

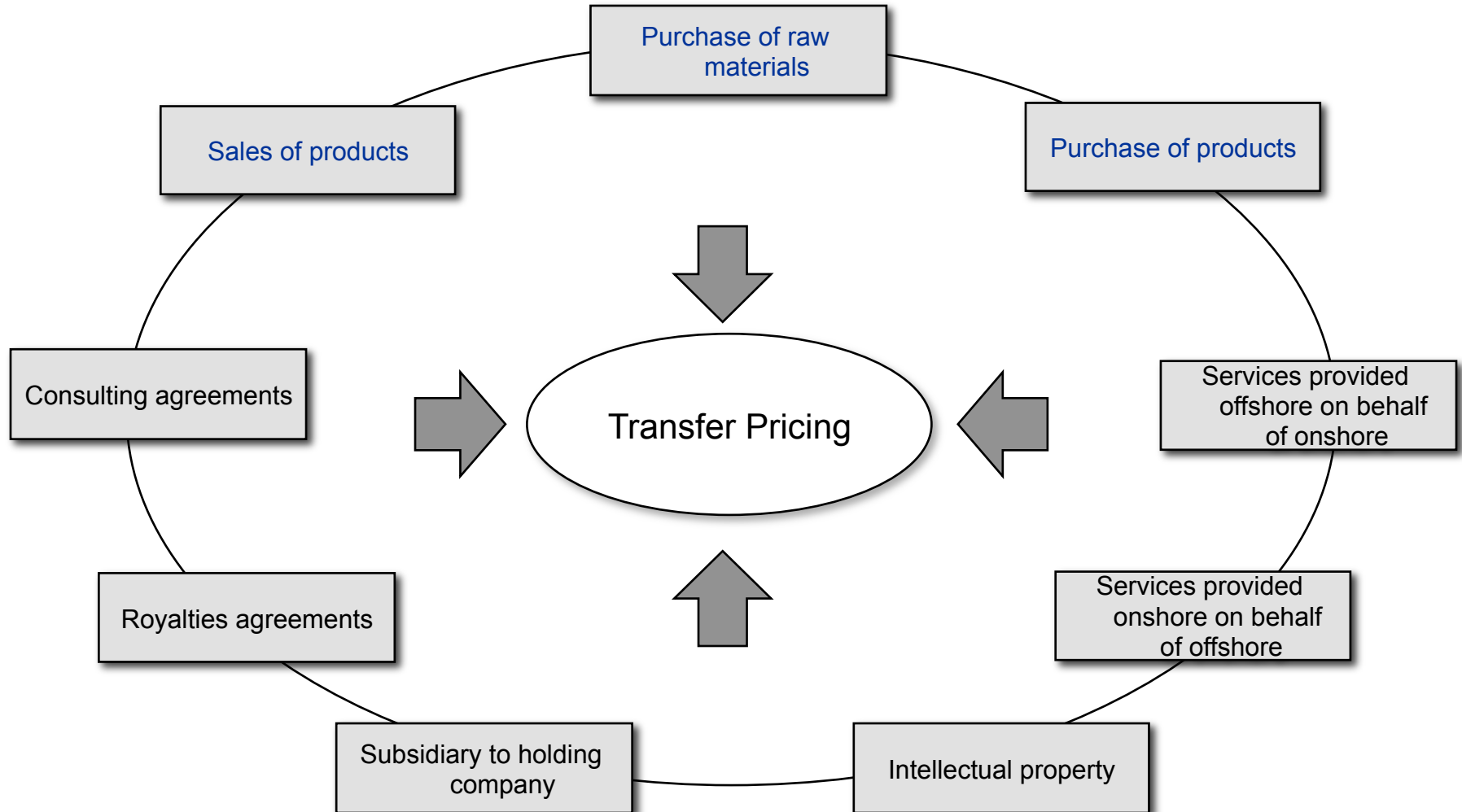
Outbound China opportunities

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INTERNATIONAL ACCOUNTANTS

Transfer Pricing Arrangements



- 1) Buy IP or rights to IP, or obtain licensing rights.
- 2) Buy into the ability to produce IP or contract this ability.
- 3) Buy solid distribution channels.
- 4) Buy international expertise (new expert visa regulations)
- 5) Buy brands, best in class approach, long term investment view.
- 6) Investment immigration / students.
- 7) IPO (Nasdaq, AIM, TSX, ASXetc)
- 8) Financing (VC / PE etc.)

Creating a Win-Win

Western Company

1. High cost of manufacturing
2. Strong brand overseas
3. Good distribution channels
4. Owns and creates technology / IPR
5. Operates at low / critical margins

Chinese Company

1. Low cost of manufacturing
2. Strong brand in China
3. Good Chinese distribution channels
4. Operates at low margins
5. Tax incentives

Combined Chinese – Western Company

1. Combined distribution channels – China sells overseas made, US sells China made
2. Combined brands – overseas brand in China, possibly Chinese brand in US, dual
3. Low cost manufacturing base in China for lower end products – sells overseas – higher margins – sells in China – higher margins for overseas brand.
4. Overseas makes higher end products – sells to China – China sells at premium
5. Use of IP, royalties, licensing.
6. Application for tax incentives, check the box etc.
7. High margins for both companies

Business structure types

- 1) Contract – manufacturing / distribution / licensing
- 2) Joint Venture in China
- 3) Joint Venture overseas – in country or through offshore vehicles
- 4) Subsidiary in China – green field or buy in.
- 5) Subsidiary in Overseas (by Chinese company)

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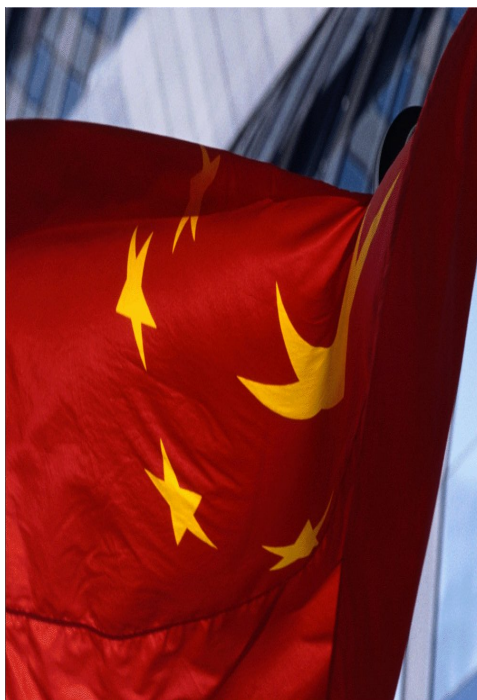
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