

China Desk

*Sharing experiences
and creating value for
Chinese Companies
investing in Brazil*



Chinese investments in Brazil: a long term commitment

Brazil's economic development has been strongly impacted by the Chinese presence. This economic influence is enormously relevant in Brazil due to the ties of friendship, investments or participation of immigrant communities in the country. This mark is true for the past, the present and certainly the future: Brazil's relationship with China is a concrete, long-lasting and sustainable reality.

Today, China has consolidated its position as Brazil's principal trading partner. Therefore, there is a deep conviction in Brazil that these multinational organizations will have an important influence in Brazil's local economy.

Chinese companies have demonstrated an appetite for entering the Brazilian market through mergers and acquisitions (M&A). According to a recent study by Credit Suisse, from 2009 to 2012 organizations of Chinese origin led foreign direct investments (FDI) through M&As, accounting for approximately 16% of the operations of this type in Brazil, or US\$ 21.5 billion.

Chinese companies are most heavily concentrated in metals, including mining and metallurgy, with over 50% of the investments directed to this area. The energy sector (oil, gas, coal and electricity) comes in second place with more than 30% of investment and, finally, the automotive, logistics and transportation markets.

The cycle of Chinese investments in Brazil is still recent. However, currently China is Brazil's principal trading partner. In 2012, trade between the two countries exceeded US\$ 75 billion. Brazilian imports from China totaled US\$ 34 billion while sales of Brazilian products to China reached US\$ 41 billion.

The strong bilateral relationship built between the two countries is also evidenced by the growing presence of Brazilian companies in China. Currently, 57 Brazilian groups operate in the Chinese market in distinct sectors of the economy: financial, oil & gas, transportation and logistics, machinery and equipment, among others.

Opportunities

Chinese companies have their own preferences on how to conduct businesses and operations, and Brazilians are aware of such cultural differences, both socially and commercially.

Focus on interest, opportunities and trends of investments are common to all companies regardless of their origin or industry. Still, some stand out in the case of Chinese investments, as follows:

- Brazil has abundant natural resources which represent relevant opportunities in different sectors, such as:
 - oil and gas, especially considering the recent discovery of the pre-salt reserves;
 - agribusiness, where production of grains is amongst the largest in the world;
 - mining – production of iron-ore and steel being of large importance for the Chinese construction and real estate industries; amongst others.
- Chinese multinational companies make long-term investments. Brazil's attractiveness lies in its enormous consumer base, population growth and credit expansion, among other factors; and
- The World Cup and Olympic Games offer major opportunities in the areas of infrastructure.

On the other hand, some challenges may be faced when entering the Brazilian market, which include, amongst others:

- The complex tax system and labor legislation in Brazil require that Chinese companies have professional assistance to enter the local market; and
- Existence of certain trade barriers imposed on some areas (e.g., the auto industry), forcing Chinese entrepreneurs to re-think their standard ways of doing business, in order to maintain competitiveness in the local market.



We speak your language

We at PwC are present in 158 territories and have over 236,000 professionals in the areas of Audit, Advising and Tax Consulting. We have been in Brazil since 1915 and have 19 offices in every region of the country with 160 partners and approximately 4,000 professionals.

We know that each company has its own culture and strategies to conduct business. It is precisely for this reason that we have created our China Desk, which is dedicated to serve and work together with companies operating or planning to enter the Brazilian market.

Our work and service stand out because:

- We have a strong global network, presence in the China and deep experience assisting with investments;
- We are able to communicate in Chinese through the China Desk, as we have dedicated professionals with knowledge and experience;
- PwC is well positioned in both the Chinese and Brazilian markets;
- In Brazil, PwC is the largest and most renowned firm in the market, with the wider experience in the areas of management consulting, tax management and audit; and
- PwC Brazil staff is made up of professionals specialized by line of service, solutions and type of industry, ensuring highly qualified services and professionals with deep knowledge of the market.

How PwC can help

The new challenges of the international business markets require a new approach and innovative solutions. For this reason we created the China Desk, which is a group of professionals specialized in supporting Chinese clients that conduct business in Brazil.

In our China Desk, we adopt the multicultural makeup of our staff with complete and specialized knowledge of the Chinese culture, operating together with PwC China. Therefore, we are prepared to provide support both to Chinese companies investing in Brazil as well as Brazilian companies interested in investing in the Chinese market.

We offer our clients complete solutions for effective operations in the Brazilian market in a solid, sustainable and result driven manner. We rely on qualified specialists and market consolidated methodologies, which provide our clients with the certainty required, contributing to the success of their operations.

In Brazil our audit, advisory and tax consulting teams have years of experience and dedicated professionals in several economic sectors. With complete and integrated solutions, we are focused on improving our clients' performance promoting operational, financial, organizational, human capital excellence as well as improving information technology (IT) management, sustainability, governance, risks and compliance.

Assurance

We have staff specialized in risk management services for every area and industrial segment. Our global standard audit services (assurance) are performed by experienced professionals auditing, not only statutory financial statements but also auditing financial statements prepared according to International Financial Reporting Standards (IFRS) and with complete command of generally accepted accounting principles in the United States (US GAAP). Among the main assurance services are:

- Statutory financial statement audit;
- IFRS financial statement audit;
- US GAAP financial statement audit;
- Consolidation package audit;
- Internal controls audit (US-SOX, J-SOX etc.);
- Systems audit;
- Other discretionary audits; and
- Capital Markets & Accounting Advisory Services.

In our China Desk, we adopt the multicultural makeup of our staff with complete and specialized knowledge of the Chinese culture, operating together with PwC China. Tax Consulting

We offer support in preparing annual corporate and individual income tax returns, consulting on related questions with tax due diligence and management of tax risks. PwC's global network also allows us to offer services on foreign taxes, transfer pricing, mergers and acquisitions and financing restructuring. The main services offered in this area are:

- Tax compliance;
- Tax planning;
- Transfer price consulting;
- Corporate income tax; and
- Individual income tax.

Mergers & Acquisitions and Finance Restructuring (Transaction Consulting)

Our team consists of over 300 professional employees, with extensive experience in transactions in the Brazilian and international markets, who can offer full support in the analysis and performance of transactions involving business mergers, acquisitions, sales and financial and operational restructuring.

We support the preparation and definition of strategies and the analysis of the risks involved, as well as the performance of full due diligence (corporate, tax, financial and operational due diligence). Business valuation and capture of synergies and gains enable value creation through transaction and negotiation strategies and acting directly in negotiations with stakeholders (creditors, stockholders and other stakeholders). We continue by supporting the implementation of the related changes with a view to realizing the gains expected from the transaction.

Business and management consulting services

We offer financial, economic and strategic consulting on complex issues related to the business of our clients. In this area, the principal services are:

- Strategy;
- Finance;
- Operations;
- Information technology – Strategy and Security;
- People, Organization and Changes – Human Resources Consulting;
- Corporate risk management and compliance;
- Forensics;
- Internal Audit;
- Actuarial Services;
- Corporate Governance;
- Project management;
- Organizational development;
- Business process consulting;
- Management of risk value; and
- Sustainability.

PwC publications

We support the operation and development of Chinese corporations in Brazil. Our knowledge is also registered and spread in our specialized publications for the business community.

“Sharing experiences”



“Doing business and investing in Brazil”



“Doing deals in Brazil”



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