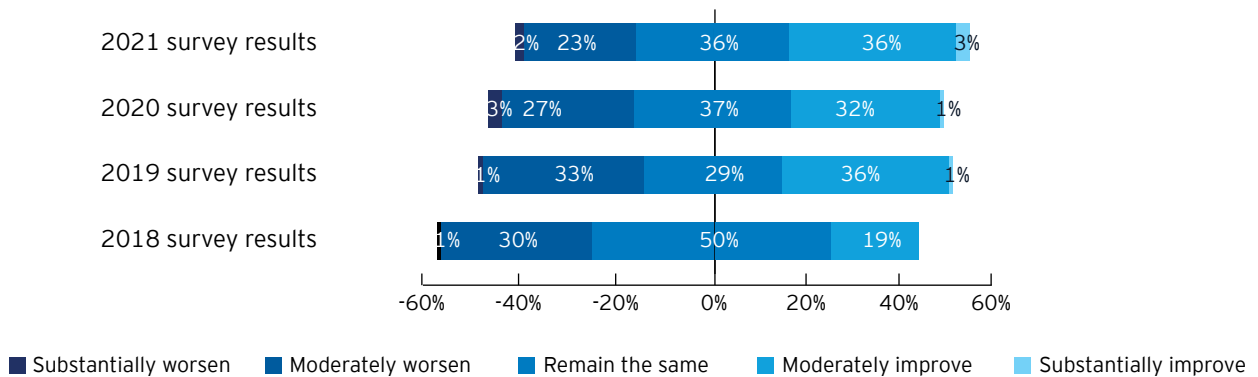


Figure 77: Negative effect of U.S. government policies or positions

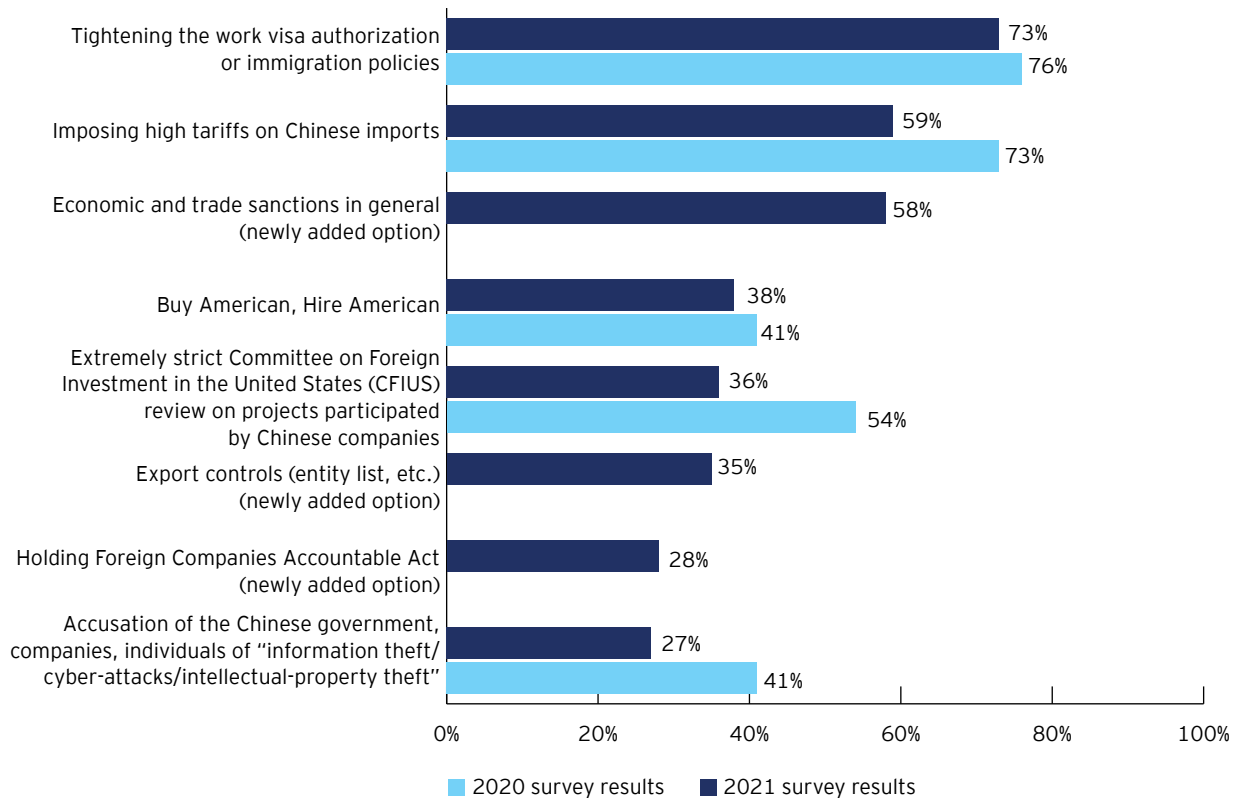


Figure 78: Year-on-year change of main challenges in complying with U.S. laws and regulations

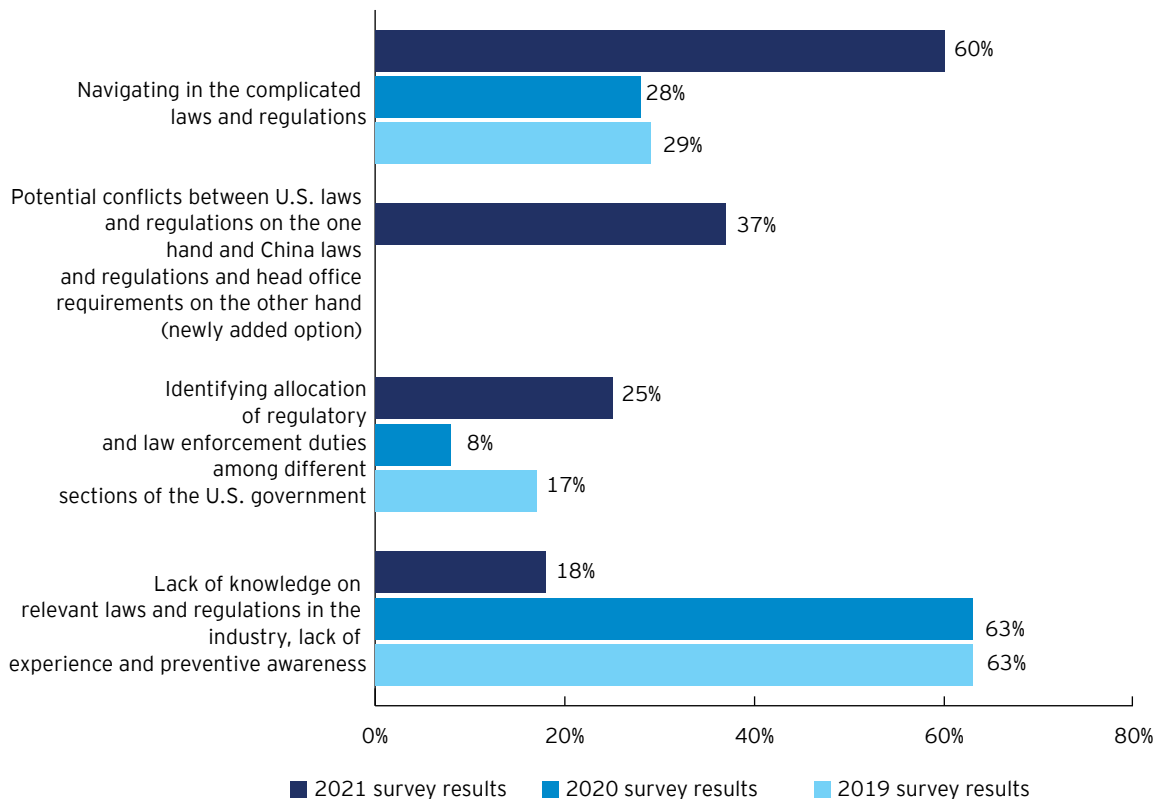


Figure 79: Is your company's U.S. business controlled by a publicly listed company?

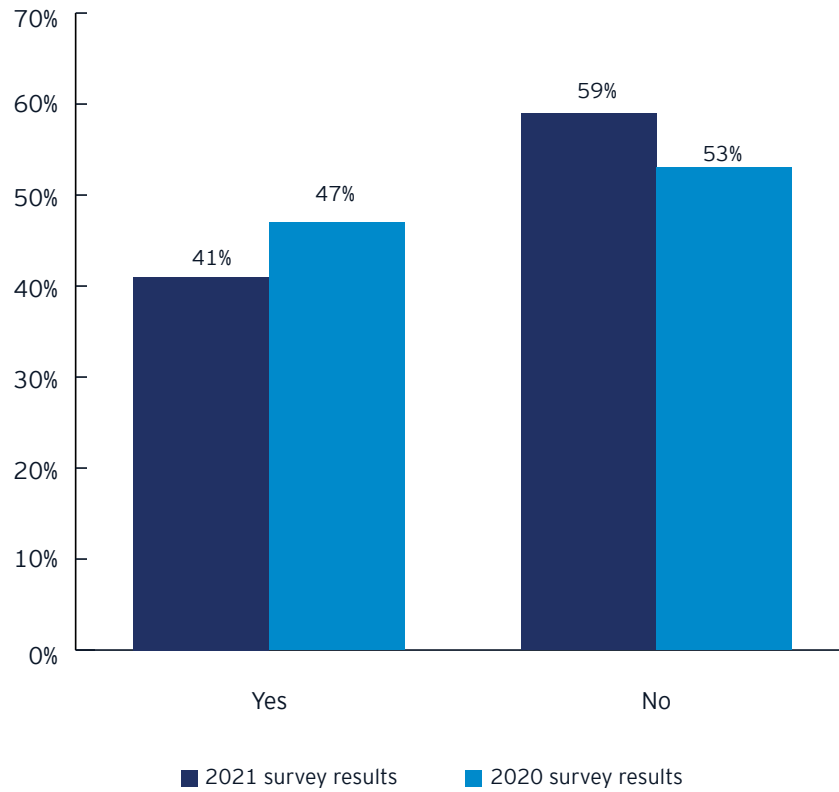


Figure 80: If you chose "Yes" in the previous question, where is the parent company listed? Select all that apply.

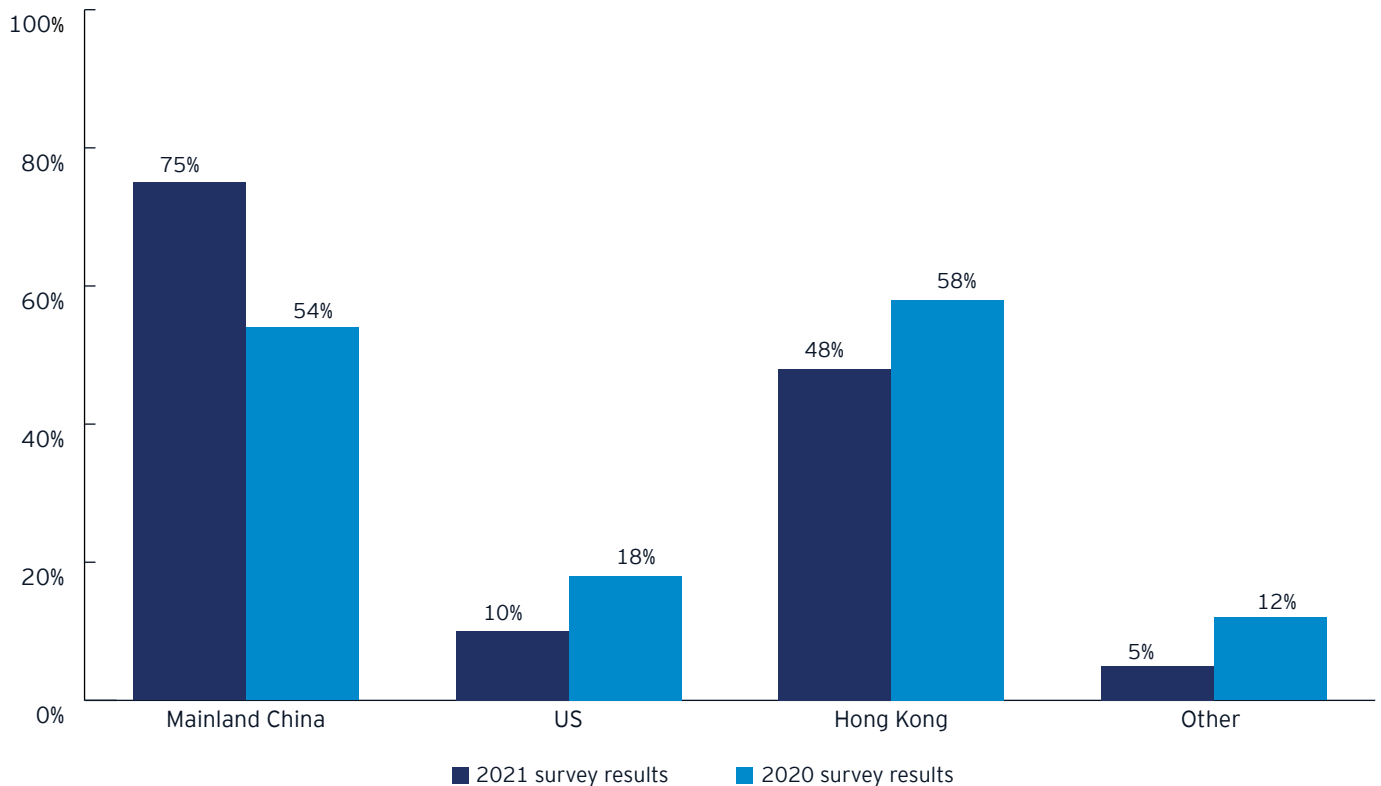


Figure 81: Through which of the following corporate structures did your company establish its business in the U.S.? Select all that apply.

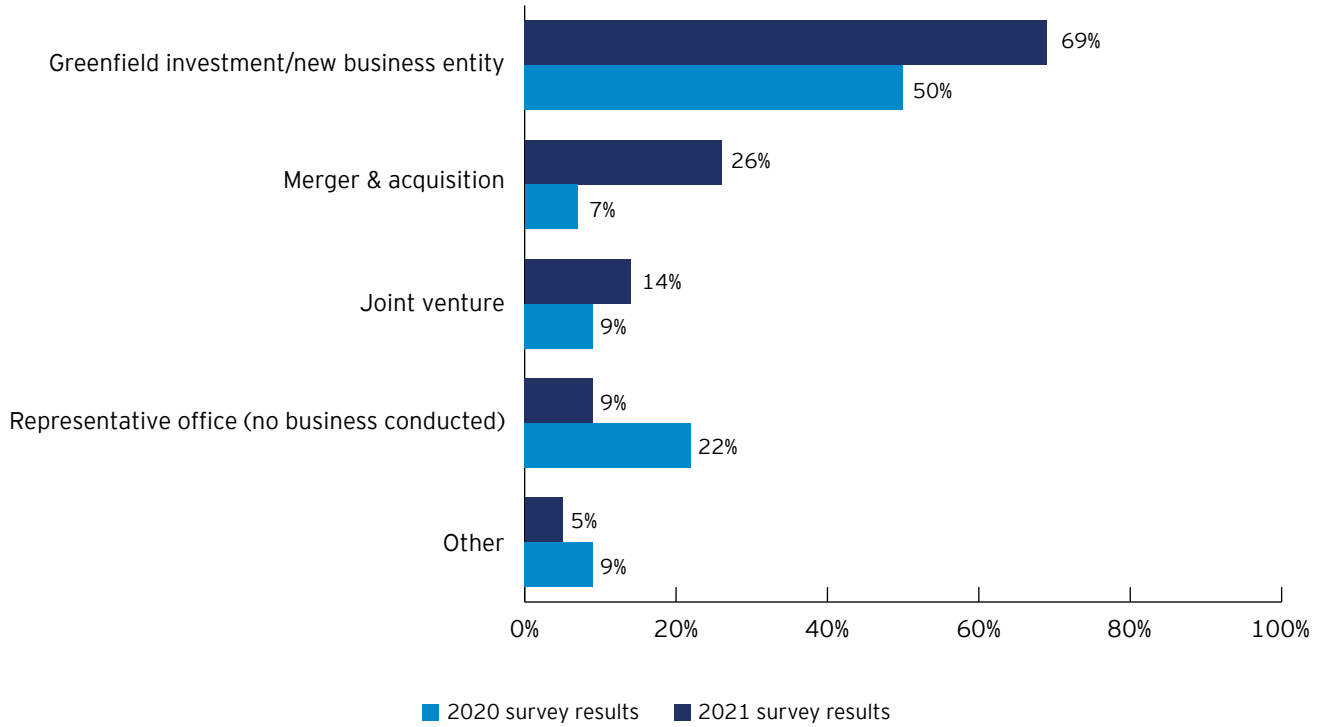


Figure 82: Has your company set up a research and development center or an overseas training center in the U.S.?

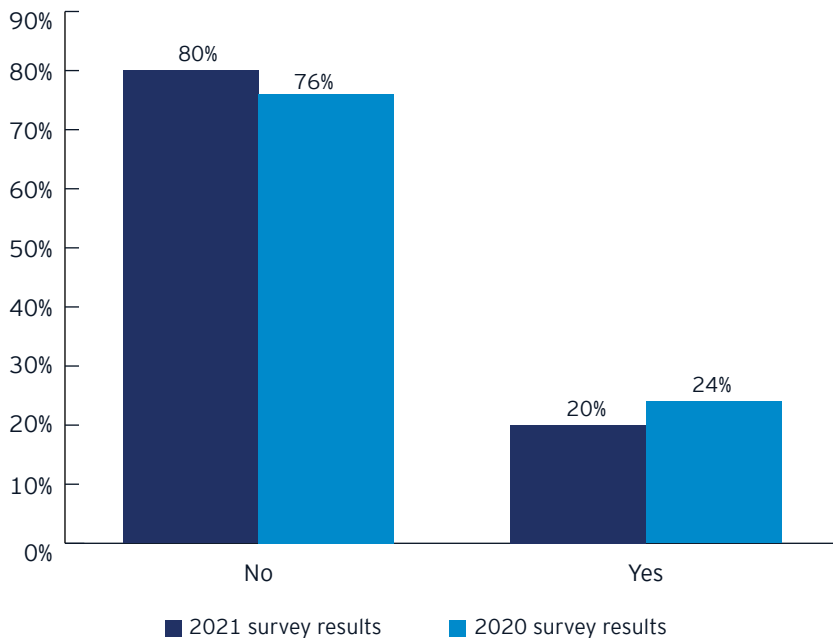


Figure 83: Year-on-year change of distribution or use of U.S. operations' profits

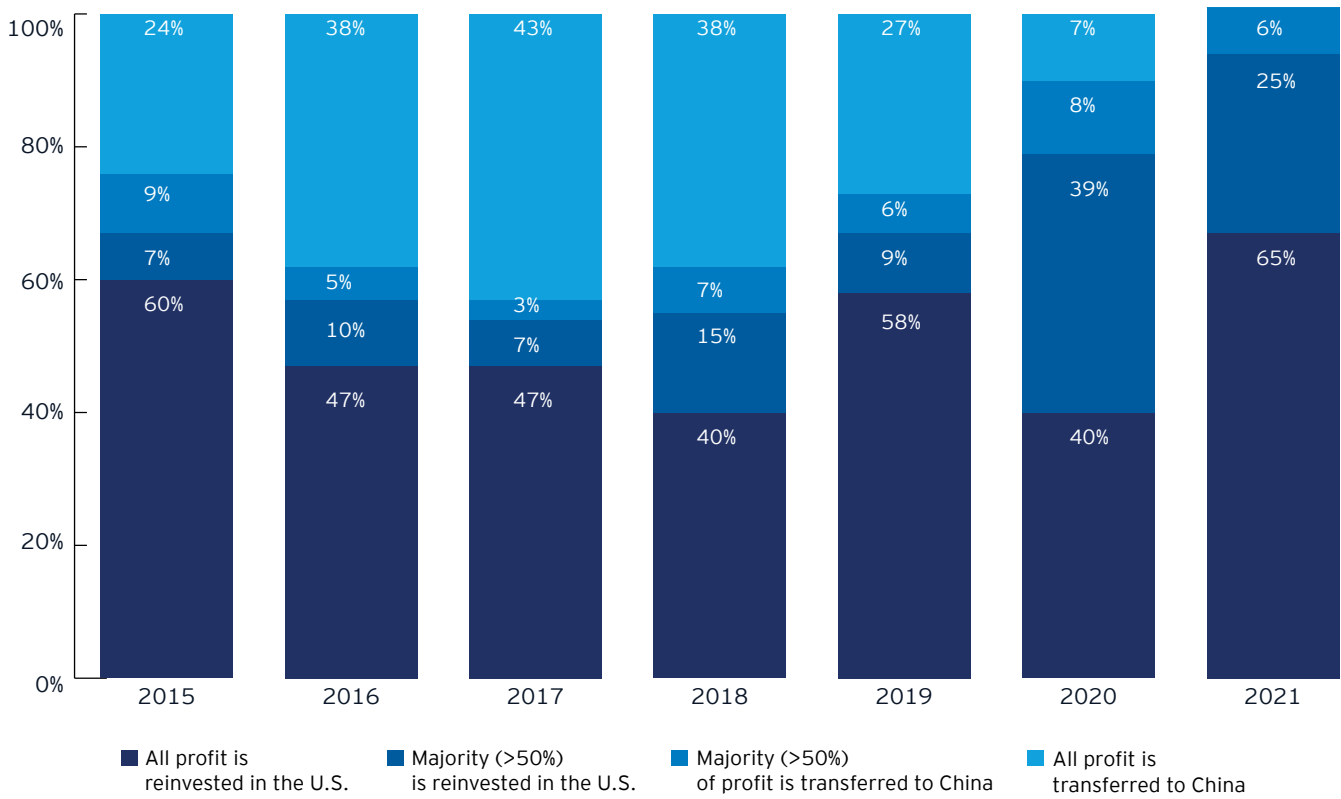
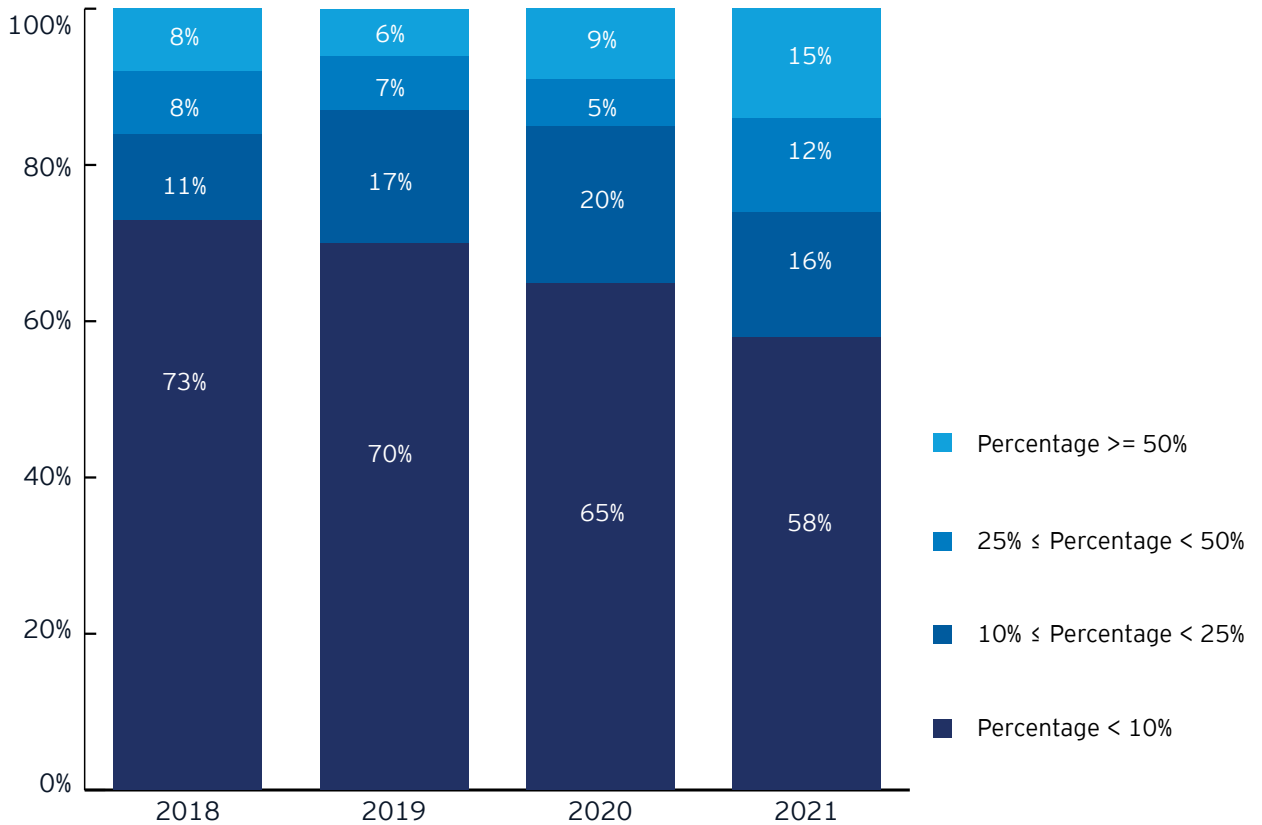


Figure 84: Year-on-year change of contribution of U.S. operations to global revenues



Financial services specific questions:

Figure 85: What services do you offer in the U.S.?

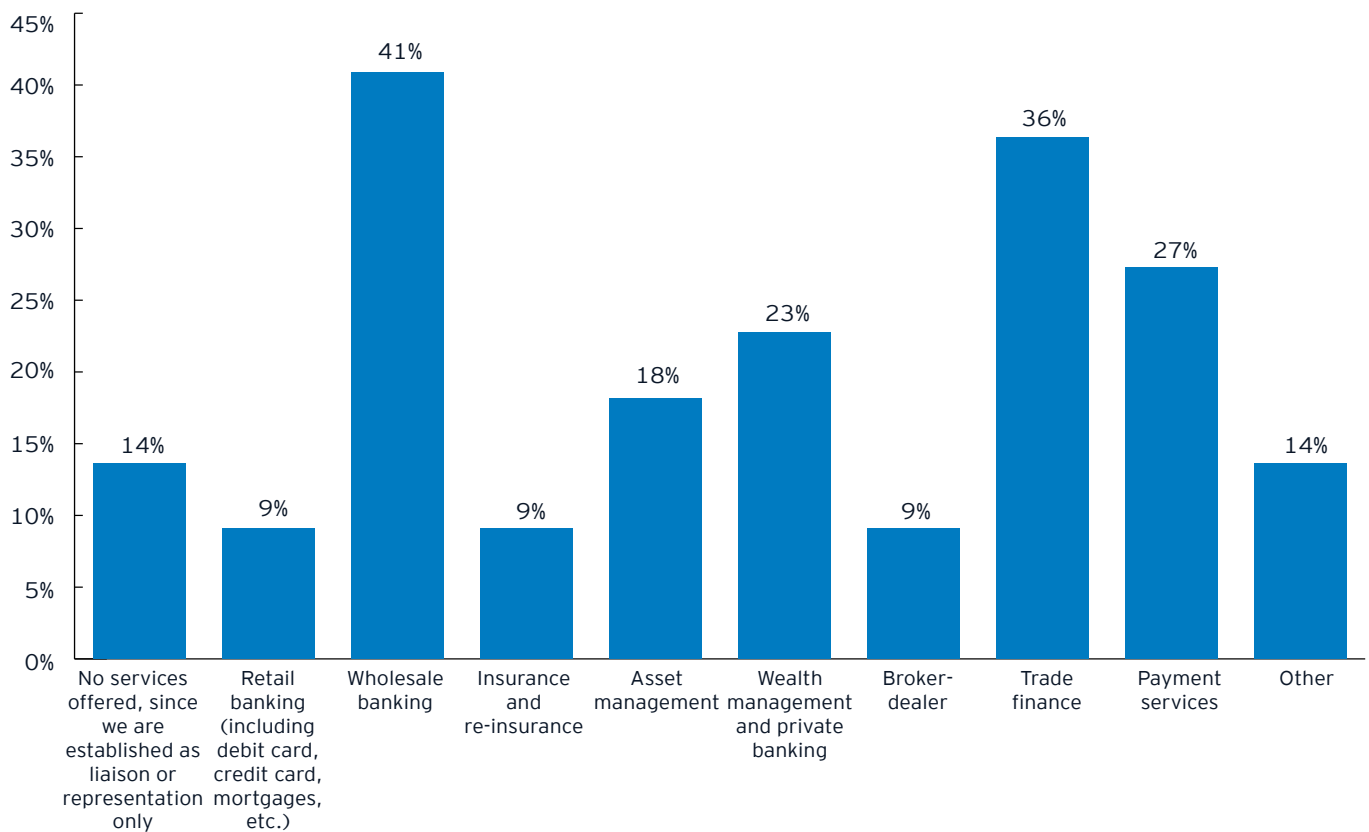


Figure 86: What are your priorities for the next 12 months? Rank the following in the order of importance, with 1 being the most important.

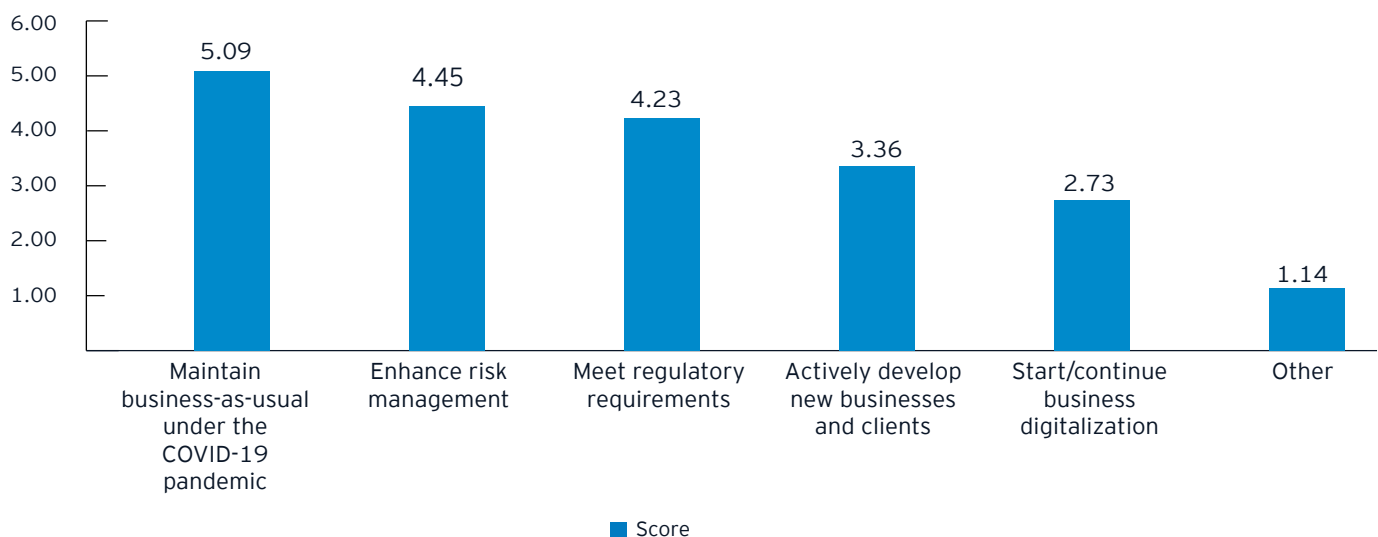


Figure 87: Financial services' top areas of focus for compliance

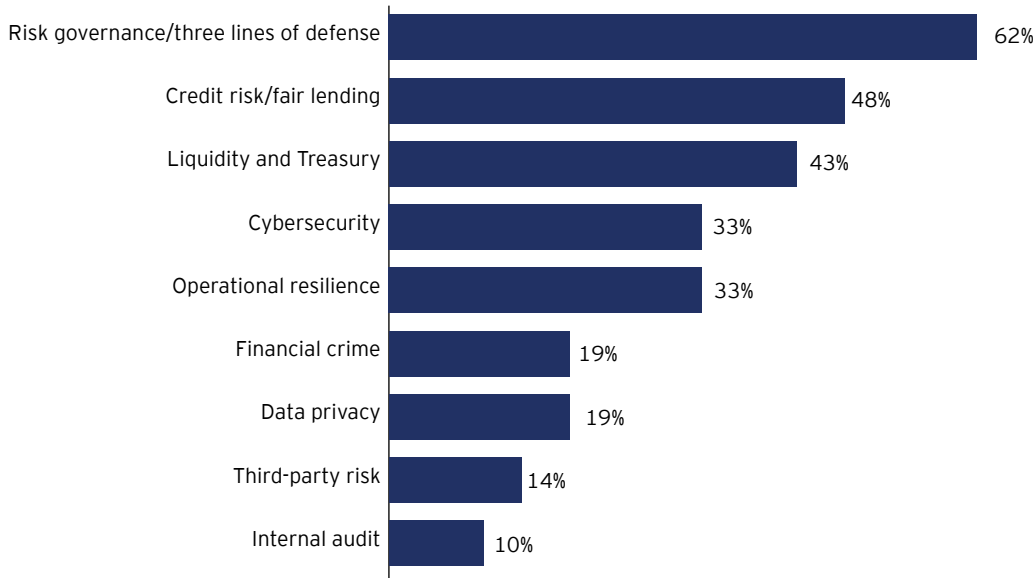
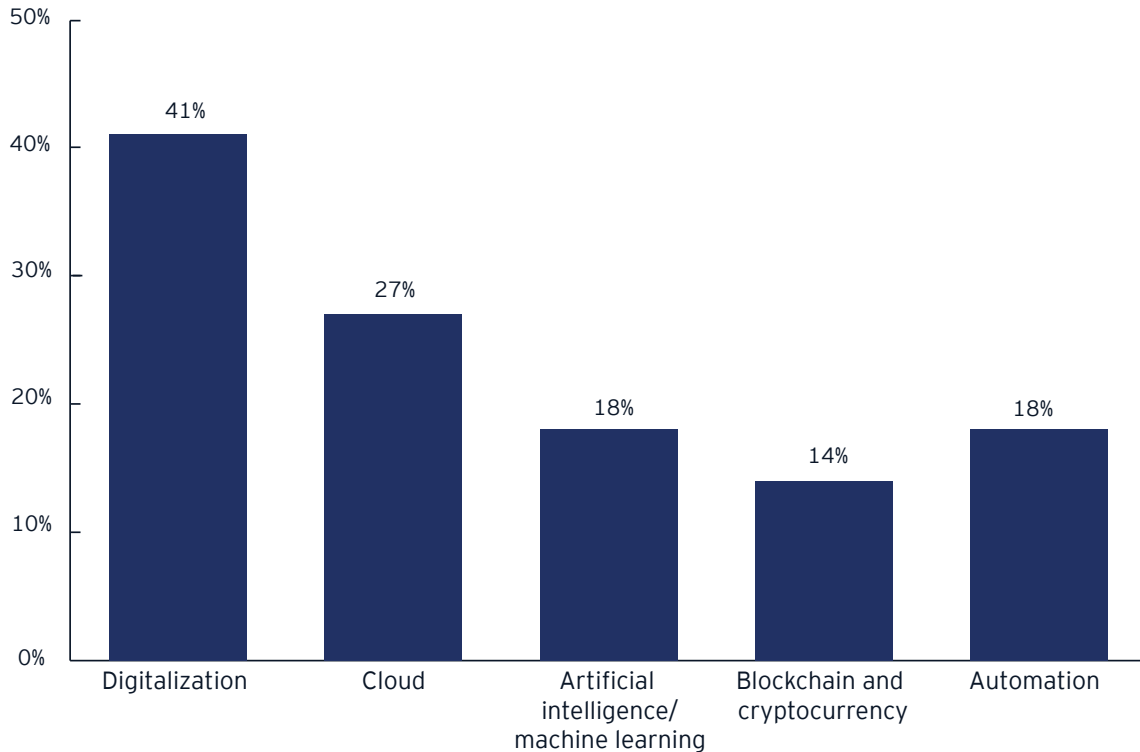


Figure 88: What is the plan at your organization to explore emerging technologies, if you plan to?



Energy and EV specific questions:

Figure 89: Primary Industry within Energy

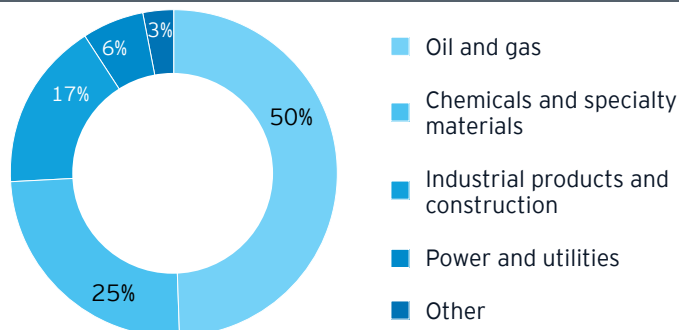


Figure 90: Does your company have a long-term strategy for a sustainable low-carbon future?

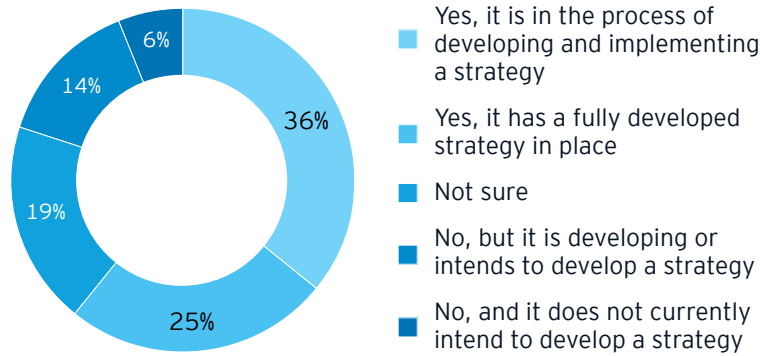


Figure 91: Energy companies' views of benefits of implementing a low-carbon strategy

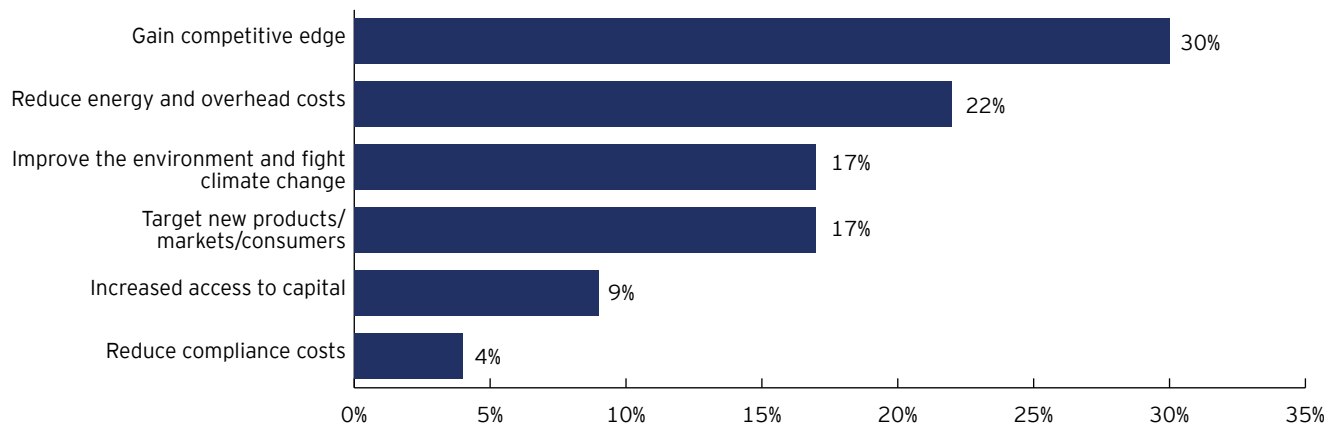


Figure 92: What are the major impediments to the energy transition from fossil fuels to renewable energy?

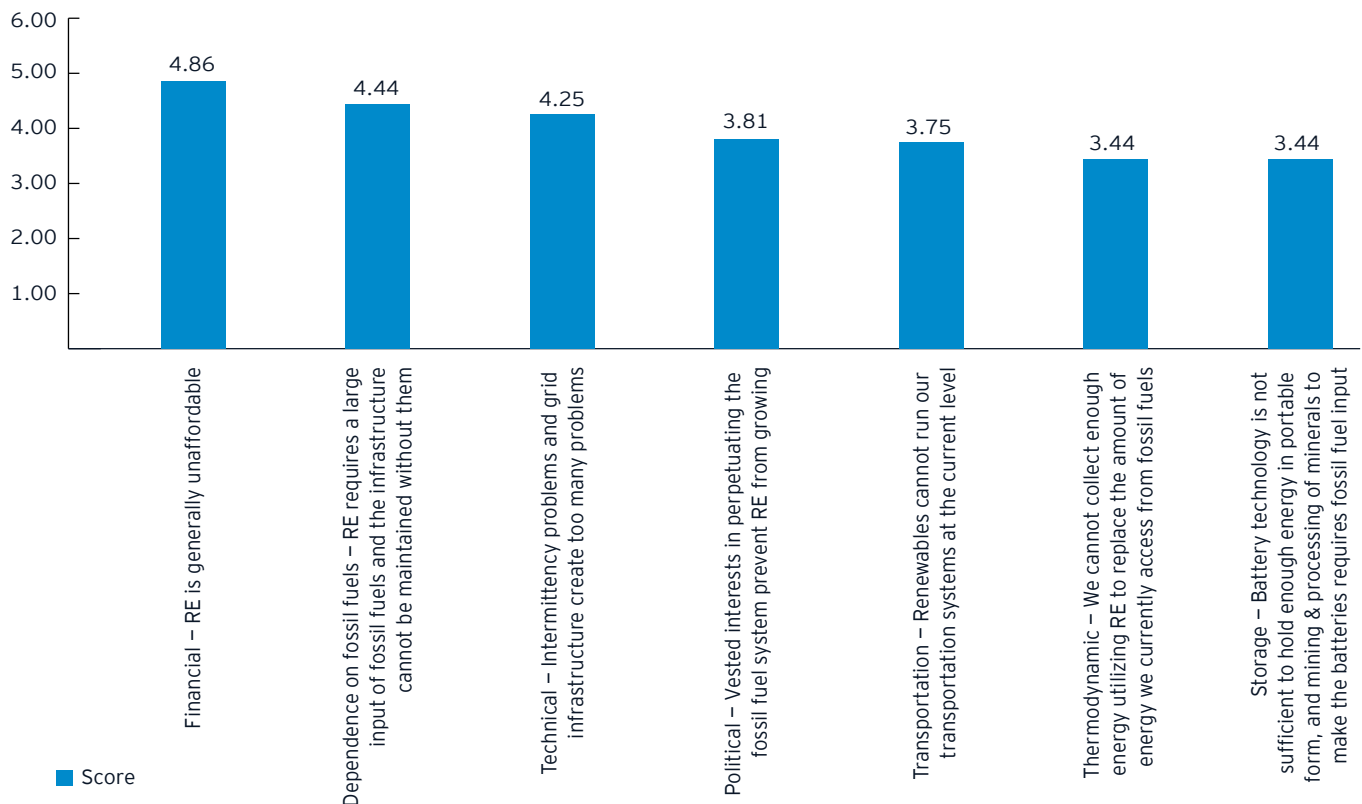


Figure 93: Does your company have or is interested in electric vehicle ("EV") investment in the U.S.?

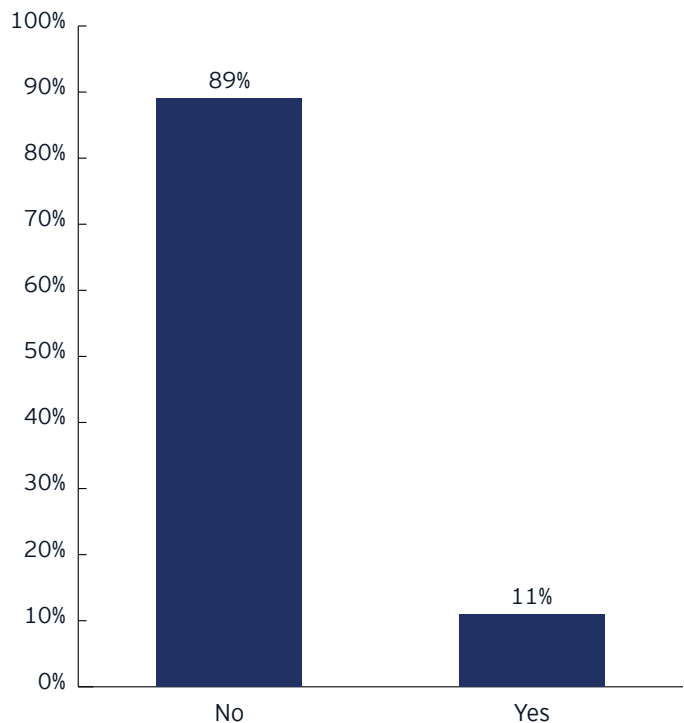


Figure 94: How will your company's planned electric vehicle ("EV") investment change in the U.S. in 2021 and beyond as a result of the COVID-19 crisis?

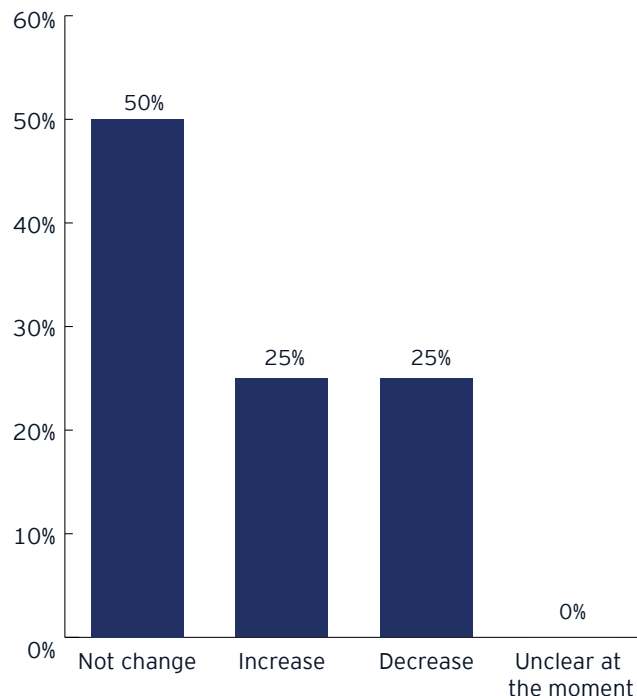


Figure 95: How is your company planning on bringing your EVs to the U.S. market? (Select one)

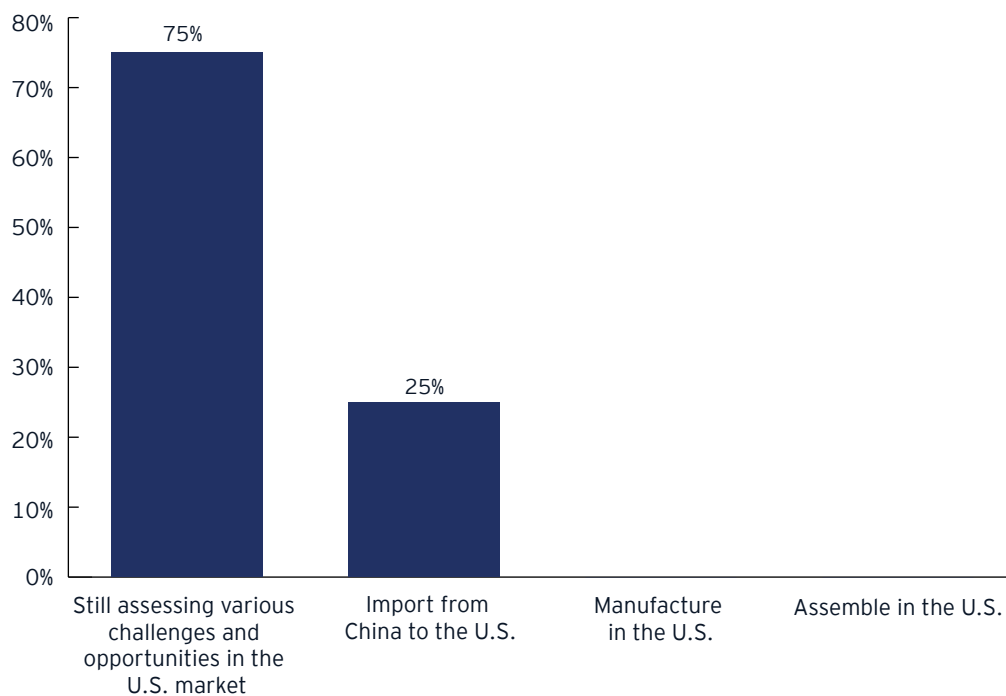


Figure 96: What is your company's estimated timeline based on the plan in the previous question?

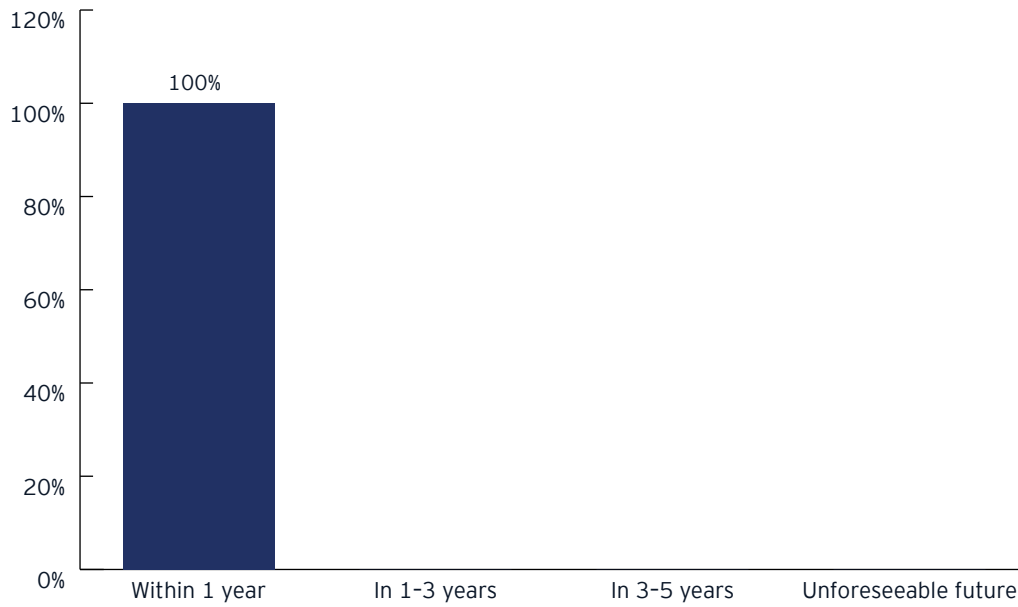


Figure 97: Where do you see the most attractive opportunities for your organization? (Select up to three)

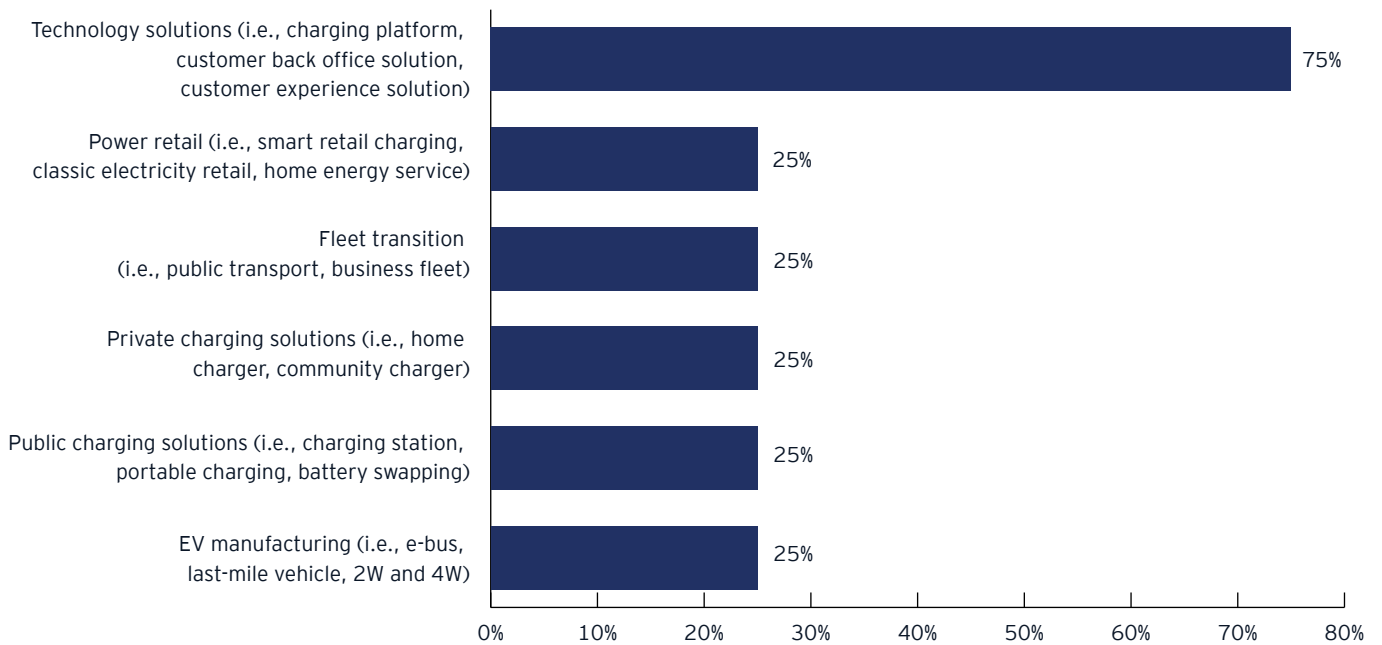


Figure 98: What are the three biggest hurdles to your EV agenda in the U.S.?

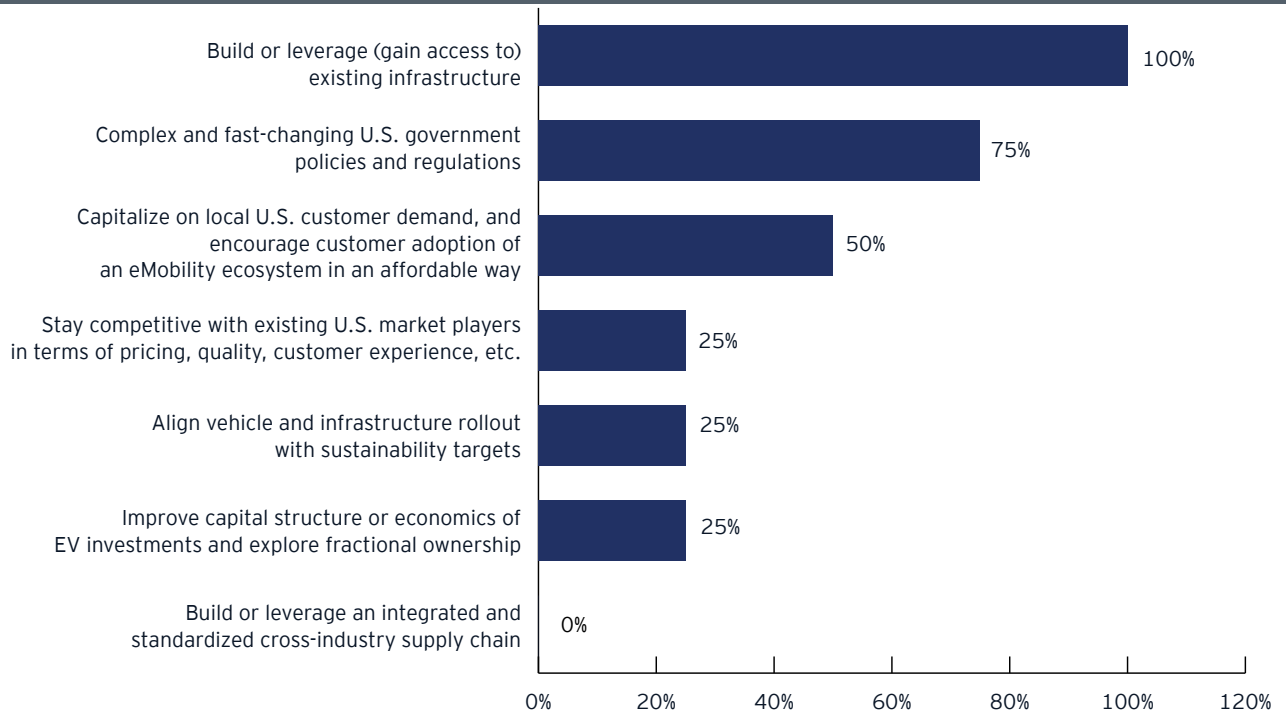


Figure 99: What type(s) of capital structure is your organization using at the current stage of development or considering for the future development? (Select all that apply)

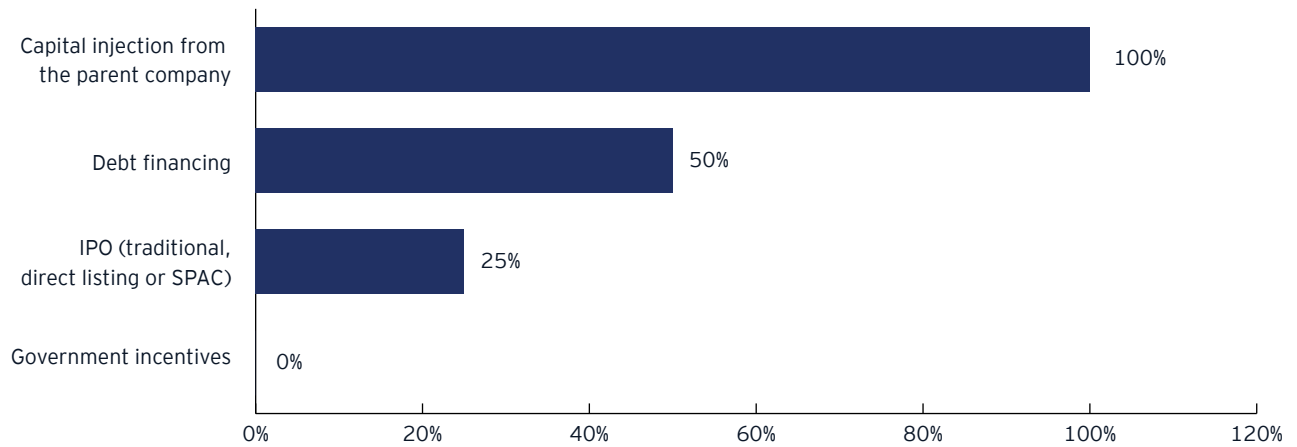
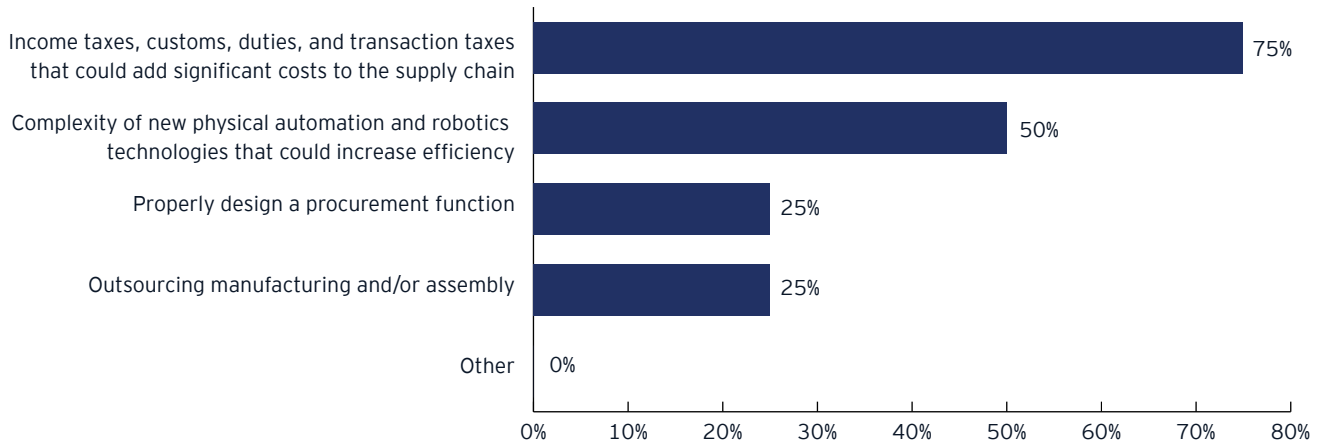


Figure 100: What are the biggest challenges that your company is facing? (Select up to three)



U.S. capital market specific questions:

Figure 101: Is your company publicly listed or interested in listing in the U.S.?

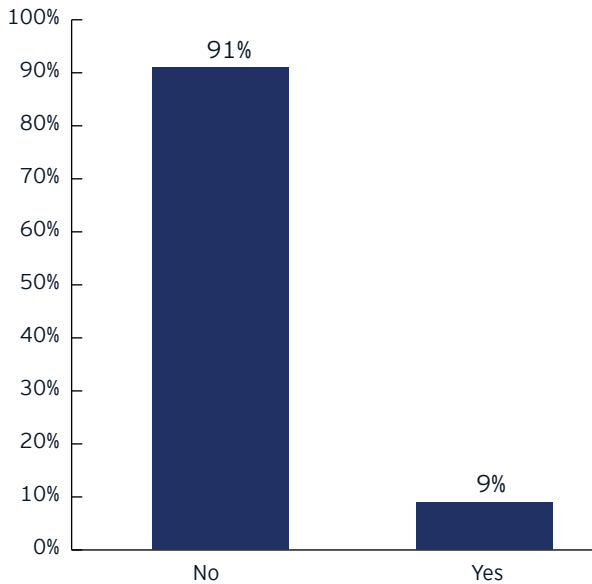


Figure 102: If your company (or your parent company) is publicly listed in the U.S., will your company be impacted by the Holding Foreign Companies Accountable Act?

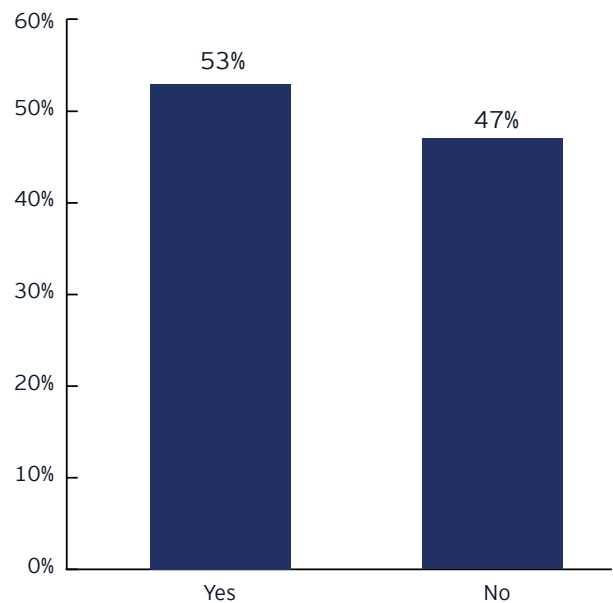


Figure 103: If yes, what's your plan to mitigate the risk? Select all that apply.

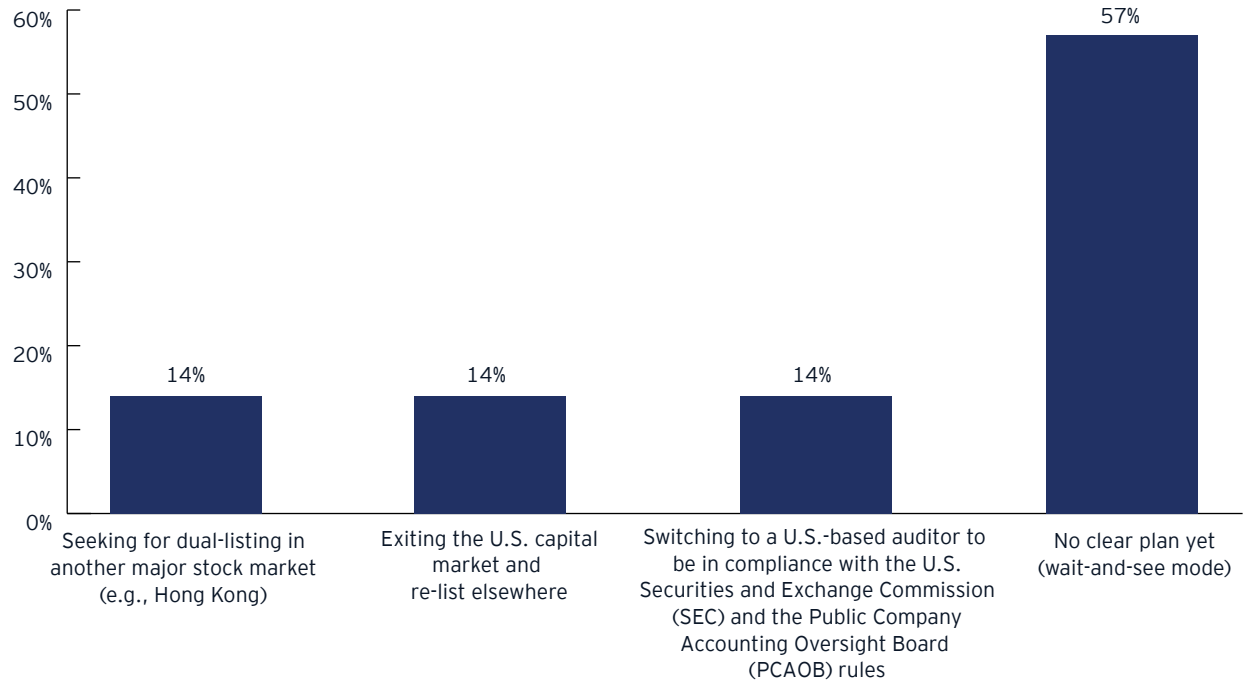


Figure 104: If you are planning on accessing the capital market, would you consider the U.S. stock market as your primary listing?

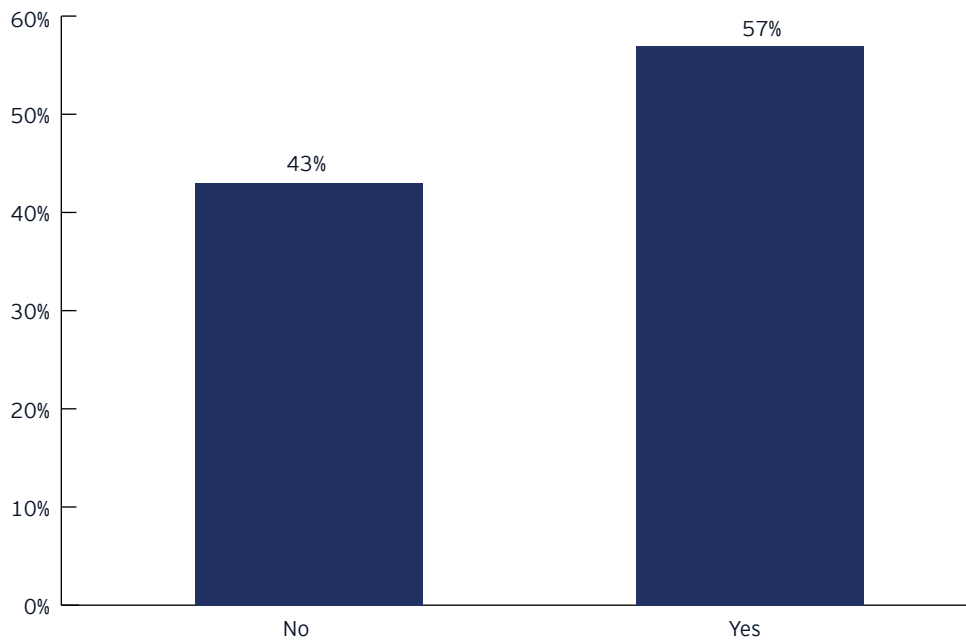


Figure 105: What are your top two reasons for not considering the U.S. stock market as your primary listing?

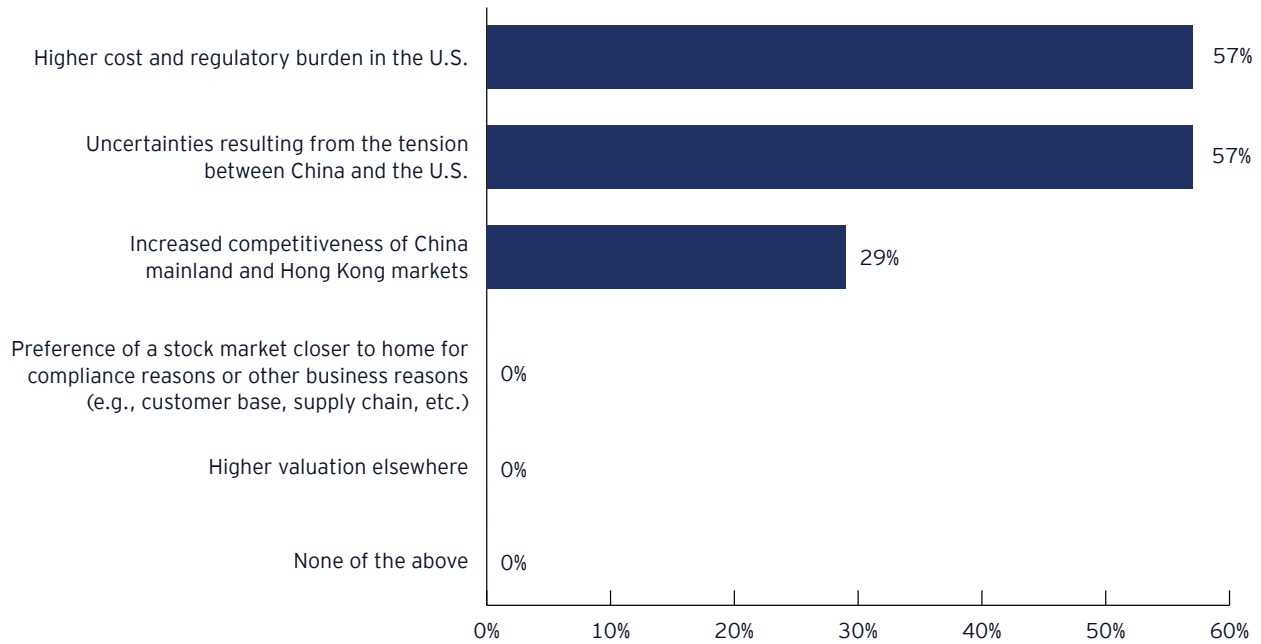


Figure 106: What are your top two reasons of considering the U.S. stock market as your primary listing?

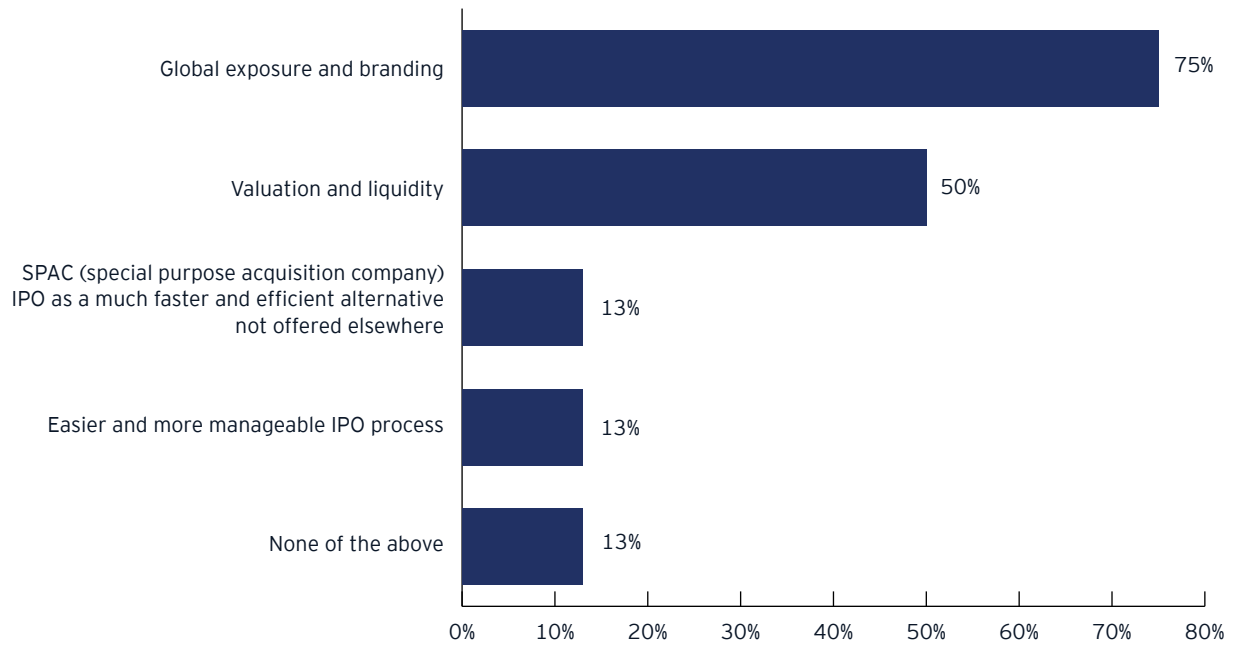


Figure 107: What do you think are the top three factors that undermine the proper valuation of the China-based listed companies or the ones seeking to get listed in the U.S. market?



Figure 108: In the next three years, which stock market do you see as the most attractive to China-based companies to raise capital?

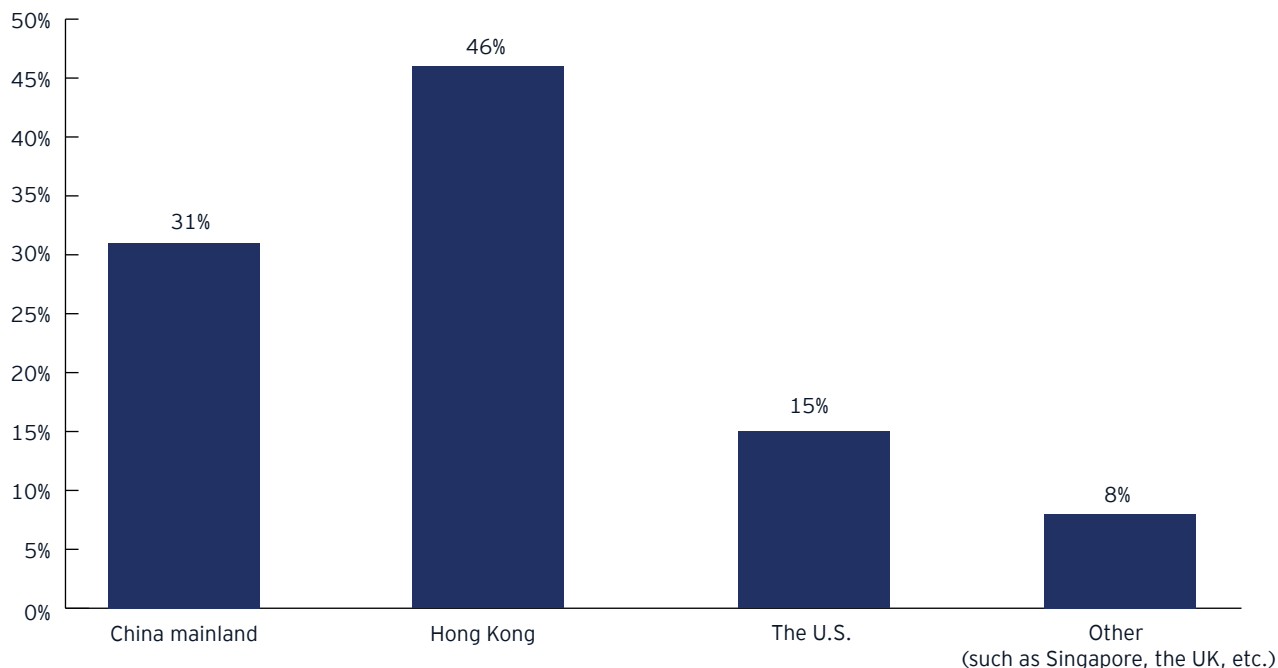


Figure 109: What is your view of the increased popularity of IPOs through a special purpose acquisition company ("SPAC" or "SPAC IPO") in the U.S.?

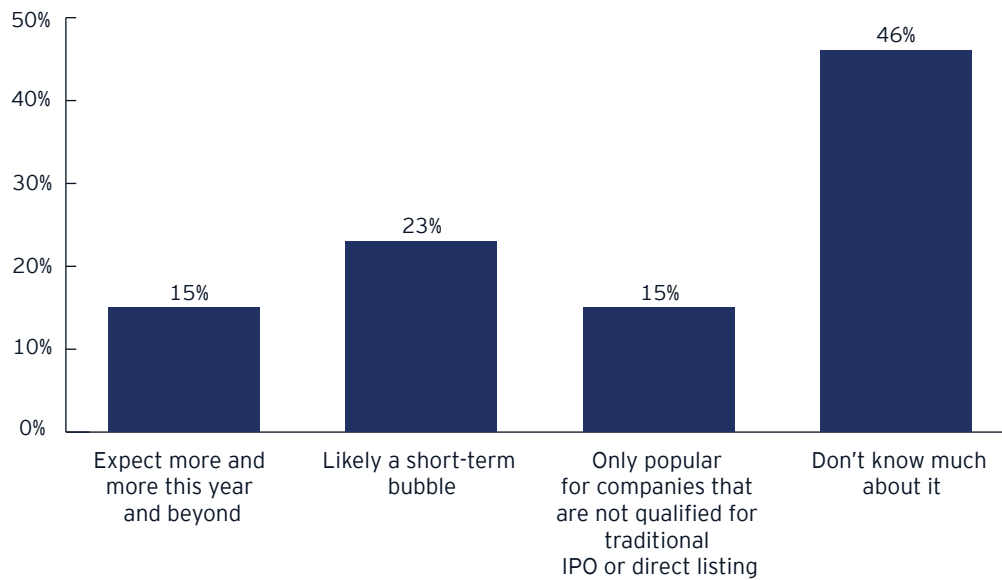


Figure 110: Will your company plan to submit a comment letter (or an equivalent) regarding this act and/or any future rules in this regard?

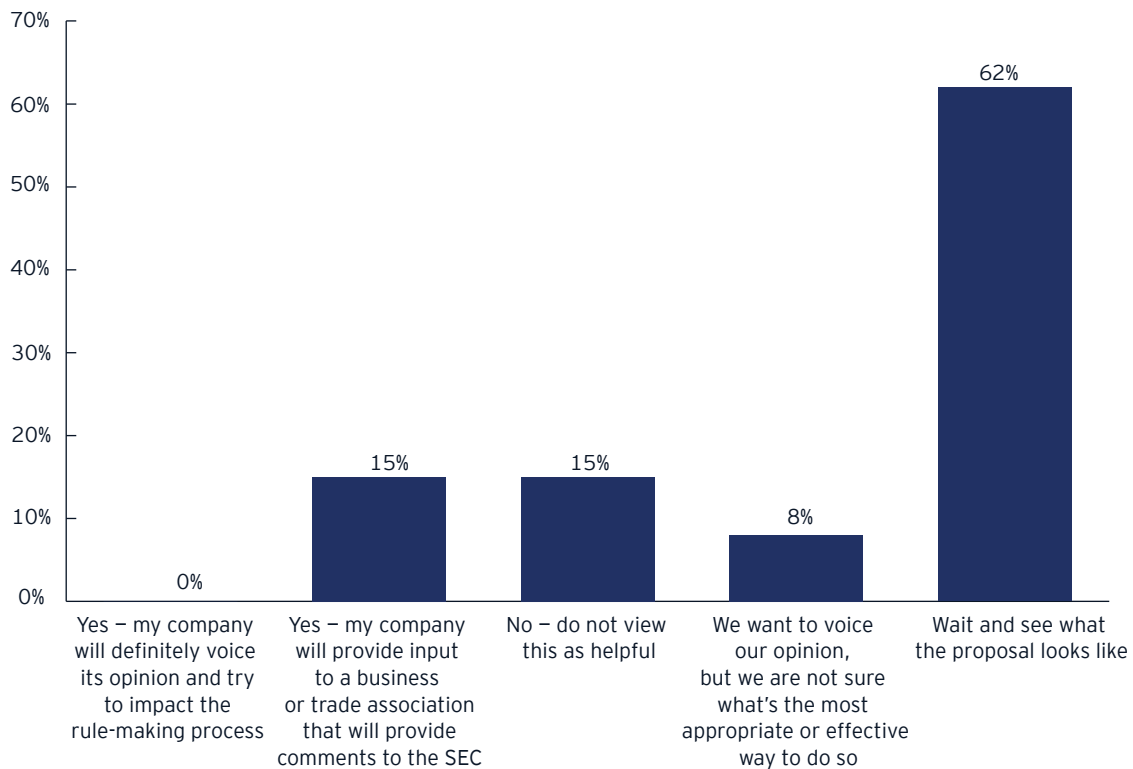


Figure 111: Do you think the PCAOB (Public Company Accounting Oversight Board) inspections on the audit firms that provide audit services to you will boost U.S. investors' confidence in your company?

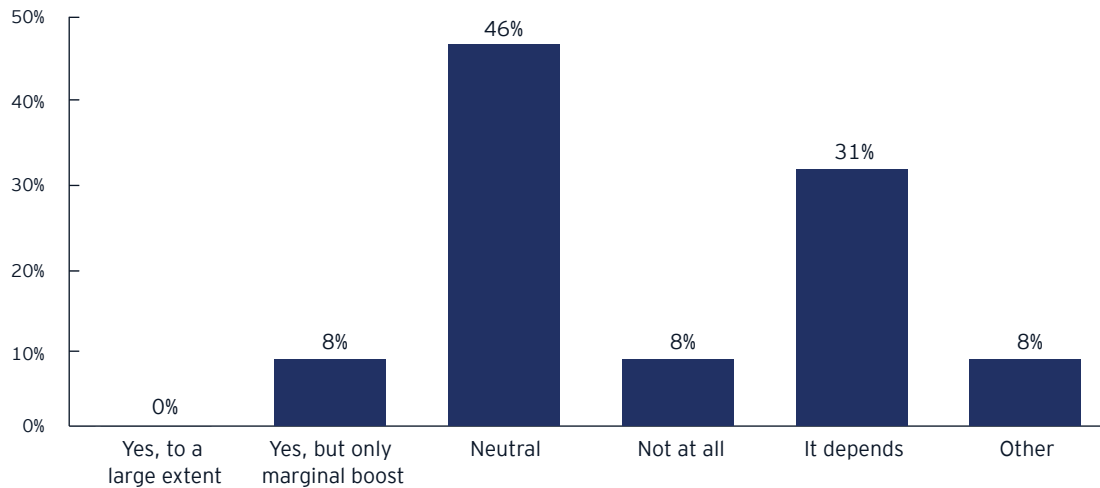


Figure 112: How do you think the U.S. investors and stakeholders view the quality of China-based listed companies?

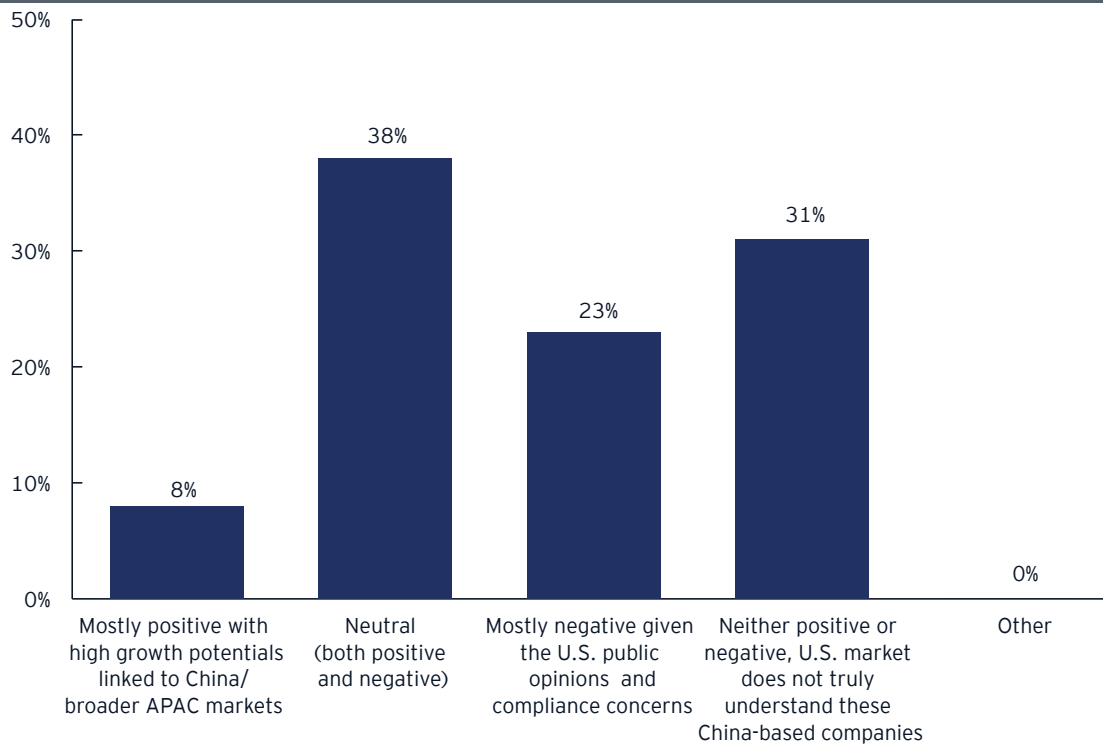


Figure 113: Do you think Chinese companies in the U.S. have a voice in the U.S. capital market?

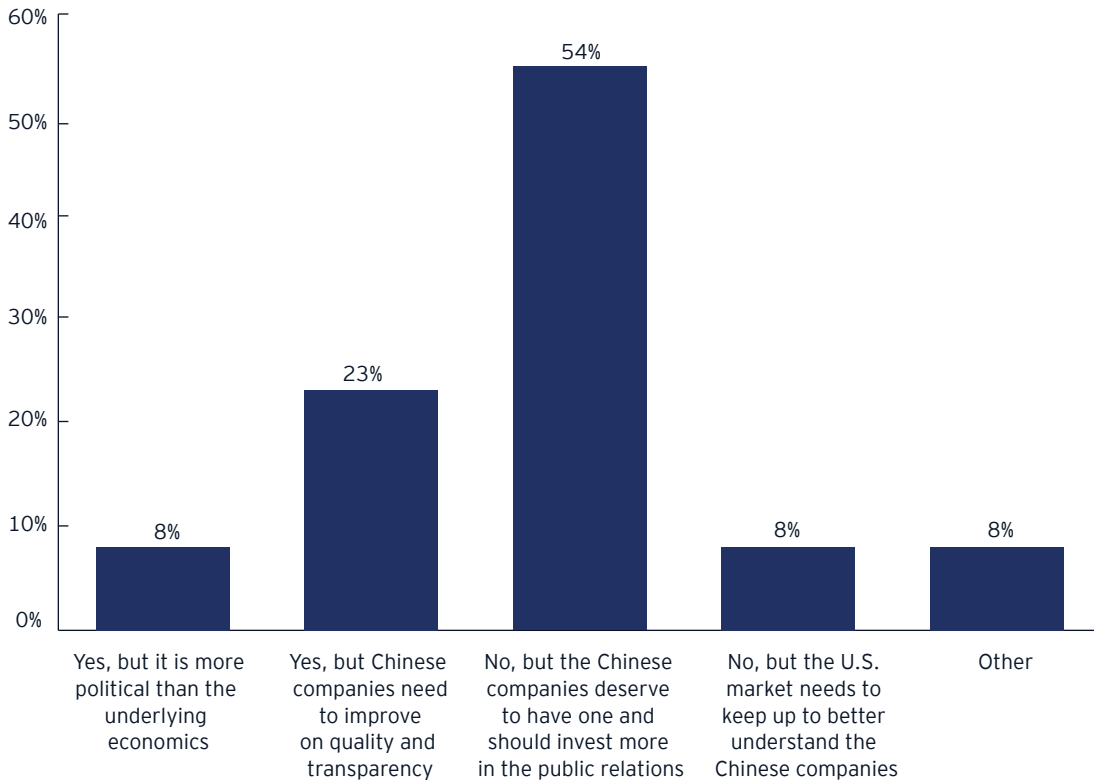
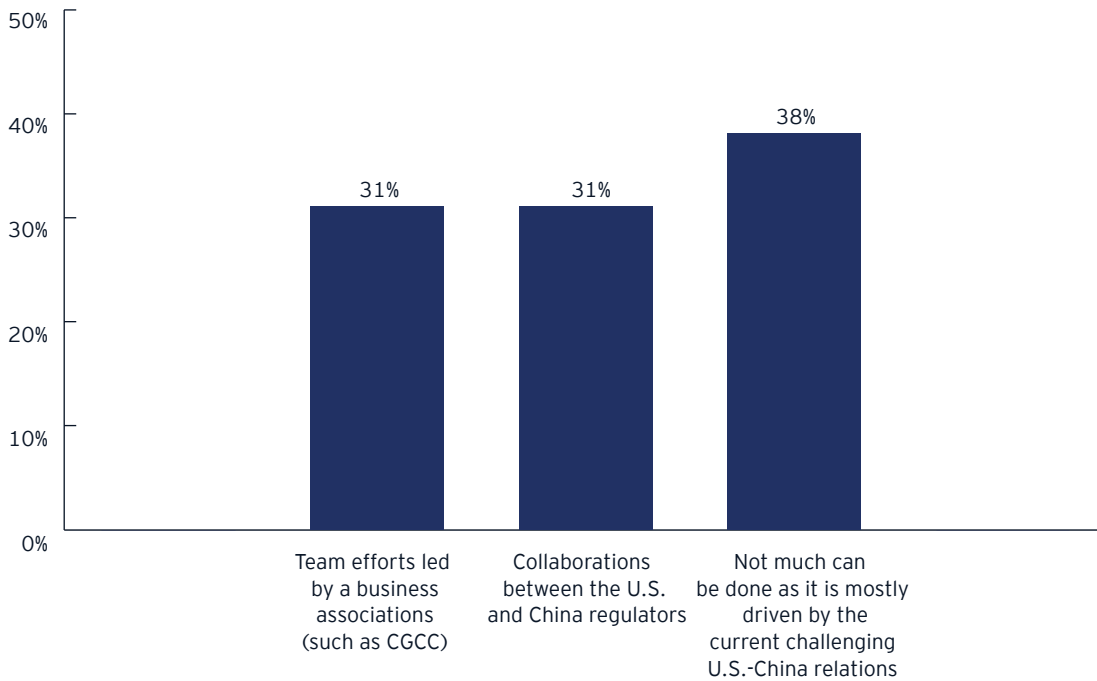


Figure 114: What would you suggest as a more effective way to promote China-based listed companies in the U.S.?





Appendix 2: Exclusive Q&A

2021 Business Survey Exclusive Q&A

Peter Reisman

Managing Director,
Bank of China U.S.A.

Could you tell us more about Bank of China U.S.A. and its performance in 2020?

Since entering the U.S. market in 1981 and becoming the first Chinese bank to establish operations in the United States, Bank of China has grown to become the largest and most diversified Chinese commercial bank in the country. Bank of China U.S.A. currently operates through four federal chartered branches (New York, Queens, Chicago and Los Angeles) with more than 700 full-time employees. Today, Bank of China U.S.A.'s total assets stand at approximately US\$50 billion, of which U.S. customer loans account for about 36 percent. Global assets, on the other hand, are over US\$3 trillion.

Major factors influencing our performance in the past year include the COVID-19 pandemic, fluctuations in the U.S.-China trade and investment landscape, as well as the low interest rate environment. Bank of China U.S.A.'s revenue composition in 2020 primarily consisted of net interest income, which accounted for more than 60 percent of the bank's total revenue. Although net interest income and net commission income saw a year-over-year decrease, trade investment income, on the other hand, increased year-over-year. Bank of China U.S.A. remained resilient in navigating the complexity of U.S.-China relations and pandemic recession, while continuing to fulfill stakeholder needs, improve our digital banking experience, enhance our compliance systems, develop new products and explore new opportunities for cross-border business.

What will BOC's key focus be throughout 2021? And what about its priorities for 2021 and 2022?

Our top priority is to ensure the health, safety and well-being of our employees, customers and communities as the economy begins to normalize. Additionally, ESG considerations are a key focus for our short and long-term strategies as we continue to improve our sustainability credentials and adapt to an evolving external environment with many new requirements. These include low interest rates, as well as increased geopolitical risks and uncertainties. Effectively navigating these factors and improving operating efficiency under such an environment will remain as priorities for us this year.

What efforts are BOC currently or planning to engage on, such as legal, compliance, and other regulatory challenges under the current complex and uncertain U.S.-China relationship?

As a leading international bank, we consistently monitor the complex environment in which we operate across both the U.S. and China. The unpredictability of the current political and regulatory landscape means that we have to be both reactive and proactive in terms of modifying our strategies, products, and services to align with all regulatory requirements. We strive to be consistent and innovative, developing the most efficient compliance systems and infrastructure to meet these requirements alongside our clients' business needs.

We plan to actively increase our corporate social responsibility investments through further funding towards organizations addressing a broad array of community needs, including financial literacy, healthcare, environmental and other social issues. Bank of China U.S.A. is a stable and reliable financial partner for U.S. and Chinese businesses navigating the increasingly complex, yet ever important global trade environment. Our global network and services empower clients to enter new markets with confidence and from a position of strength. Our expertise and leadership in RMB settlement, clearing and trading also makes us the go-to bank for various types of commercial financing, insights on and access to the world's second-largest economy. Clients are at the core of what we do. Our tailored solutions, combined with leading-edge technologies, ensures that their needs are served efficiently and effectively.

Do you have any suggestions for Chinese companies that are looking to expand their operations, coming to the United States?

For any Chinese company looking to enter the United States, compliance should be a top priority. It's important to establish and maintain strong and effective relationships with the regulators, while keeping up to date with the continuous changes in the regulatory environment.

This is especially true when it comes to dealing with consumer data, client data and cybersecurity challenges. Regulatory expectations are higher than ever and it's important for companies to invest in the appropriate resources, including systems, consultants and other human resources, to fully understand and adapt their procedures and strategies to meet these requirements and provide comfort and security to our clients.

Chinese companies must also pay close attention to U.S.-China political and economic relations, as well as local U.S. policies as part of deepening and expanding upon key relationships. Lastly, communication is extremely important at every level – whether that's internally within the business or externally with the general public, media, government officials and regulators. If the company has a strong and positive corporate story to tell, do not hesitate to promote that story to ensure that all stakeholders have a good understanding of your business. This will prove essential when and if any crisis situations arise.

Could you provide an example of how BOC has connected with the local communities?

We actively provide loan facilities for affordable housing and public transportation projects. This has not only created and supported local employment opportunities, but also helped improve living conditions of the local communities. We also actively engage in businesses related to sustainable energy, public finance, and infrastructure finance to help sustain and expand the growth of the U.S. economy and employment.

Over the past several years, we have contributed over US\$2 billion to local neighborhoods by participating in community reinvestment efforts to reverse urban blight, as well as supporting local charities, hospitals and other non-profit organizations, including the CGCC. Beyond such financial support, we also encourage our employees to serve on boards of various foundations and to act as volunteers. In light of the public health crisis last year, we sourced and donated more than 120,000 masks, 12,000 pairs of surgical gloves, and 4,150 free meals to local hospitals, senior homes, post offices and police stations. We additionally worked closely with small-to-medium-sized enterprise clients, providing solutions to meet their financing and liquidity needs through PPP programs.

All of these examples play into our holistic, comprehensive corporate social responsibility strategy that connects us with our local communities across the U.S.

Patrick Duan

Deputy Director of Operations,
BYD America

Please briefly introduce BYD's main business structure in the United States?

BYD's first US office was established in 1999. Later, in 2011, when we started making transportation products, we moved our offices from Chicago to Los Angeles. From that time onwards, we have actively promoted new energy and automotive products. Our current main businesses in the United States can be divided into three major parts: the first major part is clean transportation and energy products, mainly transportation electric buses, electric trucks, electric forklifts, as well as cloud rails and cloud buses. The only thing we have not yet promoted in the U.S in this segment, but which is being promoted in other parts of the world, is passenger cars. The second part of our company is products in our new-energy category, which includes battery energy storage, solar energy, LED lights and power batteries. The third category is the personal protective equipment (PPE). Because of the 2020 epidemic, we spent a lot of energy last year promoting PPE products, mainly masks and hand sanitizers.

Could you tell us more about your performance and focus in 2020?

In terms of performance in 2020, traditional industries, especially our public transportation industry, were actually quite badly affected. So, we spent a lot of time on the PPE industry and the results were quite good. In two other categories – cloud rails and cloud busses – the effects of COVID-19 may still show up in the coming years. After all, in those segments – especially projects related to public transportation, electric buses and trucks – the cycle of those projects is one or two years from order receipt to delivery, so we may see some gaps of projects in the next one to two years due to the impact of the pandemic. In 2020, our factory in California was closed for two months due to the epidemic, except for electric buses. We started to partially resume work in July last year and have basically returned to normal now. We are proud of the fact that, so far, all of the order items have been delivered on time.

In terms of BYD America's employee base, what is the approximate ratio of local hires in the U.S. and Chinese expatriates?

Most of our employees are local hires, and that accounts for hundreds of people. Most of our employees are in production or management personnel of the bus factory in California. Less than 10% are expatriates. Production-oriented enterprises have a lot of localization and cultural aspects to work on, so this necessitates a large proportion of our U.S. employees being local, rather than expatriates.

How do U.S.-China relations affect BYD's operations in the U.S.?

In some ways, any industry would be affected by these relations, but perhaps the most affected is public transportation because it involves public customers and federal government subsidies. Because of the impact of U.S.-China trade frictions, we are subject to restrictions in many aspects of our business.

For us, tariffs are having the biggest effect. Indeed, this was felt not just in 2020, but had actually started to have a significant impact before 2020. This has a very large impact on our competitiveness, as well as our costs and other aspects of our operations.

Chinese companies can encounter challenges in adapting to the American market. Based on BYD's experience, what should Chinese companies do to adopt to the unique characteristics local U.S. markets?

My overall feeling is that most of senior management needs to be localized. Most management concepts and processes can be learned. But, at the operational level, those concepts and processes need to be localized. Management methods and concepts that can be used very successfully in other places are not necessarily suitable for local markets in the U.S. In many cases, some re-examination and adjustments are needed. Globalization is actually a process of localization. For example, in terms of product technologies, while we can take general approaches and comply with local laws and regulations, from the expectations of customers and the way customers communicate, to how local employees operate, Chinese companies have to feel like they are operating like a local American company.

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Xiao Yuqiang

Chairman, U.S. Management Committee, Industrial and Commercial Bank of China (ICBC)

Please introduce your company's main business in the United States, the composition of business income, and so on?

Through four branches in the United States, ICBC provides target customers with integrated financial services, such as corporate finance, financial institution business, retail banking, private banking, dollar clearing, securities clearing, securities and commodity trading. The main income is from corporate financial business, financial-institution business and capital-transaction business.

We believe that, by focusing closely on the group's development strategy, insisting on localization, specialization and diversified development ideas, and with the support of all sectors of society, such as through the CGCC platform, we can actively promote benefits of U.S.-China economic and trade exchanges. We also believe it enables us to achieve better results, as part of the broader process of becoming a mainstream foreign bank operating in the United States.

In the next 12 months, what is the company's primary business mission?

The COVID-19 epidemic has changed the overall development trend of the U.S. banking industry in many ways. First, we will continue to strengthen corporate governance and our risk compliance culture, improve our comprehensive corporate risk management framework, adhere to compliance requirements in our operations, and improve information-security risk prevention. These are still top priorities for us.

Secondly, our US operations will further strengthen our corporate-level ESG strategy. In 2021, we will actively maintain communications with our supervisors on ESG, embed new ESG concepts, comprehensively use various financial products and resources to promote green finance and inclusive finance and, overall, fulfill our social responsibilities.

Finally, as the macro operating environment facing banking continues to improve, our US organization will strive to continue optimizing the asset liability structure, effectively balance business development and risk management, as we reverse the decline in revenue and profit that occurred in 2020.

What are the main challenges your company faces in its U.S. operations and how are you addressing those challenges?

In 2020, the business operations of some of our customers was affected by the pandemic, to varying degrees, leading to an increase in credit risk and a decline in asset quality. Additionally, ongoing frictions in U.S.-China relations also brought certain challenges to our bank's expansion of corporate customer relationships.

In the face of these challenges, we persisted in doing a good job in epidemic prevention and control, strengthening the management of various operational risks and maintaining stable business operations continuously. We continue to pay close attention to the impact of epidemic risks and changes on liquidity, asset quality and other risk areas. Also, in the face of highly uncertain U.S.-China relations, we have strengthened our commitment to enhancing those relations.

What have your company done to better integrate into local communities and enhance the sense of belonging of employees in the U.S.?

We have always attached great importance to social responsibility and cultural integration, and in enhancing the sense of belonging of our U.S. employees. During the pandemic, we paid even more attention to caring for their mental health and ensuring their safety.

In recent years, our bank has participated in many public financing projects in the United States, including Washington DC, New York City Water Company, Southern California Water Company, University of California and other such projects. During the 2020 pandemic, ICBC successfully participated in a syndicated loan from the Metropolitan Transportation Authority (MTA), which strongly supported the New York City government's work-resumption plan and local economic development and enhanced ICBC's local reputation and demonstrated our local commitment.

ICBC actively participates in community activities and integrates into local American communities. After the COVID-19 outbreak, our bank donated a total of 100,000 medical N95 masks and other preventative supplies to the Jamaica Hospital Medical Center in Queens, New York City and the Mamorie Medical Center in Brooklyn, and to communities in New Jersey, San Francisco and Seattle.

Since the outbreak of pandemic, discrimination against Asians and Chinese has appeared in many parts of the United States. By supporting the local Chinese community, our bank has demonstrated a positive and united image, fulfilled our social responsibilities and promoted the benefits of community and harmonious relationships across all ethnic groups.

In terms of promoting U.S.-China economic and cultural exchanges, our bank has had a cooperative relationship with Carnegie Hall in New York for many years, which supports cultural and artistic exchanges. Also, as a member of the Asia Society Business Council, we have helped organize various activities to enhance mutual understanding and cooperation between China and the United States in various fields, and for many years we have maintained cooperation with the non-profit organization, International House, to support them on projects to promote exchanges.



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Sun Ya

CEO/President of JN Fibers, Inc.

Could you tell us more about your company?

JN Fibers is a manufacturer specializing in polyester short fiber regeneration and we use recycled plastic bottles as raw materials. We are a typical resource recycling industry. Our parent company has focused on this one single product for over 21 years in China. We have accumulated extensive experience on manufacturing, technology and sales in China, so we decided to apply to the National Development and Reform Commission (NDRC) to invest in the U.S.

What impact did the 2020 epidemic have on business operations? In response to these impacts, what measures had company taken?

The most direct impact was, from mid-April to early May of last year, we stopped production. Then, after we resumed work, because of the impact of not all employees being available, we could not operate at full capacity, and our actual output for the whole year was about 90% of normal production capacity. In order to satisfy our sales need, we shipped products from our parent company, and in this way, our sales volume wasn't affected.

Because of the overall decline in output and various additional expenses, our manufacturing cost per unit of product increased. Furthermore, we quote prices on a quarterly basis. Although we could have asserted breach of contract during the pandemic, we do not want to do so. So, we undertook a large amount of additional cost, and our profits were affected significantly. In general, annual output dropped by 10%, sales volume remained the same as previous years, but profit fell by 50% year-on-year. Yet, overall, we were still profitable.

Production work during the pandemic was, of course, very challenging. We are an enterprise with a very large volume of logistics. We mainly import from overseas, and there will always be one month of raw materials in shipment. Warehousing, capital and the distribution of raw materials are all continuous challenges. Besides, our production is uninterrupted 24 hours a day, seven days a week, and the equipment cannot be stopped once it is turned on. When an employee is absent, the pressure on personnel scheduling and onsite management is significant. Therefore, raw materials, personnel scheduling and epidemic prevention were, and continue to be, great challenges for us. No matter how we dealt with it, we slowly started to get back on track since the fourth quarter of 2020.

JN Fibers' business involves resource recycling and fiber product processing. In recent years, the energy materials industry has been discussing the trend of new energy and renewable energy transformation. How will this trend effect production and future development of the industry?

The effects will be significant, both positively and negatively. On the positive side, our products use 100% recycled PET, a low-carbon industry, which truly recycles and reuses. In terms of quality, our products can replace virgin materials. So, after entering the U.S. market, over the past five years, we have been working hard to slowly educate our clients to replace producing new products with recycling, and it have been quite successful for us. Our products are beneficial to our company, our customers and society. It is a win-win situation with multiple parties. This is the reason why I have always believed that we have very good development prospects in the U.S.

The negative impact of the new trends to us is also obvious. In recent years, as the environmental protection concept gets strengthened, more and more large companies have also started developing their PET recycling. The proportion of recycled fiber materials is increasing globally, not just in U.S. – especially in Europe. Compared with producing, recycling materials for packaging will lower the cost and directly affects companies' raw material procurement and costs, and thus affecting the price competitiveness and profitability of the companies' products.

Generally speaking, I think this trend is very positive, from both technology and cost perspectives. Low-carbon renewable energy is definitely a very promising area. Our experience in this industry for more than 20 years has proved that low-carbon products do not have to be costly. We can achieve a win-win situation both economically and environmentally. Our fiber factory is a true application of recycled materials and has expanded to recycling of our upstream companies. This broader impact is even more beneficial to society.

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What efforts has Jiangnan Chemical Fiber made in South Carolina's operations, especially in integrating into the local community? What experiences can you share in dealing with relationship with the local community and government?

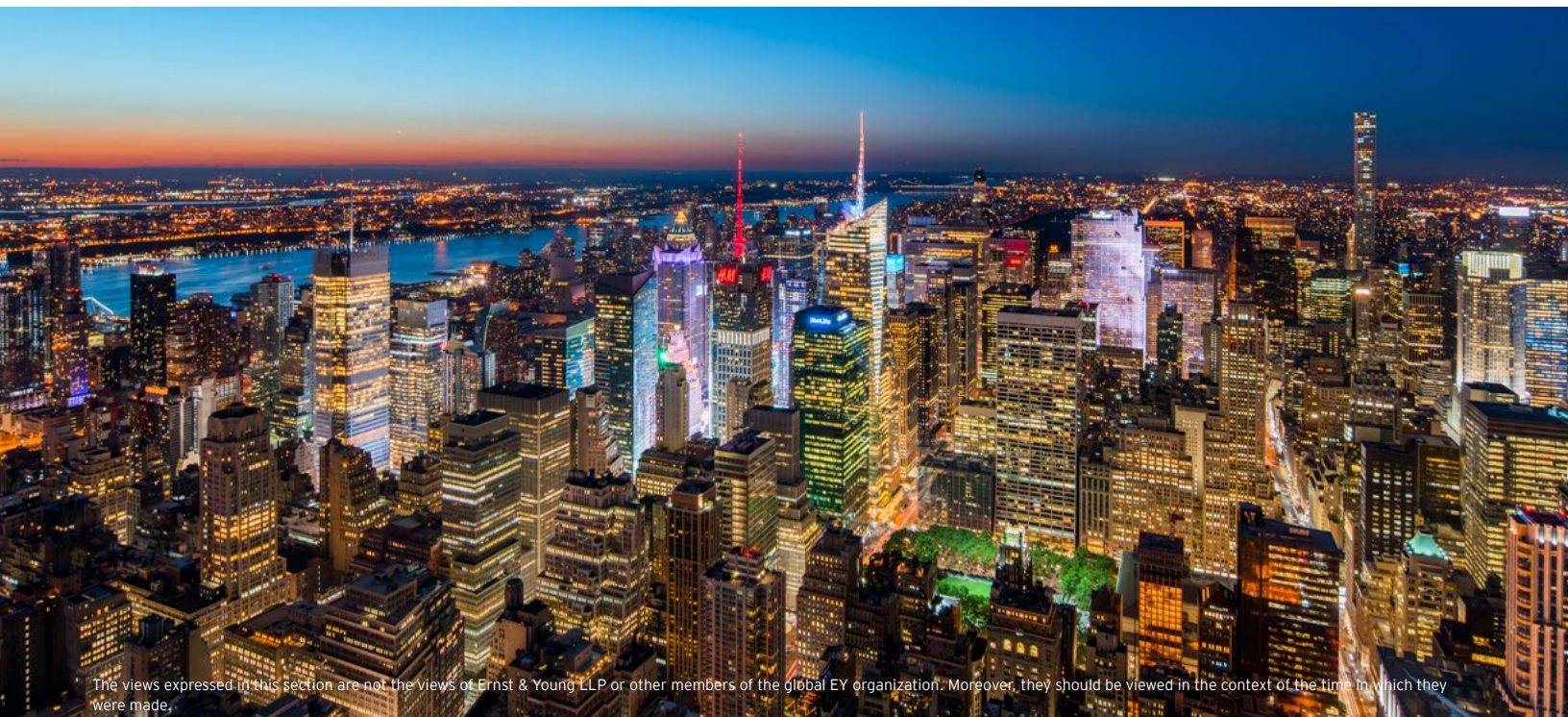
As a factory, the primary task for us is to do our job well and become a good factory. From the perspective of integrating into the community, we are the highest-level member of the local economic development committee and actively participate in local economic activities. Secondly, we have been to the community's high schools to make some professional recommendations to guide young people on how to find jobs and how to deal with problems in professional setting. We funded the construction of the library of the bilingual school in South Carolina, as well as some sports projects, teams and so on.

Such contribution is not made on purpose, but it came with the company's stability and further development. We have slowly, but successfully been integrated as a member of the local community. The best way for us to establish the strong relationships with the local communities and build trust is to have a good and stable operation of the company. In this way, we provide stable employment opportunities locally, with reasonable salaries, good benefits, a good working environment and opportunities for professional growth.

In addition, we have made a lot of contributions to local taxation and infrastructure development. Because our projects use a relatively large amount of public resources, such as water, electricity, gas, natural gas, etc., we have established a good cooperative relationships with the suppliers in our community. All of these efforts have helped us establish a better image of integrating into the local area.

It is also important that all our customers are American, including many suppliers of parts and service providers. We have always paid more attention to establishing a good commercial credit relationship in our cooperation with them.

In my view, given our company's good and stable operations, any responsible behavior that can bring positive energy to the community and the normal operation of the society is the best way to enhance the positive image of the company. I think the most important thing is to be yourself and do everything else within your capacity. Don't stop doing it – there is no need to highlight anything in particular, just be a good company.



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Karma Automotive

Could you tell us some background on your company?

Karma Automotive was founded in 2014. It is a southern California-based producer of luxury electric vehicles (EV). We are headquartered in Irvine, California, and have an assembly plant located in Moreno Valley. We sell vehicles via a dealer network comprised of 36 locations in North America, Europe, South America and the Middle East.

Electric mobility provides unprecedented opportunity at the intersection of various industries. Where do you see the most attractive opportunities?

Besides producing and selling our own branded electric vehicles, we have contract manufacturing options, as well as platform development services, for other companies looking to gain entry into the EV space. We are seeing great cooperation opportunities with our partners.

What are the biggest challenges that your company is facing in the U.S. market?

First, regulatory matters are always something we keep a close tab on. Second, from a cost and efficiency perspective, our supply chain is constantly developing and we review the costs of materials to assure that we are operating optimally and cost-effectively.

How is the current U.S. and China relationship impacting your EV investments in the U.S.?

We believe we are in a good position, with having our global headquarters in the U.S. and our parent company in China. This way, we are able to take advantage of quickly changing market conditions in each country, while receiving support from our parent company's strong relationships and experiences.

What practical suggestions can you give to Chinese companies who are planning to access the U.S. EV market?

It is key to understand the market and the U.S. customers on a state-by-state basis, because buyers are very different in the U.S. depending on where they live. As this is a very diverse set of buyers across the country, it would be wise to hire seasoned experts who have the knowledge and experience of working across the U.S. since they understand the market better than anyone.

Wu Gaofeng

Sinopec Group, North America Representative Office

Please tell us about Sinopec's main business in the United States, including its development in 2020?

We have eight companies in the U.S. and our businesses include oil and gas exploration, oil and gas trading, research and development, and engineering services. In general, trade volume is still being affected by the pandemic. But in terms of crude oil and natural gas import trade, Sinopec stepped up its efforts last year. The trade volume of crude oil and liquefied natural gas imported from the U.S. has increased significantly compared with previous years. The benefits to trading companies are still relatively good.

As a traditional energy company, what strategic considerations does Sinopec have in terms of development planning and energy transition in the new energy field?

Sinopec has been actively engaged in energy transformation and development in recent years and "green and low-carbon" is one of the company's six major strategies. We are also expanding from the traditional oil and gas industry to green, low-carbon and new energy fields, such as the electric vehicle industry and many other such industries we are actively exploring.

In terms of compliance, what specific areas do you believe Chinese companies should pay special attention to?

In recent years, we have seen that, no matter the issue – whether it be the U.S. sanctions or lists of various entities – it actually involves a lot of government departments. For example, the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury will conduct strict reviews of cooperation or trade with sensitive countries and regions, such as Iran, Sudan and Venezuela, and will impose sanctions if non-compliance is found. Everyone is more familiar with the entity list of the Department of Commerce, which restricts cooperation and import and export in high-tech fields. But there are also lists of the Department of Defense, Justice Department, and so on. There are so many departments and fields involved. In our experience, CFIUS reviews are becoming more frequent and more stringent, in light of recent legislative changes. Originally, we understood that CFIUS reviews only applied to holding companies, but now it is possible that the review may start as soon as Chinese parent company and the US company negotiate cooperation and buy in the stakes. The scope of supervision is expanding and the intensity is gradually tightening.

In response to these new changes, Sinopec is actively paying attention to relevant laws and regulations and requirements of Departments of Treasury, Commerce, and Justice, and other U.S. government departments. In addition, in terms of internal systems and internal-control procedures, as well as our company's internal business approvals, we carefully manage compliance to ensure that there is no risk of non-compliance.

Many Chinese companies in the energy sector still have plans to come to the U.S. to explore the energy market. Do you have any suggestions and experiences to share with these companies?

We feel that the United States is the leading development area for the international energy industry. Whether it is oil and gas production or other energy development, the U.S. has always been in a leading position. It has very rich oil and gas resources. From reserves to development, it has improved rapidly in recent years and has been able to export on the basis of self-sufficiency. The cost of oil and gas development in the U.S. is now very low. For example, the cost of natural gas development is very low. The U.S.'s major oil and gas production areas are well developed, with scale benefits abundant reserves.

The U.S. is seeking to export more and China very much needs energy imports. Therefore, China and the United States can benefit each other in terms of energy complementarity. Enhancing cooperation and expanding trade can be mutually beneficial to both countries. If energy companies come to the United States to develop, it should be very meaningful and promising.

Another point to focus on is compliance. Because the U.S. legal and regulatory system and market supervision system is different from those in China, in many aspects, it is necessary to attach great importance to compliance. This is especially in certain high-tech fields, which traditional energy companies engage in. High-tech fields are a relatively sensitive in the U.S., so it is still necessary to pay attention to avoiding risks. Cooperation can be discussed, but there may be some restrictions on developing substantive cooperation. Regardless, we must avoid the risk of non-compliance.

Finally, in the field of new energy, there are still relatively good prospects for cooperation. Because both China and the United States are big carbon emitters, the two countries have many areas worth exploring and cooperating on in terms of reducing carbon dioxide emissions, improving the global environment and building a better space for human development.

Do you have any experience and opinions to share with Chinese-funded enterprises in fulfilling their social responsibilities?

Fulfilling social responsibilities is not only about donations and sponsorships, but more importantly, about how to promote the development of local communities by focusing on the development of your main business. By leveraging the company's advantages in production and operation and growing together with the local area, the companies should share the dividends across all stakeholders, including company management, employees, local communities and other parties in the company's value chain. Everyone benefits. This is the best way to develop.



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Linhua Guan

CEO, Surge Energy America

Could you please introduce Surge Energy, from establishment in 2015 to the present?

Surge Energy was established in 2015. Surge Energy has invested more than \$5 billion in the United States, from our initial asset purchase to the subsequent oil and gas field development. The 2020 Annual Business Survey Report of the China General Chamber of Commerce – USA mentioned that Chinese companies have invested about \$130 billion in the United States – of that, Surge has made its own contribution. Besides, in just a few years since the firm was established, our company contributed to over \$1 billion taxes across mining rights, federal, state and local taxes, and made positive contributions to the U.S. economy in general and local employment. When I joined Surge Energy in 2018, all managers at the time were American employees. Today, we have more than 100 employees, of which only a few can speak Chinese.

What is Surge's business development strategy in the U.S. in the next one to five years?

1. **Optimize cost and increase efficiency:** Our Chinese parent company is very supportive of Surge and has always wanted to make it a sustainable U.S. oil company. When I became CEO in early 2019, I found that the company had high operating costs and unsustainable practices. I called on my employees to start optimizing costs and increasing efficiency. As a result, Surge is now well below its peers in terms of production costs.

We built recycling water systems, power systems, and pipeline oil systems in our fields, significantly reducing the operating costs of oil field production. At the same time, the recycling water system has saved about 60 million barrels of fresh water from oil fields over the past few years, protecting local freshwater resources.

In 2020, when the pandemic was at its peak and oil prices were low, the company developed a number of cost-effective contingency measures and greatly reduced the impact on oil field production.

2. **Continue safe operation:** In terms of safe operation, we have always paid great attention to the safety of our employees and production facilities and environmental protection. In 2020, we set the record for the safe operation in the company's history.
3. **Stabilize profitability:** In 2019, the realized price of natural gas in the Permian Basin was negative. Much of the natural gas is used to generate electricity, and the company's oil fields used a lot of electricity. So we decided to use the low price of natural gas in 2019 to lock in the price of electricity in the field. This is a sound plan for long-term development. This year's winter storm in Texas was unforeseen and had a very negative impact on many oil companies. Our oil fields were also shut down before the storm. We were able to sell the unused electricity back to the grid at market prices and achieved the goal of making a steady profit. The electricity we saved as we shut down the field beforehand saved more than 20,000 local Texas residents from power outages in the once-in-a-century extreme cold.
4. **Seek opportunities to expand:** The pandemic in 2020 created opportunities for us to expand. We started preparing for acquisitions in the second half of 2020 and completed a cash acquisition of \$420 million of assets at the beginning of the year. During the pandemic, especially during the industry downturn, we were able to complete this cash acquisition as the first acquisition of more than \$100 million in 2021 in the second basin, the main battleground of the acquisition in the U.S. oil industry. This transaction amazed a lot of our peers.

Surge's ability to perform against the trend shows that our plans and strategies are very forward-looking, otherwise it will be difficult to achieve such results. For us, the various crises also bring a lot of opportunities of development.

Regarding the trend of transitioning from traditional to new energy, what strategic considerations does Surge have?

The development and adoption of renewable energy is the trend, with the aim of reducing the pollution from traditional energy sources. We've done a lot of work on this front, but we haven't made the transition to new energy sources yet. The main reasons are (1) the return on renewable energy is low, and (2) Surge is not good at developing and adopting renewable energy. The company's natural gas emissions will fall by more than 60% by 2020 as natural gas production increases by 13%. Oil development and production is our strength. Returns can be low and come with a lot of risk if we focus on renewable energy, something we are not so good at. A lot of investors are not very optimistic about this.

During the transition from traditional to renewable energy, what do you think are the main obstacles or difficulties?

Despite a bright future, new energy has many material weaknesses, which will need to be addressed over time. During the extreme weather conditions in Texas this time, wind and solar power could not be supplied. The traditional oil and natural gas industry has the highest energy density. In the last century, people were very enthusiastic about nuclear energy. At that time, they said that nuclear energy had more advantages than those of traditional energy and they believed that a one-time investment in nuclear energy would be all that was needed. However, following the Chernobyl incident, more questions were raised about nuclear energy, even in countries with the best nuclear energy technology, such France and the United States. As such, with reference to the current new energy sector, we have to recognize how to recycle waste batteries, solar panel and windmill is a problem we have to address. As a result, I think there is still a long way to go for new energy to replace traditional energy.



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About China General Chamber of Commerce – USA

Founded in 2005, China General Chamber of Commerce – USA (“CGCC”) has been recognized as the largest and most impactful non-profit organization representing Chinese enterprises in the U.S. With a mission to create value, generate economic growth, and enhance cooperation between the U.S. and Chinese business communities, CGCC offers a broad range of programs, services and resources to over a thousand multinational members across its footprint in New York, Chicago, Houston, Los Angeles, San Francisco and Washington D.C.

As an independent, non-partisan, non-governmental chamber of commerce, the CGCC’s work is made possible through the generous support of its member companies and corporate sponsors from both the U.S. and China, 49 of which are ranked on the 2020 Fortune Global 500. As of June 2020, CGCC’s Chinese member companies have cumulatively invested over \$124 billion, employ more than 220,000 people, and indirectly support over one million jobs throughout the United States.

The Chamber’s experience of working with renowned institutions and distinguished business leaders across a broad range of sectors make it an essential platform for any business to better understand, engage with, and contribute to some of the most critical issues and deal-making between the world’s two largest economies. CGCC also publishes frequent research, including this flagship Annual Business Survey Report which assesses Chinese Enterprises operating in the U.S. and identifies key trends and overall business sentiment.

About CGCC Foundation

Established in 2014, CGCC Foundation is a 501(c)(3) tax-exempt organization. The mission of CGCC Foundation is to deepen mutual understanding and cooperation between the United States and China through research, public charity, and engagement in economic, cultural and social exchanges.

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