



BRITISH
CHAMBER OF
COMMERCE
IN CHINA

中国英国商会

BRITISH BUSINESS IN CHINA: SENTIMENT SURVEY

2025-2026





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CHAIRS' FOREWORD

The British chambers of commerce in China are proud to publish the eighth annual business sentiment survey. This report, based on responses from over 300 British businesses operating in China, provides insights into the current mood among businesses on the ground, highlights the opportunities coming down the track in 2026 and underscores the challenges still facing firms operating within the world's second-largest economy.

British businesses go into 2026 against a backdrop of geopolitical tensions, ongoing US-China trade negotiations and a sluggish domestic economy that stubbornly refuses to respond to stimulus. Yet we are heartened to see that sentiment across the British business community is at its highest since before the pandemic, with some sectors – healthcare, legal and financial services, creative industries, sport – reporting markedly improved outlooks.

Such positive sentiment is testament to the UK's policy of consistent, pragmatic engagement with China, supported by regular visits to the country by senior government officials which have created a platform for meaningful dialogue. In particular, the resumption of the Economic and Financial Dialogue (EFD) and the Joint Economic and Trade Committee (JETCO) in 2025 - after gaps of six and seven years respectively - have directly led to improved market access for British legal and financial services companies. Such high-level meetings have also led to the creation of key mechanisms for British businesses to connect with Chinese government over key regulatory issues, such as the Services Working Group.

Continued government-to-government engagement will both strengthen bilateral trade and improve the operating environment for British business in China. As UK Prime Minister Sir Keir Starmer noted in his Mansion House speech in December 2025, "the scale of the opportunity in China is immense. Our task is to help British businesses win their share of that opportunity in a way that is safe for our country. And I know that after the chopping and changing from previous governments, businesses need predictability for the long term. They deserve predictability."

Strengthening bilateral relations comes at an opportune time. China is seeking both to reinvigorate its economy in the short term and achieve key economic objectives in the longer term. The 15th Five-Year Plan (2026-2030) sets out China's strategic priorities and highlights the opportunities for British businesses that are aligned with national goals: sustainable development, domestic economic growth, technology and healthcare. Foreign direct investment by British and other companies constitutes an important part of that economic growth plan.

China's domestic consumption, a key component of the national economy, shows no signs of returning to the heady days of pre-pandemic spending – meaning more tough times for luxury goods companies and high-end brands. At the same time, changing demographics and a shrinking population are already having an impact in education – a key area of UK excellence – in the form of reduced intakes for international schools.

Yet new opportunities are emerging as Chinese consumers transition from buying big-ticket or luxury items to experience spending, with benefits for British firms in the creative industries, sport and wellness. In the longer term, China's strategic priorities play well to British companies at the forefront of multiple sectors such as technology, healthcare and energy.

British business is also well placed to benefit from the growing momentum in Chinese outward direct investment. British law firms, financial institutions and other professional services companies are providing consulting and advisory support to a growing number of Chinese private companies as they expand into the UK and other international markets.

The British chambers of commerce in China remain strong advocates of pragmatic and productive trading relations between the UK and China. Our work as the independent voice of British business in China is to support, share and advocate for our members. We believe that this sentiment survey provides a candid assessment of both the difficulties and opportunities facing British business on the ground, as well as helping inform continuing government-to-government discussions and so strengthen our bilateral trading partnership.



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EXECUTIVE SUMMARY

Business Outlook: A Difficult Environment, but Signs of Resilience

British companies in China are starting 2026 against a backdrop of growing complexity. Almost sixty percent report that conditions have become more difficult, meaning companies have found things harder for 6 consecutive years but at a level that has barely shifted since 2023. Economic pressures, a challenging geopolitical and regulatory environment, and strong domestic competition continue to shape the landscape.

Despite this, headline sentiment indicators have improved. Optimism has risen to its highest level since before the pandemic, and pessimism has held steady. Several sectors are performing well, particularly those aligned with China's plans to expand globally. Legal services, financial services, healthcare, sport and creative industries all report improved outlooks. These shifts suggest that while the overall environment remains challenging for British business, opportunities remain for those firms with the right capabilities.

The improvement in legal services is notable. Firms have benefited from regulatory clarifications following the 2025 Economic and Financial Dialogue (EFD) and from the rollout of new partnership models. Respondents report greater predictability and more opportunities to support Chinese companies expanding overseas. Healthcare and life sciences firms see opportunity for investment in and collaboration with local companies as China's biotech landscape continues to mature. Sport and entertainment companies also report a revival, supported by the return of major events and consumer interest in health, fitness and experiential spending.

Not all sectors share this momentum. Education remains under significant strain. More respondents reported declining revenue than rising, and two thirds said business conditions had worsened. Demographic decline is starting to bite in a competitive and heavily regulated sector. Advanced manufacturing, technology and parts of the built environment sector also face cost pressures and slower demand, reinforcing how uneven the operating environment has become.

Investment: Stable Commitments in a Slower Market

Despite the tougher conditions, firms are not leaving. Around a third plan to increase investment in 2025 to 2026, slightly higher than last year, and most others intend to maintain current levels. Only a small share plan reduction, and these remain modest in scale. This pattern is consistent across company size and region.

Where companies are increasing investment, the focus is clear: expanding operations; forming new partnerships; and targeting selective localisation. Healthcare, sport, creative industries and professional services remain among the most active. Many highlight opportunities beyond the major commercial hubs of Shanghai and Beijing, with rising interest in lower-tier cities that offer higher growth prospects.

Cutbacks in investment are concentrated in a few areas. Education stands out, with more than 40% of respondents planning cuts, reflecting structural challenges that are unlikely to ease. Some manufacturing and built environment firms are also scaling back operations after several difficult years.

Global uncertainty continues to influence investment decisions. Several companies are diversifying supply chains abroad to manage risk, even while maintaining strong operations in China. US-China trade tensions, shifting tariff regimes and compliance considerations all play a role. At the same time, many companies are deepening localisation in data handling, sourcing and R&D, driven by regulatory expectations and the need to maintain operational resilience.

Sector differences matter greatly. The survey suggests that business decisions in 2026 will be shaped less by the national economic picture and more by sector-specific trends. Where British firms' capabilities align with domestic priorities, opportunities remain.

UK-China Engagement: A Critical Year Ahead

The UK government's renewed engagement with China is an important theme running through this year's survey. The 2025 Economic and Financial Dialogue (EFD) delivered practical improvements for several sectors, particularly legal and financial services. Respondents note clearer regulatory frameworks, smoother processes and early signs of a more operationally focused dialogue.

The potential for a Prime Ministerial visit in early 2026 is viewed by many companies as an important moment to consolidate progress.¹ After several years of limited high-level engagement, firms are looking for stability, predictability and clearer channels for addressing market access issues. Many explicitly reference the value of business-to-government meetings associated with bilateral dialogues and how they assist with interpreting complex Chinese policy developments and implementation.

British firms are more optimistic than many of their European and American peers, not because the market is easier but because the UK's strengths in services and healthcare align with areas where China is expanding. UK firms are securing work by supporting Chinese companies going global, and China's growth in biotech is creating commercial opportunities for British life sciences firms.

Looking to 2026, structured engagement will matter more than symbolism. Companies want follow through on EFD commitments such as gaining further clarity on regulation and pragmatic cooperation that supports growth on both sides. Maintaining a predictable business environment will be essential if confidence is to strengthen.

China is, and will remain, a challenging market. The pressures facing British firms are real and will not disappear quickly. But this year's survey shows a business community still engaged, still investing and still adapting to a market that is evolving rather than closing. Opportunities remain in sectors where British strengths align with China's development priorities. The challenge for British business in 2026 is how to capitalise on areas that align with China's strategic priorities whilst managing the risks of operating in this complex but crucial market.

¹ 'European businesses have never been this gloomy about China,' CNBC, May 2025





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METHODOLOGY

The British Business in China: Sentiment Survey 2025-26, published in December 2025, is the eighth national survey conducted by the British Chamber of Commerce in China. The survey captures the perspective and needs of British businesses operating on the ground across the Chinese mainland. The survey gauges the overall outlook of British business in China, identifying the challenges they face and the opportunities they believe exist in the market. Invitations to complete the survey were sent to over 800 Chamber member and non-member British companies between the 11th October and the 15th November 2025.

Overall, 303 companies responded, a third successive year with over 300 responses. This year saw education companies make up the largest proportion of respondents with 29%, closely followed by the combined services

sector, which made up 28%. Of the services sector, 15% came from business advisory services, 13% from financial services and another 4% from legal services. Following these, advanced manufacturing and transport ('AMT') was the most common respondent (14%), followed by the creative sector (12%), food, beverage and agriculture ('FBA') (8%), hospitality, travel, tourism and leisure ('HTTL') (8%), healthcare (7%), built environment (7%), retail & consumer goods (6%), and energy (5%).

Respondents were asked up to 60 questions, the majority of which are published in the report. These were grouped under the following key sections: 'Organisation Profile', 'Business Environment and Investment Outlook', 'Talent and International Travel', 'Regulatory Challenges', 'Political and Economic Trends', 'Supply Chains' and 'Localisation and Diversification'.

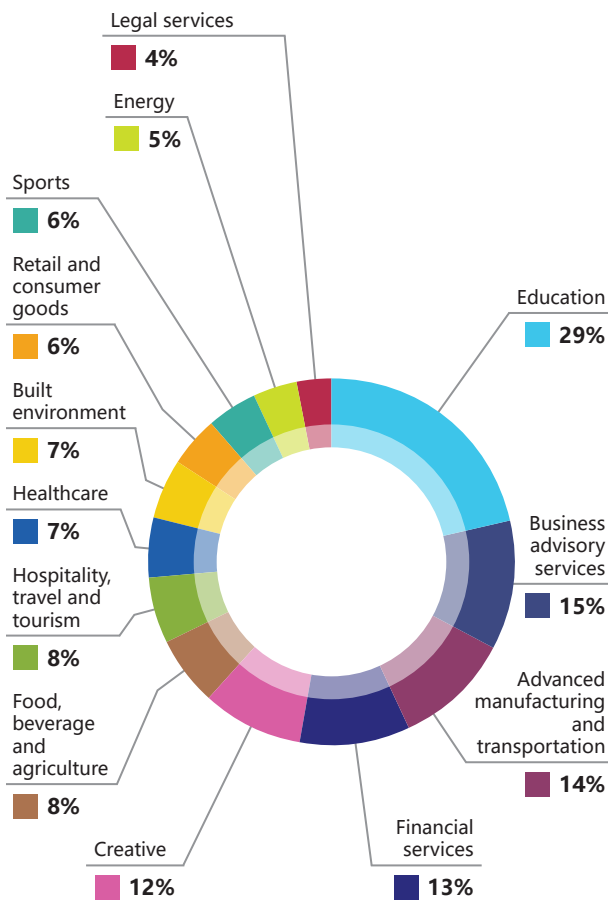
The sectors initially provided for respondents to identify their business under have been grouped into larger 'macro-sectors' for ease of analysis. Readers can find the grouping of these macro-sectors on pages 26-32. Complete anonymity of all respondents, both in terms of organisations and individuals, has been maintained throughout the publication of this information.



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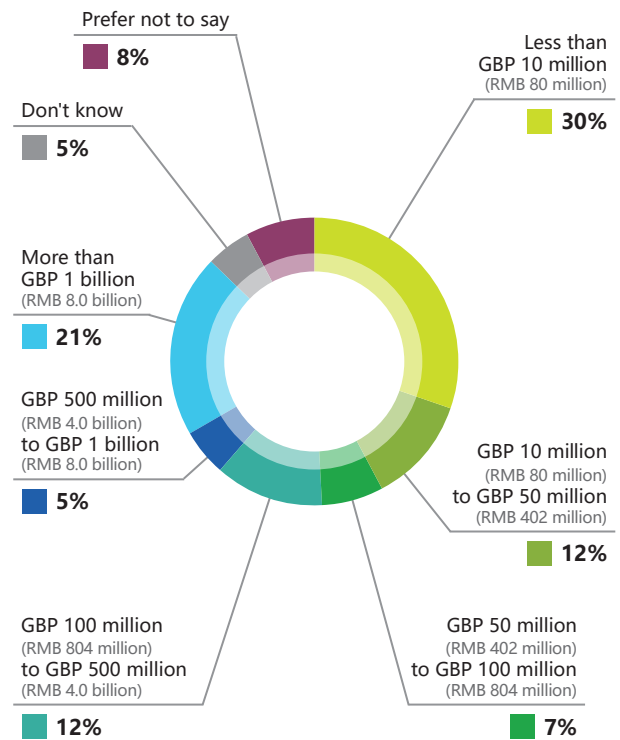
ORGANISATIONAL PROFILE

WHICH SECTOR(S) IS YOUR ORGANISATION INVOLVED IN?



This year has seen 303 British companies responding to our survey, with strong data across a diverse range of sectors. Overall, education companies made up the largest proportion of respondents with 29%, closely followed by the combined services sector, which made up 28%. Of the services sector, 15% came from business advisory services, 13% from financial services and another 4% from legal services. Following these, advanced manufacturing and transport ('AMT') (14%), followed by the creative sector (12%), food, beverage and agriculture ('FBA') (8%), hospitality, travel, tourism and leisure ('HTTL') (8%), healthcare (7%), built environment (7%), retail & consumer goods (6%), sports (6%) and energy (5%).

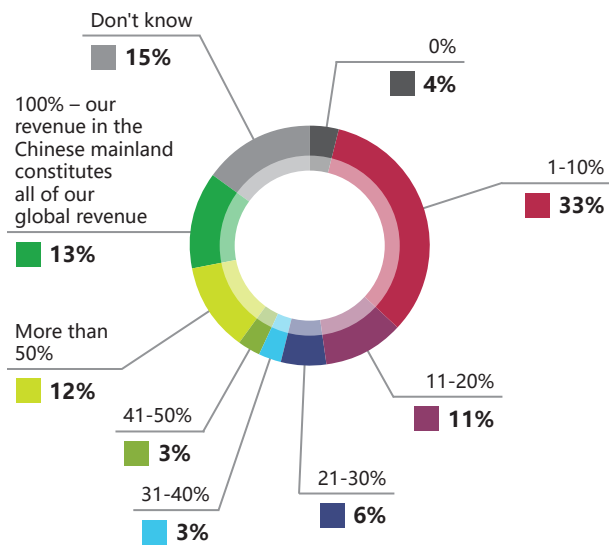
WHAT IS YOUR ORGANISATION'S GLOBAL ANNUAL REVENUE?



The representation of UK companies in China this year is balanced between small and medium-sized enterprises ('SMEs') and large multinational companies ('MNCs'). Those with global earnings of more than GBP 500 million (RMB 4.5 billion) are defined as large multinationals, and account for 26% of the respondents, while those operating under this benchmark fall into the SME category and represent 61% of the companies. An additional 13% declined to disclose their global annual revenue information. Headcount is often also an element in defining whether a business is an SME or larger corporation, with the European Union defining an SME as an organisation with less than 250 employees. 72% of respondents have fewer than 250 staff in China, whilst 16% maintain workforces larger than 250 employees. and 6% currently operate without any permanent staff in the mainland.



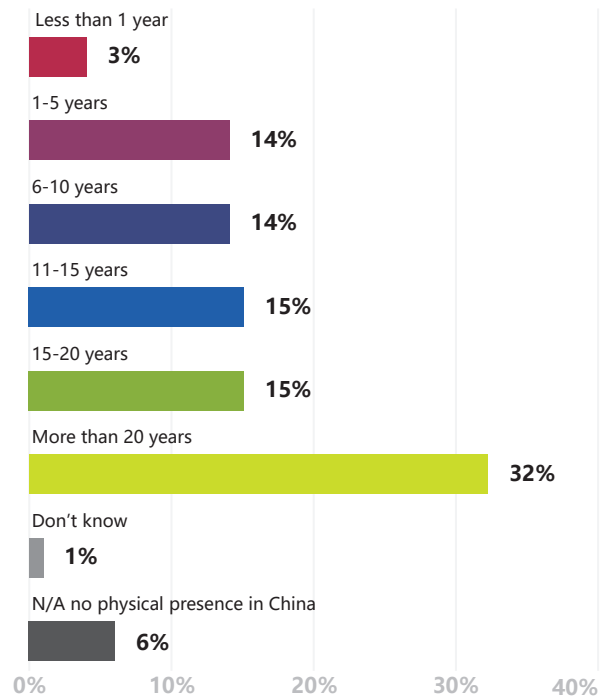
WHAT PERCENTAGE DOES THE REVENUE GENERATED BY YOUR OPERATIONS IN THE CHINESE MAINLAND CONTRIBUTE TO YOUR ORGANISATION'S GLOBAL REVENUE?



Revenue dependency on the Chinese mainland varies among UK companies. 37% generate less than 10% of global revenue from mainland operations. Meanwhile, 28% derive over 40% of their global revenue from China, down slightly from 33% last year.

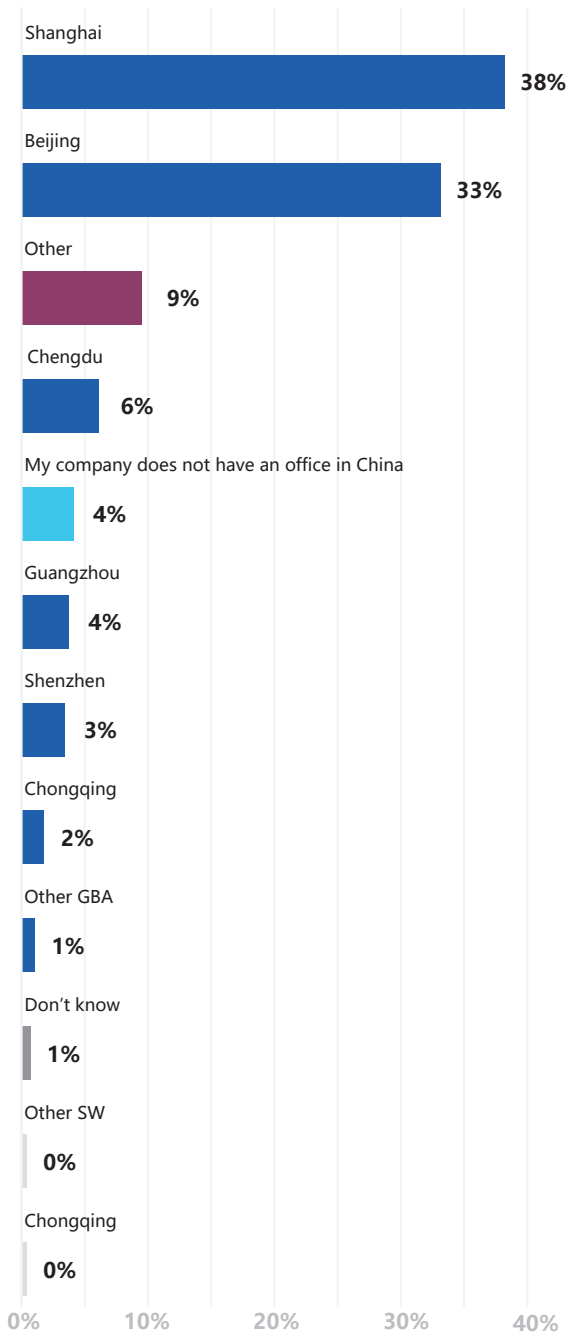
Revenue trends reveal further nuance by company type. Among MNCs, 47% now earn less than 10% of their revenue in China, a notable decline from 60% last year. At the same time, the share of SMEs drawing more than half their revenue from China has moderated to 33%, down from 45%.

HOW LONG HAS YOUR ORGANISATION HAD A PHYSICAL PRESENCE IN THE CHINESE MAINLAND?



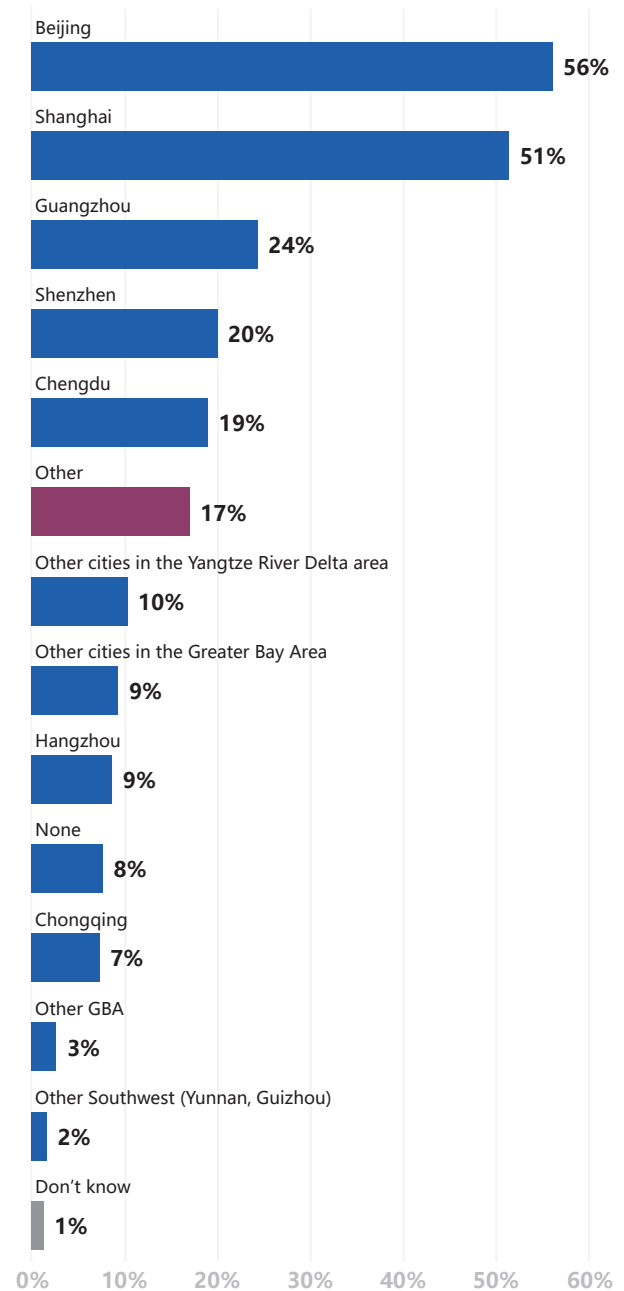
Survey responses continue to reflect a mature and established business community, with 48% of participating organisations having maintained a physical presence in the Chinese mainland for over 15 years. The proportion of companies newly establishing operations in China remained at 3%, the same as in last year's survey. 6% indicated they have no presence in China, including companies who have recently left the country and some who are in the process of establishing operations there.

IN WHICH CHINESE MAINLAND CITY IS YOUR PRINCIPAL OFFICE LOCATED?



Shanghai and Beijing remain the dominant hubs for British businesses in China, hosting 38% and 33% of principal offices respectively. Secondary locations such as Chengdu (6%) and Guangzhou (4%) continue to attract a smaller yet steady share. This year's survey attracted a record proportion of companies headquartered in Shanghai. Among MNC respondents, 59% have their principal office located there. For SMEs (companies with under GBP 500 million revenue), Beijing and Shanghai remain the top bases, though their shares have shifted: presence in Beijing fell from 35% to 33%, while Shanghai rose from 34% to 38%.

IN WHICH OF THE FOLLOWING CITIES IN THE CHINESE MAINLAND DOES YOUR ORGANISATION HAVE A PHYSICAL PRESENCE?



Beijing and Shanghai remain the two most popular destinations for British businesses to report a physical presence, with 56% and 51% of respondents having presence in these two cities respectively. This is followed by Guangzhou (24%), Shenzhen (20%), and Chengdu (19%).



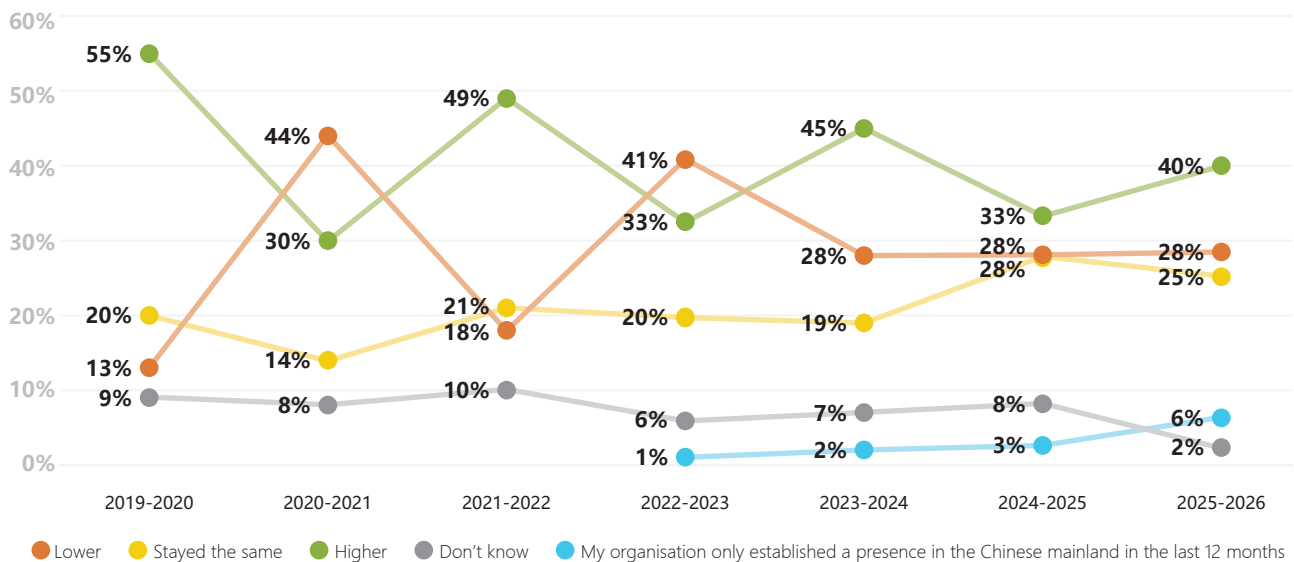
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BUSINESS ENVIRONMENT AND INVESTMENT OUTLOOK

For the sixth year running, British businesses have reported that doing business in China is harder now than it was a year ago. Economic uncertainty, regulatory pressures and geopolitical factors remain the dominant challenges, and most companies report that conditions have not meaningfully improved. While some sectors have seen pockets of recovery, the overall business landscape remains complex and often unpredictable.

Despite this, companies are largely maintaining their presence and investment plans. The survey shows no broad shift towards withdrawing from the Chinese mainland market altogether, and many firms continue to view China as an important part of their regional and global strategy. Although expansion is more cautious than in previous years, British businesses remain committed to the market and continue to identify opportunities where conditions allow.

IS YOUR ORGANISATION'S PROJECTED REVENUE IN THE CHINESE MAINLAND IN 2025 HIGHER OR LOWER THAN THE PREVIOUS YEAR?



British companies in the Chinese mainland have modestly upgraded their 2025 revenue projections compared to last year. More than a third of respondents (38%) expect revenues to increase in 2025, up from 33% from last year. Meanwhile, 28% of companies anticipate a drop in revenue, consistent with last year's percentage. The percentage of companies expecting revenues to stay the same has

slightly decreased from 28% to 25%, suggesting a tentative trend of stabilisation with modest growth.

For larger multinational companies with annual revenues exceeding GBP 500 million, revenue projections for 2025 are more positive. The number of companies reporting revenue increases rose from 33% to 40%, with 24% of

MNCs reporting a drop in projected revenue – down from 28% of firms surveyed last year

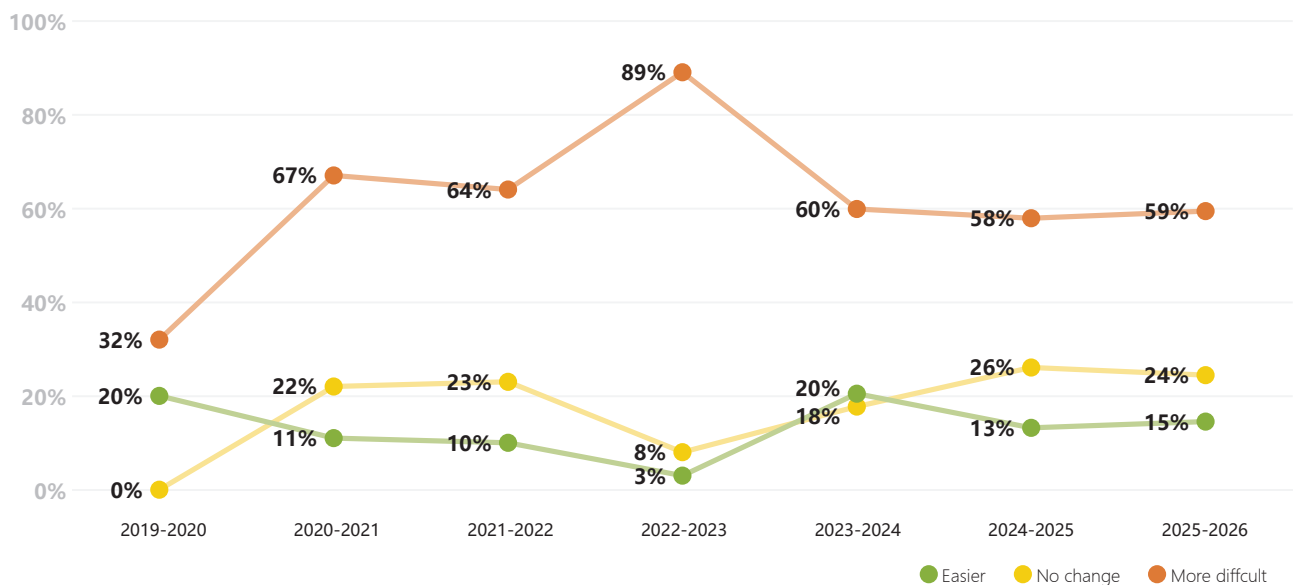
Across sectors, revenue performance this year shows a modest but uneven improvement. Healthcare and services stand out most clearly: 55% of healthcare firms reported higher revenue projections, up from 38.1% last year, while 51% of professional services firms reported higher revenue compared with 38.5% the year before. This marks a positive shift for both, though each remains within the broader context of a challenging operating environment.

Although this represents progress from a difficult 2024, 22% still reported lower revenue, indicating conditions remain mixed. Retail and consumer goods saw 33% reporting higher revenue compared with 23.5% last year, while those reporting lower revenue fell to 17%, down

from 29.4%. These shifts suggest a sector moving out of last year's downturn, even if trading conditions remain tight for many firms.

By contrast, education saw a more difficult year. 37% of respondents reported lower revenue, up from 24% last year, while 32% reported higher revenue, down from 37.3%. Higher education institutions reported the sharpest deterioration, with 40% noting lower revenue, and around a third of early years and K12 providers saw declines as demographic pressures and enrolment challenges continue to weigh on the sector. Built environment companies also saw more pessimistic revenue projections, with 35% predicting lower revenue this year than last, compared to 25% of companies in the sector expecting increased revenue.

HAS DOING BUSINESS IN THE CHINESE MAINLAND BECOME EASIER OR MORE DIFFICULT OVER THE PAST 12 MONTHS?



In 2025, a growing share of British businesses in China reported facing a more difficult business environment this year, with 59.4% indicating that operating conditions had become more difficult – a small increase from 57.9% in the previous year. Meanwhile, the proportion of companies experiencing improved ease of doing business saw a modest rise to 14.5%, up from 13% in 2024-25. Overall, this represents the sixth consecutive year of British businesses finding doing business more difficult in China – a constant since the start of COVID-19.

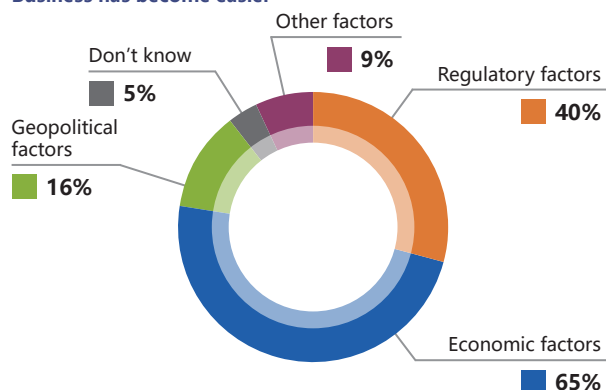
Both large and small companies found things harder in the last year, with SMEs finding doing business comparatively easier relative to MNCs. 57.5% of SME respondents found the business environment more challenging and 15% finding things easier. For MNCs, 16.7% of respondents found doing business easier, with 61.5% finding things harder. No MNCs found things much easier.

In each sector, the majority of businesses found doing business harder in the last year apart from legal services,

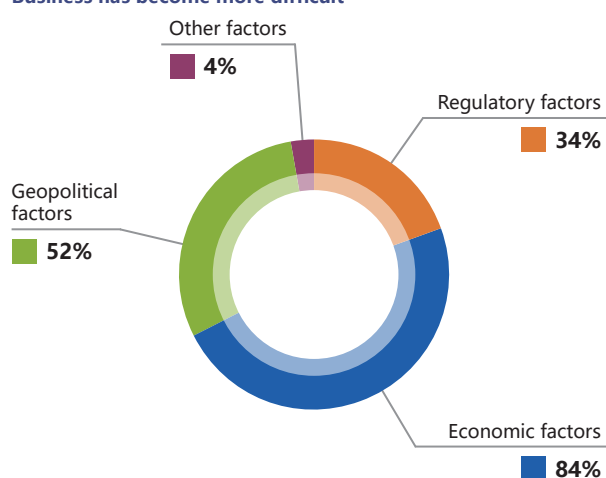


WHAT ARE THE KEY REASONS FOR A CHANGE IN YOUR ORGANISATION'S ABILITY TO DO BUSINESS IN THE CHINESE MAINLAND OVER THE PAST 12 MONTHS?

Business has become easier



Business has become more difficult



in which 46.5% found things harder and 31% found things easier. In a separate question, legal services companies had been the most pessimistic sector in last year's survey, though business opportunities created by Chinese firms seeking international expansion has been a major opportunity for UK law firms. In addition, the UK-China Economic and Financial Dialogue (EFD) in January 2025 saw a number of longstanding market access issues surrounding partnerships between British and Chinese law firms resolved. When asked on market openings, one law firm stated "we have been granted approval to form a joint legal operation with a PRC law firm, which enhances our ability to provide a uniformed platform to provide international and PRC law advice. This was a significant development for us."

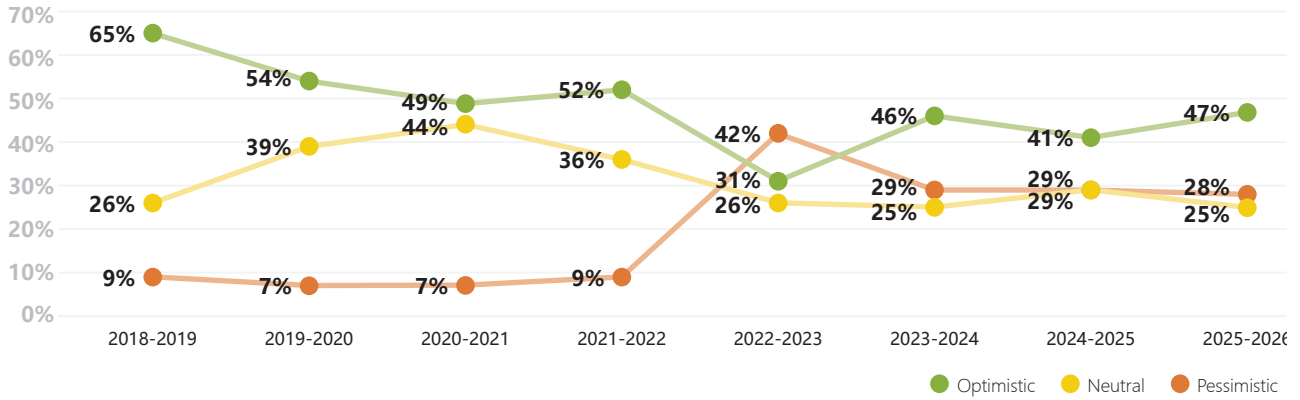
Education companies also indicated increased difficulty in doing business, with two thirds of respondents finding doing business harder. Businesses in early years and K12 education found business especially difficult in the previous year, with 69.2% of respondents in this sector finding doing business harder this year; 20% of respondents rated doing business "much more difficult" this year. Similarly, 69% of higher education organisations reported that doing business was harder in 2025, with 14.3% of respondents noting business had become "much more difficult."

Businesses were asked to identify up to three key reasons for business becoming more or less difficult in the previous year.

Once again, economic factors were the biggest challenge for companies who said that the business environment was getting harder. Of companies finding things harder, 83.9% reported this was down to economic factors, with 51.7% reporting it was due to geopolitical factors and 33.9% reporting regulatory ones. Many businesses who wrote their own factor in referred to local competition in the economy. Some services companies reported that many of their multinational clients have less budget to spend on agencies.

For companies who said 2025 was an easier year for doing business than 2024, 65.1% of respondents suggested this was down to economic factors, with 39.5% suggesting it was due to regulatory changes. 16.3% suggested geopolitical factors had made things better.

HOW WOULD YOU DESCRIBE YOUR ORGANISATION'S BUSINESS OUTLOOK FOR YOUR SECTOR IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



Optimism among British businesses in China has strengthened over the last year, with 47% now expressing some or significant optimism for their sector's prospects in the year ahead, up from 41.3% last year. This is the highest figure since COVID-19. At the same time, the share of companies holding a pessimistic outlook has remained steady at 28%. Taken together, this reflects a measured but tangible improvement in business sentiment.

When looking at pessimism, 41.9% of education companies indicated pessimism for 2026, a higher proportion than any other sector except energy (42.9%) and built environment (45%). This swayed the overall figures, with a majority of British firms outside the education sector being optimistic for 2026.

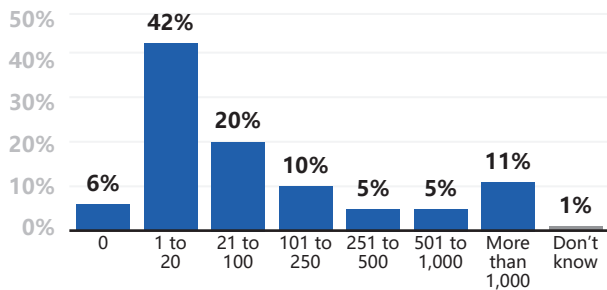
Optimism was especially strong across the services sector, where 63.1% of respondents reported a positive outlook. Legal services firms (84.6%) and financial services firms (68.4%) were particularly optimistic. Healthcare companies (63.6%) and HTTL firms (60.9%) also reported high levels of optimism. Some of these represent very significant shifts: legal services respondents were three times more likely to be optimistic compared with last year's figure of 26%, and HTTL respondents were more than twice as likely to be optimistic, with 29% of businesses reporting an optimistic viewpoint last year.

This year also saw a shift in attitudes between larger and smaller companies, with MNCs more positive than SMEs going into 2026. Larger companies were slightly more optimistic overall, with 52.6% of MNCs expressing optimism compared with 47% of SMEs. Meanwhile, only 24.4% of MNCs indicated a pessimistic outlook for 2026 compared with 27% of SMEs.

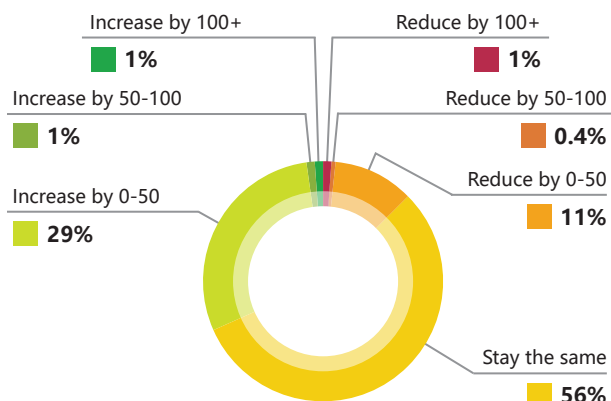




WHAT IS YOUR ORGANISATION'S HEADCOUNT IN CHINA ? IN ABSOLUTE FIGURES, BY HOW MUCH DO YOU ESTIMATE YOUR ORGANISATION WILL ADJUST ITS HEADCOUNT IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



IN ABSOLUTE FIGURES, BY HOW MUCH DO YOU ESTIMATE YOUR ORGANISATION WILL ADJUST ITS HEADCOUNT IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



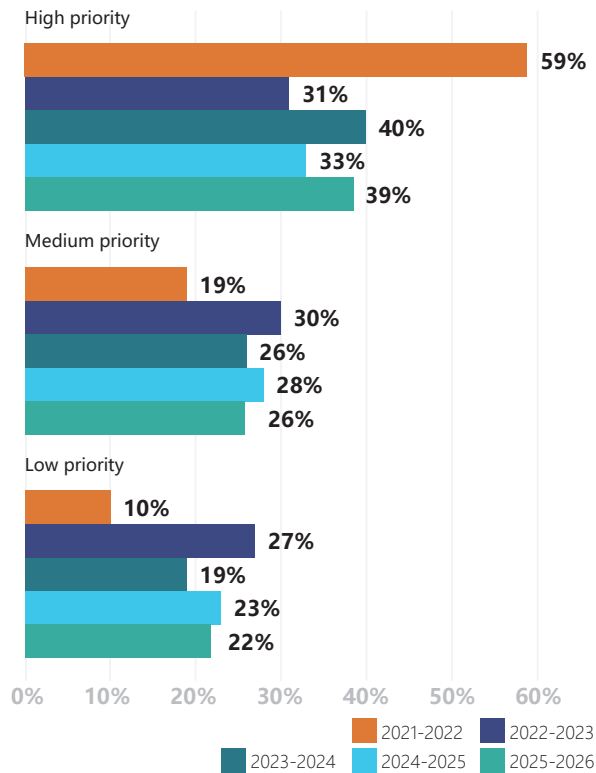
While overall staffing patterns appear stable, the data shows some evidence that multinational companies are reducing headcount in China. Among MNC respondents, 38.1% reported cutting staff, and 17% reduced by more than 100 positions. This contrasts with the overall average, where only 12.8% of all respondents reduced headcount. These trends mirror wider restructuring by global firms, where job cuts have accelerated due to weaker global sentiment and pressure to realise efficiencies through automation and AI.¹

Across the full sample, most firms plan to maintain existing staffing levels, with 55.7% reporting no change, a slight decrease from 58.3% last year. A further 31.5% would increase headcount, broadly consistent with the previous year.

Sector patterns were mixed. Financial services and professional services firms were the most likely to reduce staff, with 41.7% and 40.1% doing so, respectively. Creative industries were comparatively less likely to, with half of respondents increasing headcount. Regionally, reductions were most common in Shanghai, where 36.7% of respondents cut staff, compared with 20.5% in Beijing and lower figures in South and Southwest China.

¹ 'Global firms slash jobs amid weak sentiment, AI push,' Reuters, October 2025

WHERE DOES THE CHINESE MAINLAND RANK AMONG YOUR ORGANISATION'S GLOBAL INVESTMENT PLANS FOR THE NEXT YEAR?



The proportion of British businesses placing China as a priority market for investment remains broadly consistent with last year's findings. This year, 38.6% of companies consider China a top or high investment priority, up from 32.8% in the previous survey. A further 25.8% view China as a medium priority, while the proportion rating China as a low priority has edged down to 21.8%.

FBA businesses were most likely to prioritise the China market, with 60% identifying China as a high-priority investment destination. 49.4% of education respondents ranked China as a high priority, reflecting the importance of Chinese students in higher education and elsewhere, even amid a challenging landscape. Healthcare companies likewise saw 52.4% of firms placing China in the high-priority category. Strong sentiment is also evident in hospitality, travel and tourism, where 47.8% classify China as a high-priority market.

By contrast, energy companies report the lowest levels of confidence, with only 7.1% viewing China as a high investment priority and over a third categorising it as low priority. Built environment firms also remain less positive, with just 15.8% assigning China a high priority and over half placing it in the medium category. AMT businesses show similarly subdued sentiment, with 23.8% rating China as a high priority and more than a quarter placing it in the low-priority bracket.

SMEs show a stronger commitment to China, with nearly 40% rating it as a high investment priority, and many smaller firms in cross-border commerce, services and tourism remain highly reliant on the market and continue to see clear opportunities. MNCs appear more balanced in their ratings, but this should not be taken as weaker commitment, as many large firms continue to invest in the country, with medium-priority scores often reflecting global portfolio weighting rather than reduced interest in China.





investment in mainland operations (up from 30.7% last year), while 41% of businesses plan to maintain current investment levels – a small dip compared to 45% of businesses last year. Notably, those reducing investment have also risen from 9% to 9.7%, continuing a gradual upward trend. These patterns reflect a market that is stabilising - conditions have worsened over six years but divestment is low.

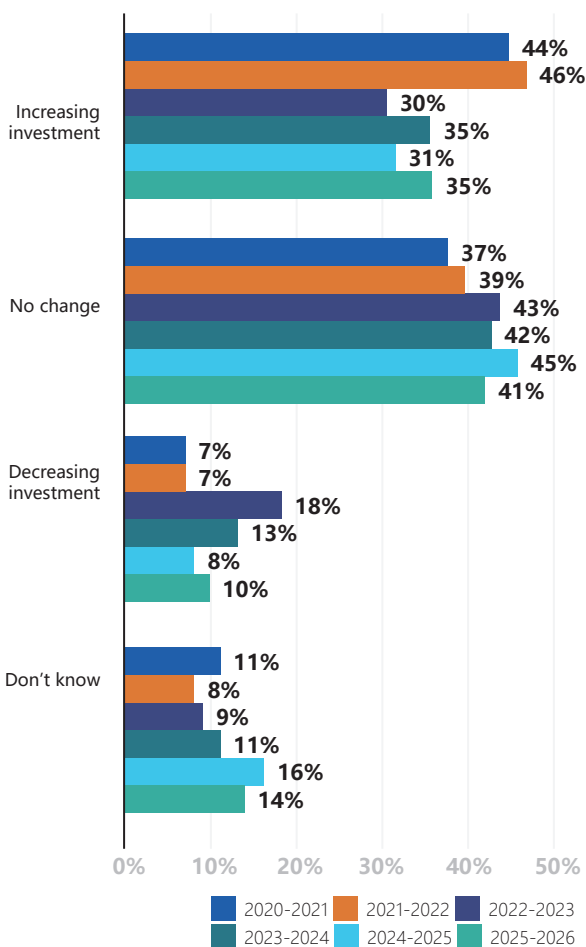
A majority of companies in the healthcare, food and beverage, hospitality, travel and tourism, and the creative industries are considering increasing investment in the Chinese mainland next year; a major shift from last year, where retail consumer goods companies, and food and beverage suppliers were the most likely to be increasing investment. Healthcare in particular stands out, cemented in large acquisitions of Chinese healthcare companies by international companies.²

On the other end, companies in the built environment and AMT sectors are most likely to consider decreasing investment next year. Built environment rose noticeably from last year, with 26.3% now planning to decrease investment compared with 18.8% previously. The biggest change by far has come from education companies; more than two thirds of respondents are planning to reduce investment next year, reflecting persistent demographic pressures and tighter operating conditions.

SMEs retain a slightly higher inclination to increase investment than MNCs, with around 36% of businesses planning an increase to investment. MNCs show similar behaviour to last year, with more than a third planning increases and most others maintaining investment levels, consistent with long operational and R&D commitments in China.

Regionally, South China remains the strongest for planned increases, with half of firms expecting to expand, broadly in line with last year's elevated priority levels. Southwest China also reports higher-than-average expansion plans. Beijing and Shanghai remain more moderate, with around 30% planning increases and a slightly higher share reducing investment than in the southern regions, continuing the pattern seen last year.

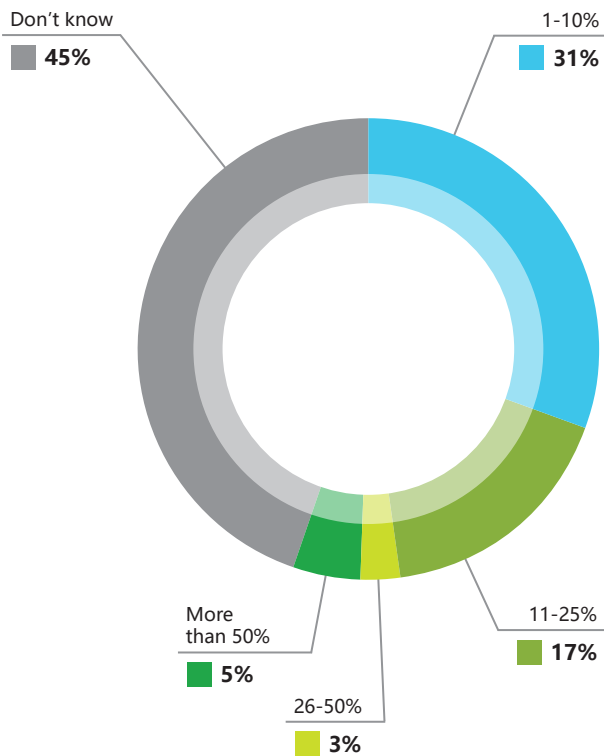
IS YOUR ORGANISATION CONSIDERING INCREASING OR DECREASING INVESTMENT IN ITS CHINESE MAINLAND OPERATIONS OVER THE NEXT YEAR?



British companies in China show a mixed investment outlook for the year ahead. 35.2% plan to increase

² <https://www.bloomberg.com/news/newsletters/2025-11-25/chinese-biotech-deals-increase-as-pharma-firms-mature>

BY HOW MUCH DO YOU ESTIMATE YOUR ORGANISATION WILL INCREASE ITS INVESTMENT IN ITS OPERATIONS IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



Most British companies planning to increase investment in mainland China are targeting modest rises, with the majority expecting growth in the 1–25% range. Overall, 30.7% of respondents plan increases of 1–10%. 17.3% plan investment increases between 11% and 25%, while larger expansions remain rare; only 2.7% aim for increases of 26–50% and 4.7% for more than 50%. This indicates that firms remain committed to China but are approaching investment cautiously.

By sector, planned investment increases are strongest among sport, healthcare, services companies and creative industries, with many companies targeting 1–25% growth and a small share planning larger expansions. Retail and consumer goods businesses – who last year predicted larger than average increases in investment, now show much lower planned increases, suggesting a shift in focus or recalibration of priorities.

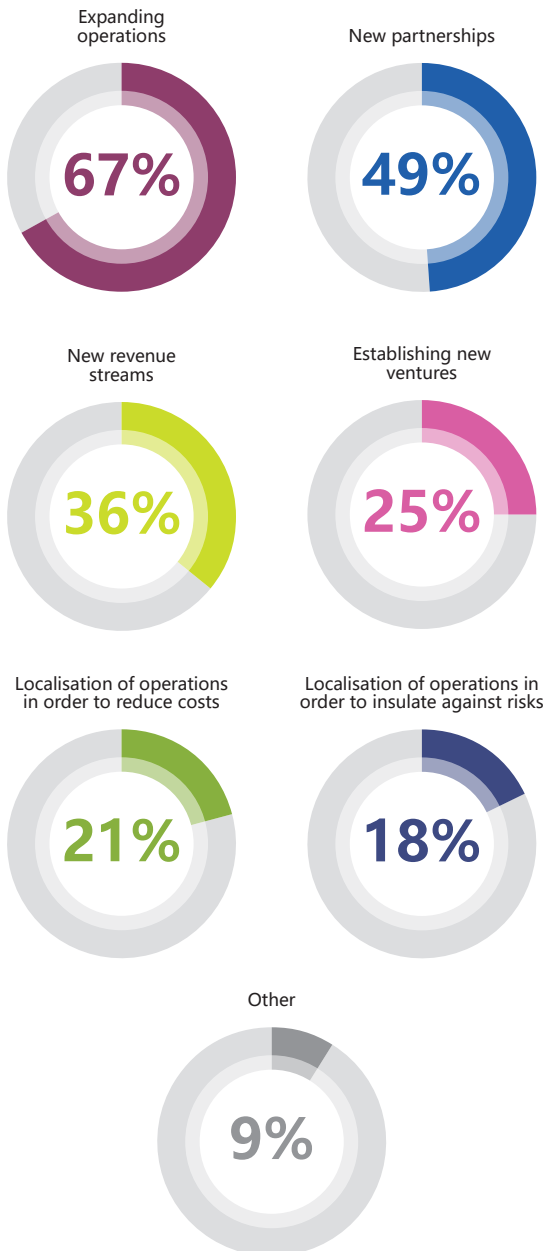
SMEs are slightly more active than MNCs in planning growth, with 33.3% aiming for 1–10% increases and 24.1% for 11–25%, reflecting a focus on modest but meaningful expansion. MNCs show a more measured approach, with 28.9% planning 1–10% growth and 11.1% planning 11–25%. Very few MNCs expect larger-scale increases.



Companies outside of Beijing and Shanghai were more likely to report investment increases. Half of companies in South China are targeting increases, including a notable share planning over 50% growth. Southwest China shows a more balanced mix across small, medium, and larger increases. By contrast, companies in Beijing and Shanghai remain more conservative, with most companies planning smaller-scale growth and very few expecting increases above 25%.



**IN WHAT AREAS OF YOUR BUSINESS ARE YOU INCREASING INVESTMENT?
WHY IS YOUR ORGANISATION INCREASING INVESTMENT IN ITS OPERATIONS
IN THE CHINESE MAINLAND? (SELECT ANY THAT APPLY)**



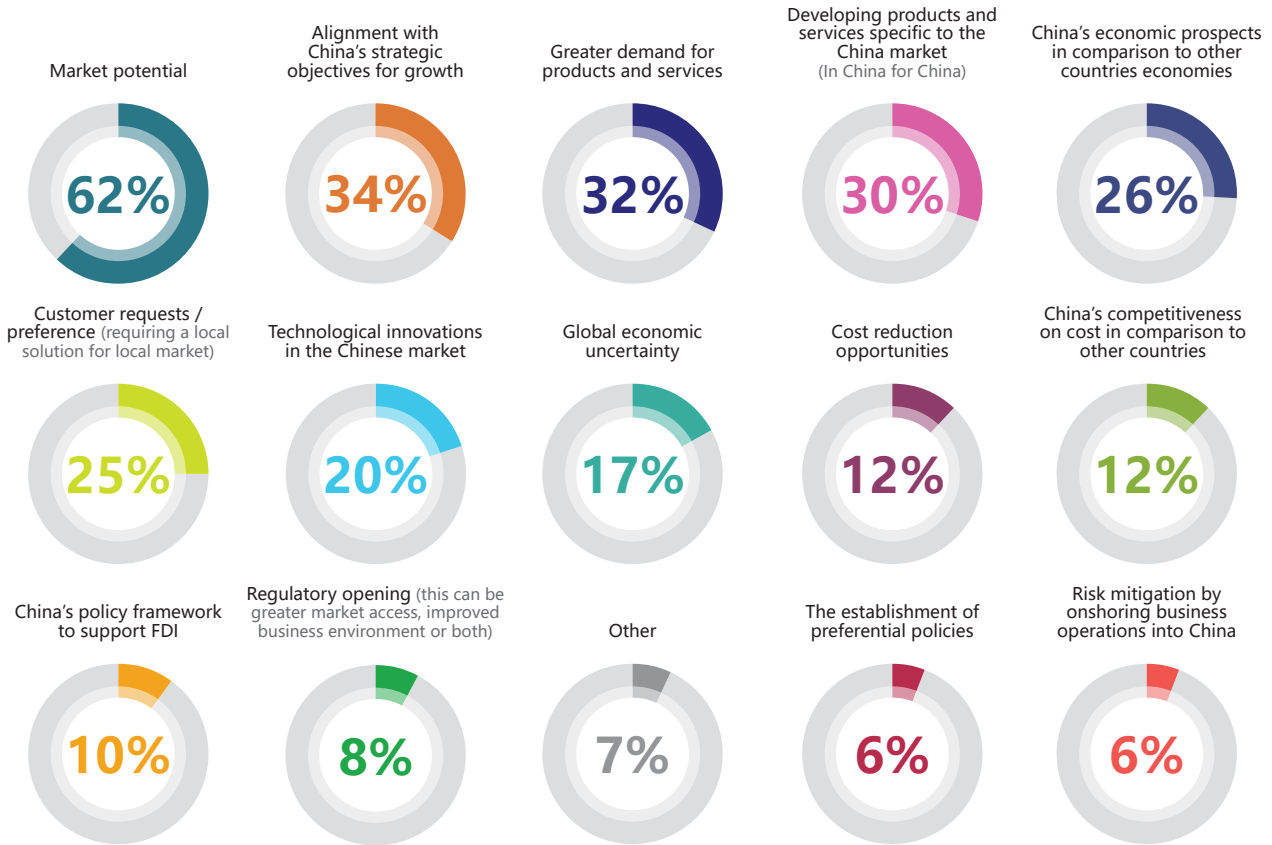
Companies could select 14 responses to this question, with an option to share write in answers.

Across the board, most sectors cite China’s market potential as the primary reason for increasing or maintaining investment. The few exceptions are energy, where firms point to technological innovation in the Chinese market; education, where the focus is on developing products and services tailored specifically for China; and legal services, where alignment with China’s strategic objectives for growth is the main driver.

Among companies increasing investment, most are directing additional capital towards expanding operations, with around two thirds of respondents selecting this option. This focus is especially strong in retail and consumer goods, the creative industries, hospitality, travel and tourism businesses, and companies in the built environment sectors. New partnerships also feature prominently, particularly in education, professional services and creative industries.

New revenue streams are a priority for a number of consumer-facing and service-sector firms, including creative industries, professional services and companies in South China, where over half are targeting new products or service lines. Localisation efforts remain more targeted. Firms in AMT, built environment and MNCs show higher interest in localisation to reduce costs or manage risk, reflecting sector-specific pressures around supply chain resilience and operating efficiency. SMEs are more likely to pursue new partnerships and revenue streams alongside operational expansion.

WHY IS YOUR ORGANISATION INCREASING INVESTMENT IN ITS OPERATIONS IN THE CHINESE MAINLAND? (SELECT ANY THAT APPLY)



A small share of British companies plan to reduce investment in mainland China this year, with 9.7% reporting planned cutbacks. This includes seven multinational companies, indicating that reductions are not confined to smaller firms. Among all firms reducing investment, most anticipate moderate reductions, though more than a third expect decreases of over 25%, suggesting that while the group is small, some are undertaking meaningful adjustments rather than marginal changes.

Economic uncertainty in China is the most frequently mentioned concern, selected by 65% of companies reducing investment. Geopolitical uncertainty follows at 37.9%, alongside global economic uncertainty at 34.5%. Higher operating costs and increased domestic competition are noted by around a quarter of respondents and pressures are concentrated in specific sectors.

Most companies reducing investment are headquartered in Beijing and Shanghai, accounting for 41.4% and 27.9% of responses respectively, with smaller shares coming from other Yangtze river delta cities, South China and Southwest China.



REGIONAL BREAKDOWN

SOUTHWEST

39.1%
have seen earnings
surpass last year's level

52.2% are optimistic about
their prospects in 2025

52.2% report doing business
has become more difficult

TOP REGULATORY CHALLENGES

1. Accessing or moving company finances
- =1. Obtaining business licenses and certificates
3. Enforcement of laws and regulations
=3. Customs procedures
5. Navigating cybersecurity and IT regulations
=5. Competition with SOEs
- =5. Standards related challenges

23.5% have not been looking
to hire foreign talent

BEIJING

36.7% have seen earnings surpass last year's level

49% are optimistic about their prospects in 2025

60.2% report doing business has become more difficult

TOP REGULATORY CHALLENGES

1. Transparency of the business environment
2. Enforcement of laws and regulations
3. Navigating cybersecurity and IT regulations
4. Intellectual Property rights and protection
5. Obtaining business licences and certificates

46.6% have not been looking to hire foreign talent

SHANGHAI

38.9% have seen earnings surpass last year's level

40.2% are optimistic about their prospects in 2025

65.5% report doing business has become more difficult

TOP REGULATORY CHALLENGES

1. Competition with SOEs
2. Transparency of the business environment
3. Standards-related challenges
4. Intellectual Property rights and protection
5. Enforcement of laws and regulations

34.7% have not been looking to hire foreign talent

SOUTH CHINA

62.5% have seen earnings surpass last year's level

45.7% are optimistic about their prospects in 2025

54.2% report doing business has become more difficult

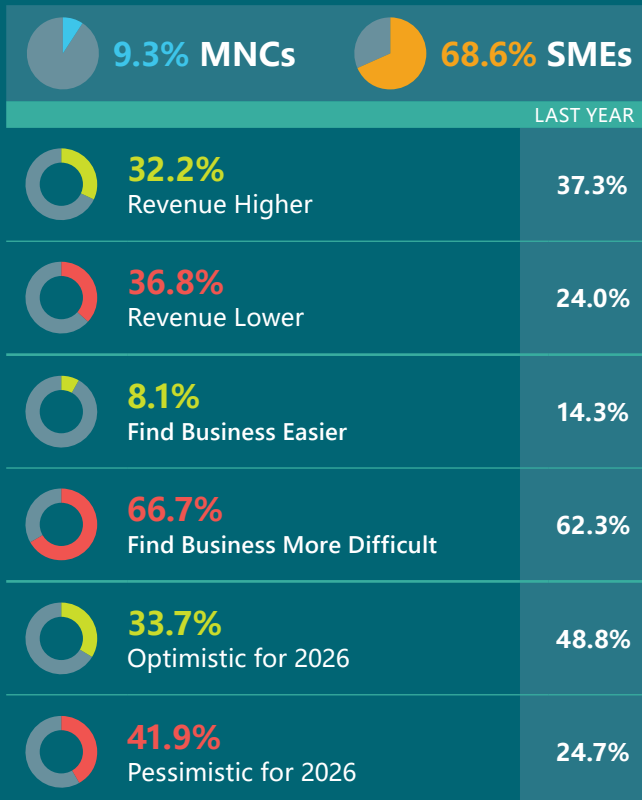
TOP REGULATORY CHALLENGES

1. Taxation landscape for foreign firms and employees
 - =1. Transparency of the business environment
 - 3. Customs procedures
4. Accessing or moving company finances
5. Obtaining business licenses and certificates

47.1% have not been looking to hire foreign talent

SECTOR BREAKDOWN

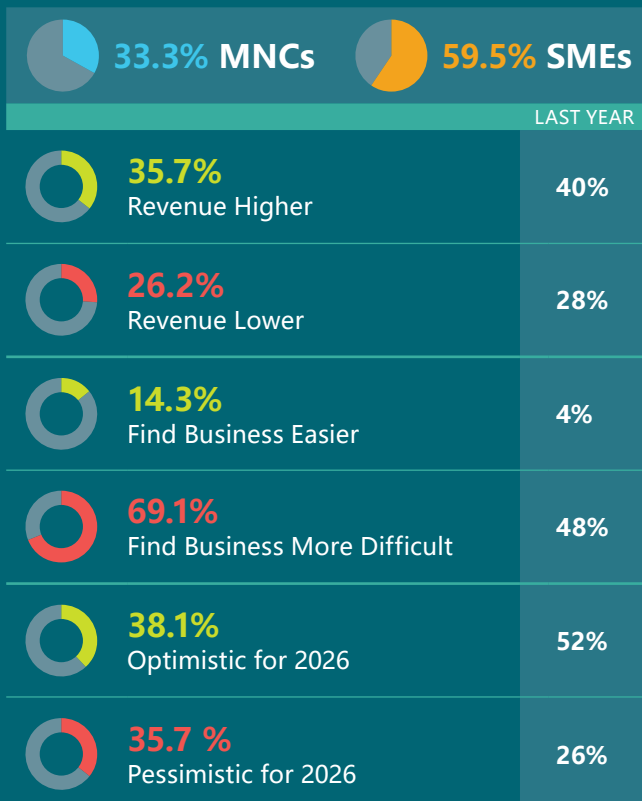
EDUCATION



Education remains one of the most pressured sectors in this year's survey. Revenue expectations have weakened further, with fewer firms forecasting growth and a rising share expecting lower income. Two thirds of respondents now say that doing business has become more difficult, and pessimism has climbed sharply, overtaking optimism for the year ahead.

Policy and regulatory uncertainty are central to this shift. Companies highlight concerns around transparency and enforcement, as well as standards and licensing, while recognition of qualifications and wider education reforms continue to shape the environment in sensitive ways. Several providers also note that demographic trends, particularly falling student numbers in major cities, are starting to affect demand.

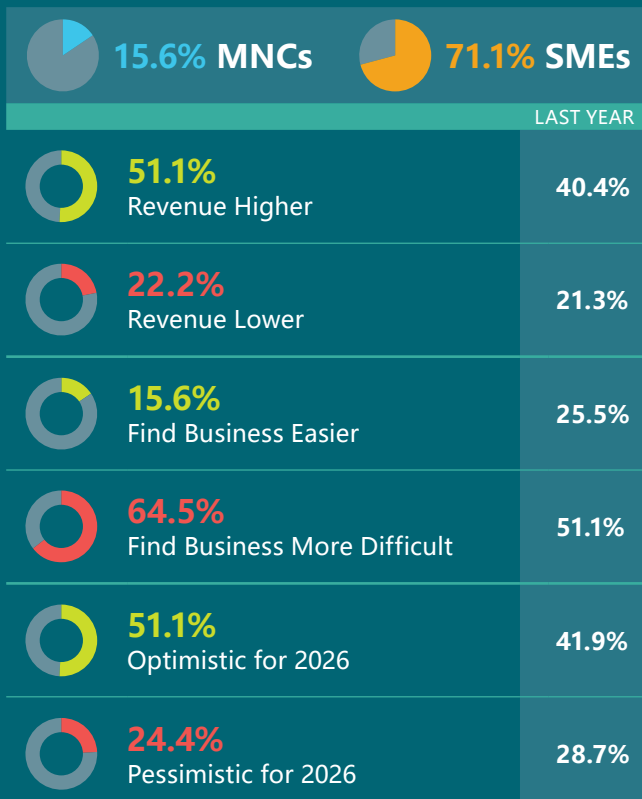
AMT (ADVANCED MANUFACTURING AND TRANSPORTATION)



The AMT sector continues to face one of the most challenging operating environments among British industries in China. Revenue expectations have softened and optimism has fallen sharply compared with last year, while pessimism has increased. Nearly seven in ten AMT firms now say business conditions have become more difficult, reflecting policy uncertainty, geopolitical tensions and persistent structural pressures in high-tech manufacturing.

Regulatory challenges remain acute and continue to cluster around longstanding issues. Intellectual property concerns and competition with SOEs top the list, reinforced by worries over customs procedures and the transparency and enforcement of regulations. The sector is also disproportionately exposed to shifts in global trade policy, particularly export controls and escalating US-China tariff frictions, which continue to disrupt supply chains and increase compliance burdens.

BUSINESS ADVISORY AND BUSINESS SERVICES

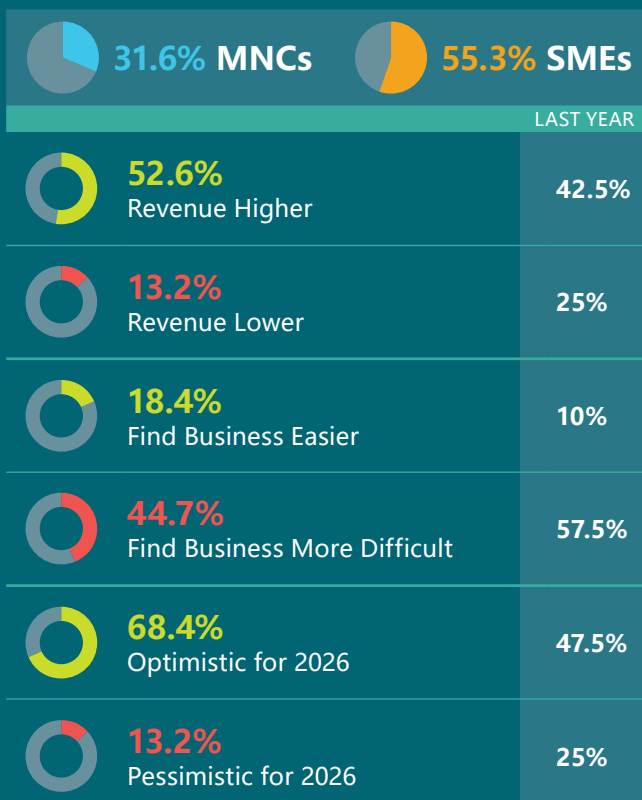


The professional services sector shows a clear improvement this year, reversing several of last year's weaker indicators. Revenue performance has strengthened noticeably, with a 10-point rise in companies reporting higher revenues compared to 2024–25. Optimism has also risen, while pessimism has declined, suggesting a more confident outlook despite a more challenging operating environment.

At the same time, more firms report that doing business has become difficult, reflecting persistent issues with financial flows, licensing procedures and data-related compliance. These pressures appear to be operational rather than structural, as firms remain committed to the market and continue to invest in service expansion.

Growth opportunities are increasingly linked to supporting Chinese companies in their global expansion, with 71% identifying this as their strongest area of potential. Domestic services expansion remains important, as firms deepen their engagement with Chinese clients and adapt offerings to local needs

FINANCIAL SERVICES

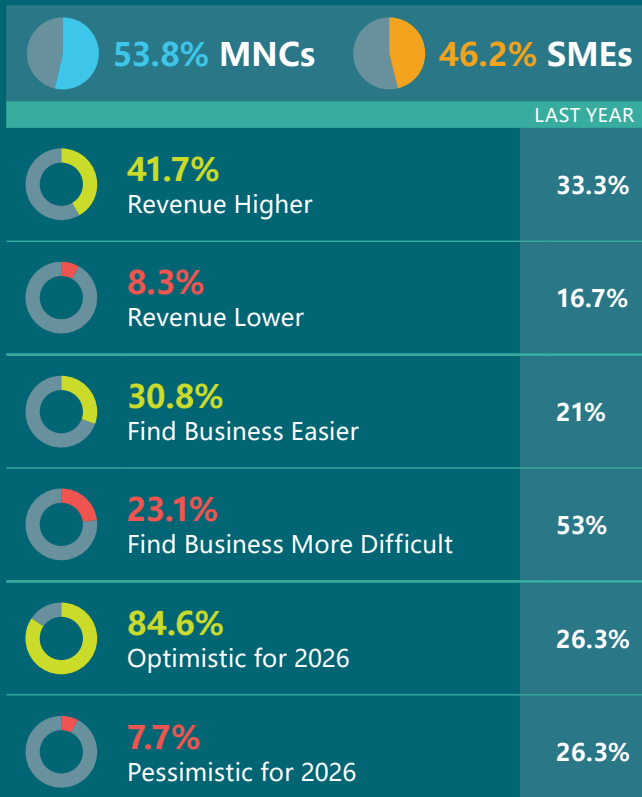


The financial services sector has seen one of the strongest improvements of any industry this year. Revenue performance has strengthened significantly, with over half of firms reporting higher revenues, marking a notable turnaround from last year's more subdued results. Levels of optimism have also risen sharply, and pessimism has nearly halved. This reflects increased confidence among firms as engagement with regulators improves and market demand stabilises across core financial services activities.

Operational conditions remain mixed but show signs of gradual improvement. Far fewer firms report that doing business has become more difficult compared with last year, and the share finding conditions easier has almost doubled. Licensing, data regulation, market transparency and cross-border regulatory requirements continue to feature as key challenges

Growth prospects continue to be centred on supporting Chinese companies as they expand globally (58%) and expanding services within China (55%). Joint ventures and strategic alliances remain a route for expansion, particularly where firms are responding to regulatory expectations around localisation. Data and cybersecurity compliance continues to be a defining issue for the sector, though improved clarity in several areas appears to have eased pressure relative to last year.

LEGAL SERVICES

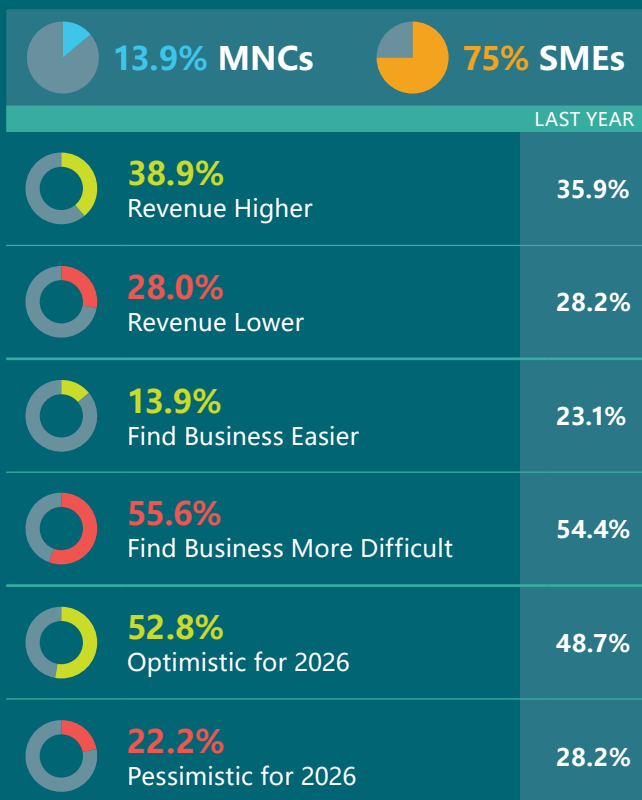


The legal services sector has seen one of the most notable improvements in sentiment this year, reversing what had been a difficult period in last year's survey. Revenue performance has strengthened, and firms report a significant drop in negative sentiment around operating conditions. The share of respondents finding business more difficult has more than halved, and optimism for next year has increased substantially. This shift stands out against a backdrop in which several international law firms have reduced their presence in China, with British firms showing more resilience and a clearer pathway to maintaining a long-term market foothold.

As in previous years, the core challenge remains the regulatory environment, particularly around qualification recognition, cybersecurity compliance and securing business licences. Many firms continue to face intense competition from domestic players, although some note modest improvements in communication with authorities.

Growth prospects within the sector continue to be heavily driven by assisting Chinese companies going global (84.6%), which remains by far the strongest theme. Firms also see opportunities in expanding services within China and using China as a base for wider regional work.

CREATIVE

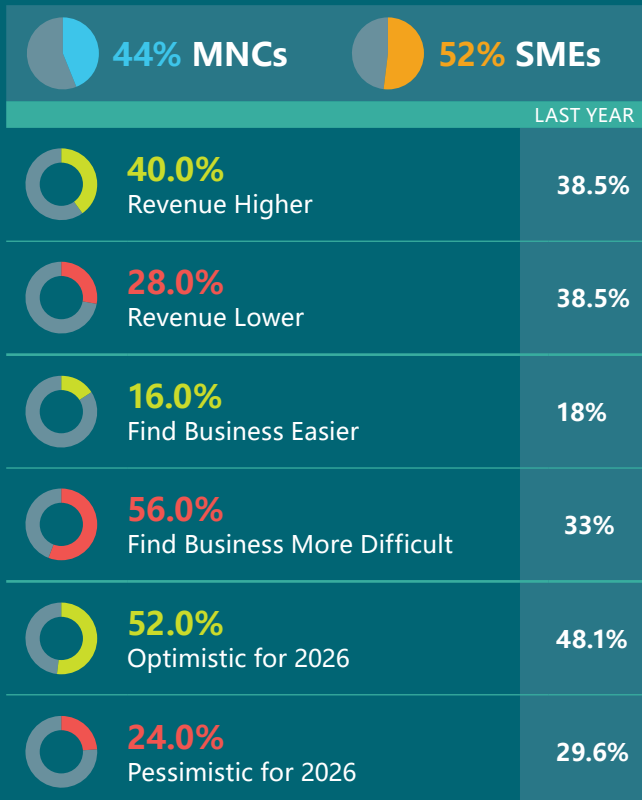


The creative sector shows a mixed picture this year, with modest improvements in revenue performance and business outlook but continued difficulty in day-to-day operations. Optimism has strengthened and pessimism has eased, yet a majority of firms still report a tougher business environment, reflecting challenges around regulatory enforcement, content approvals and uneven implementation across regions.

Growth prospects remain centred on domestic expansion (56%) and supporting Chinese companies going global (47%). Many firms also see opportunities in using China for regional expansion or in leveraging the country's digital ecosystem for online engagement.

Key regulatory concerns include transparency, intellectual property protection and difficulties in accessing or moving company finances. Despite these hurdles, the sector maintains a relatively positive commercial outlook, supported by sustained demand for creative services and deeper collaboration with Chinese partners.

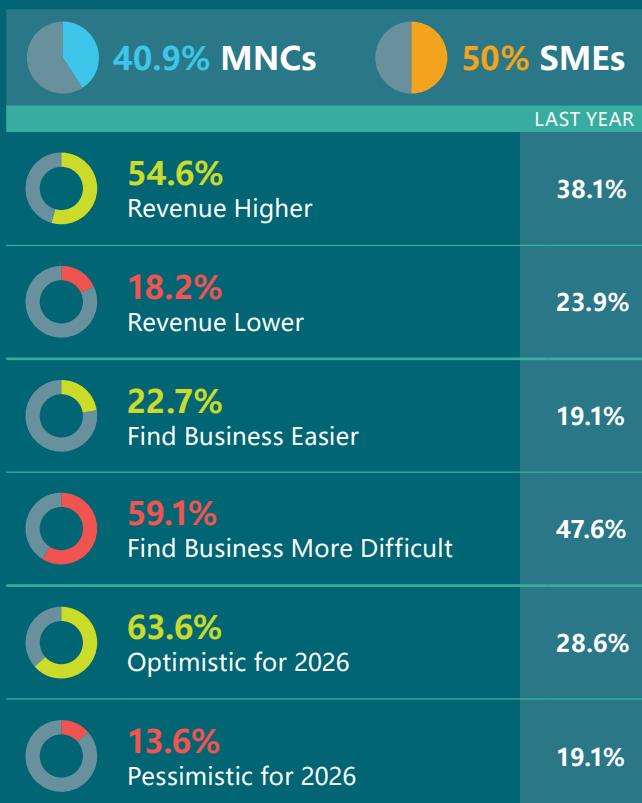
FOOD, BEVERAGES AND AGRICULTURE (FBA)



The FBA sector presents a mixed picture this year. Revenue indicators have held firm and overall optimism has improved, yet far more companies report a tougher operating environment. Much of this relates to customs-facing issues, where firms have experienced unexpected changes to import procedures and requirements issued by the General Administration of Customs of China (GACC). These shifts have created delays, uncertainty and higher administrative burdens, both for larger and smaller import-reliant companies.

Growth prospects continue to centre on adapting products for local consumers and exporting goods to the Chinese mainland. This dependence on cross-border trade leaves the sector exposed to geopolitical volatility and regulatory disruption at the border. Key regulatory concerns remain customs procedures, intellectual property protection and licensing requirements, all of which affect day-to-day market access. Despite these headwinds, steady demand and the size of the consumer market continue to offer commercial opportunity.

HEALTHCARE



The healthcare sector shows one of the sharpest improvements in revenue performance and optimism across all industries surveyed, supported by continued investment opportunities across the sector. Many firms see potential in expanding services, forming joint ventures and strategic alliances and adapting products for specialised local demand.

However, this renewed confidence coexists with persistent structural challenges. Volume-based procurement (VBP) remains a defining pressure point for medical devices companies. These concerns sit alongside broader issues around IP protection, procurement transparency and strong competition with domestic firms. Despite these challenges, companies signal a willingness to continue investing in China.

SPORT (NEW)



11.8% MNCs



88.2% SMEs



52.9%

Revenue Higher



11.8%

Revenue Lower



11.8%

Find Business Easier



64.7%

Find Business More Difficult



68.8%

Optimistic for 2026



6.3%

Pessimistic for 2026

The sport sector records one of the strongest revenue performances in this year's survey, with over half of companies reporting growth and almost seven in ten expressing optimism for 2026. This reflects renewed momentum in the industry as major international events return to China, including tennis, snooker and other high profile sports driven activity for UK rights holders, event operators and commercial partners.

Alongside headline events, companies highlight growing collaboration opportunities in education pathways and grassroots development, areas where British organisations have traditionally been strong. These activities are supported by rising interest from Chinese institutions and brands seeking international expertise.

RETAIL AND CONSUMER GOODS (NEW)



33.3% MNCs



61.1% SMEs



44.4%

Revenue Higher



16.7%

Revenue Lower



22.0%

Find Business Easier



66.7%

Find Business More Difficult



61.1%

Optimistic for 2026



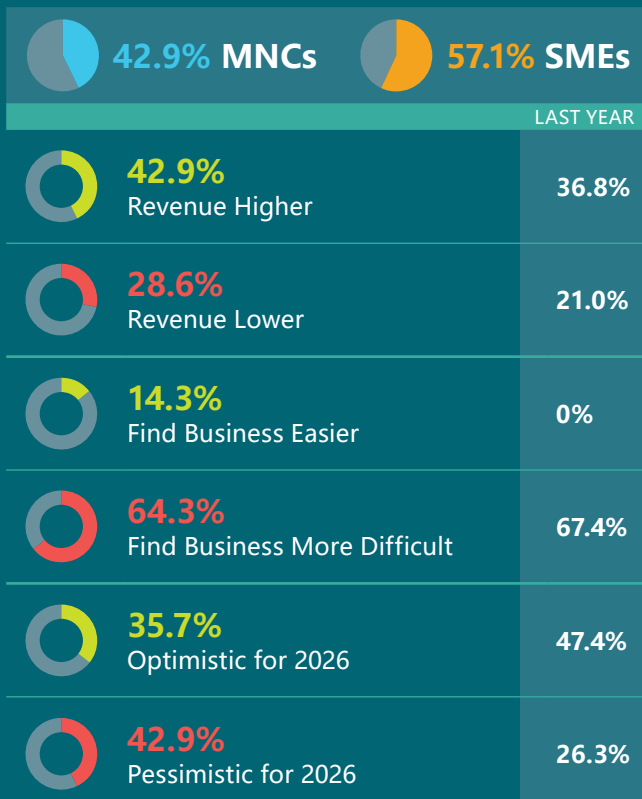
11.1%

Pessimistic for 2026

Retail and consumer goods companies report a stronger commercial year, with 44.4% seeing higher revenues and more than 60% expressing optimism for 2026. Growth is mainly driven by expansion of services within China and adapting product lines to local market demands, reflecting continued appetite among Chinese consumers for imported and international brands.

At the same time, two thirds of respondents say the business environment has become more difficult. The most frequently cited regulatory issues are customs procedures, intellectual property protection, and cybersecurity and IT regulations, alongside concerns about transparency and standards-related requirements. These factors continue to shape operating costs and time to market, even as firms maintain a broadly positive view of commercial opportunity in China.

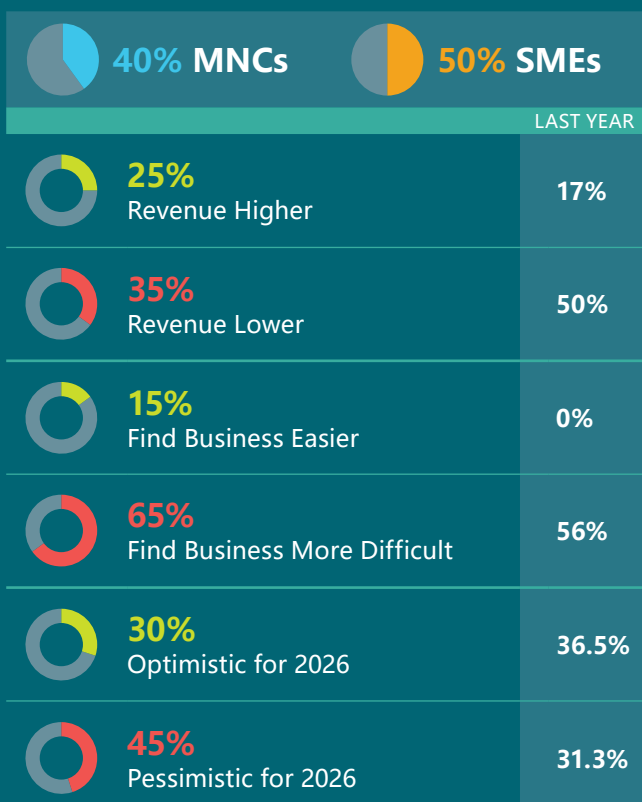
ENERGY



The energy sector shows a partial recovery in performance this year, with more companies reporting higher revenues than last year. However, revenue growth has still not returned to the much stronger levels seen two years ago, when 60% of firms expected increases. Sentiment has continued to soften. Optimism has now fallen for a second consecutive year, declining from last year's levels and from the much stronger position two years ago, when the energy sector was the most optimistic sector in the survey. Pessimism has risen sharply over the same period, underscoring a clear shift away from the more confident outlook energy companies previously held.

Despite these pressures, firms continue to see commercial opportunity. Growth prospects are concentrated in assisting Chinese companies going global, manufacturing in China for export and forming joint ventures or strategic alliances. Yet 71.4% of respondents report market access barriers, one of the highest proportions across all sectors. Public procurement practice and transparency concerns remain persistent challenges, alongside intellectual property protection, and competition with state-owned enterprises. Combined, these issues help explain why confidence has not recovered to earlier levels, even as some performance indicators have improved.

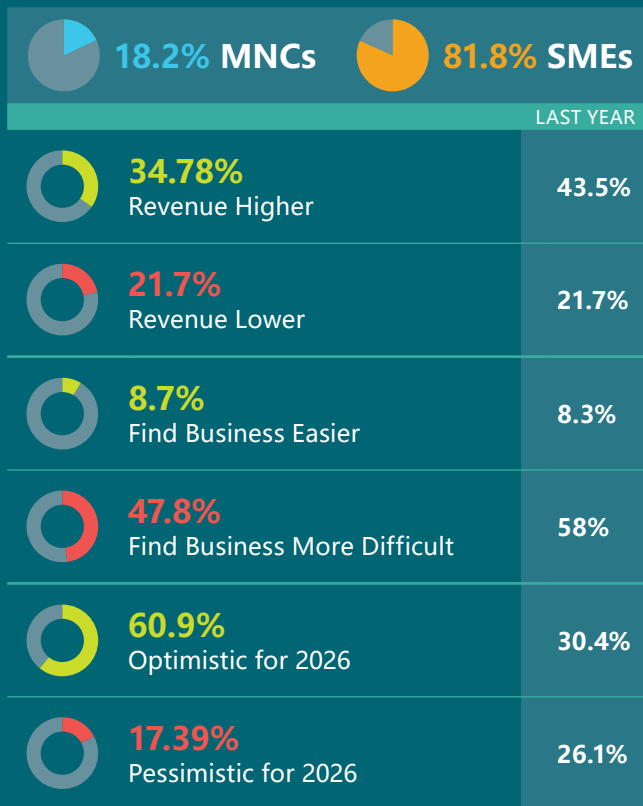
BUILT ENVIRONMENT



The built environment sector remains under clear pressure, but there are some signs of improvement compared with last year. A larger share of firms now report higher revenues, and the proportion seeing revenue declines has fallen from 50% to 35%. More companies also say that doing business has become easier, even if this is still a small minority.

At the same time, the wider operating picture is still difficult. The share reporting that business has become more challenging has risen to 65%, and pessimism about the outlook has increased sharply, while optimism has dropped. Competition with state owned enterprises, public procurement practices, transparency concerns and standards related requirements remain at the top of the regulatory agenda.

HOSPITALITY, TRANSPORTATION, TOURISM AND LEISURE (HTTL)



The HTTL sector has withstood a challenging year, without losing faith in the China market. The proportion of firms reporting higher revenue has fallen from 44% in 2024 to 35% this year, while firms reporting lower revenue remained stable at 22%. Nearly half of respondents found business more difficult this year, although this represents a fall from 58% in the previous year. Only 9% of companies have found business easier this year. Despite these challenges, no respondents reported decreasing their investment in China next year, indicating the resilience and confidence of British firms in this sector.

Pessimism has fallen to below one in five firms. 61% of respondents in the HTTL sector are optimistic about 2026, well above the cross sector average (47%). This optimism is boosted by expectations of growth in expanding services within China (52%) in a country where there is a strong focus on tourism and increasing tourism visits through visa-free schemes for other countries.

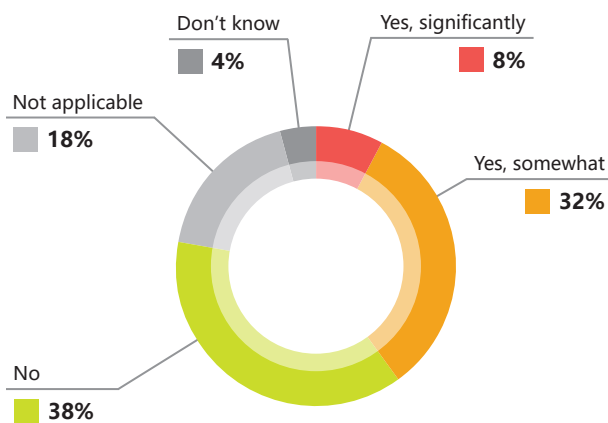




5

REGULATORY CHALLENGES

DO MARKET ACCESS BARRIERS LIMIT YOUR OPERATIONS IN THE CHINESE MAINLAND?

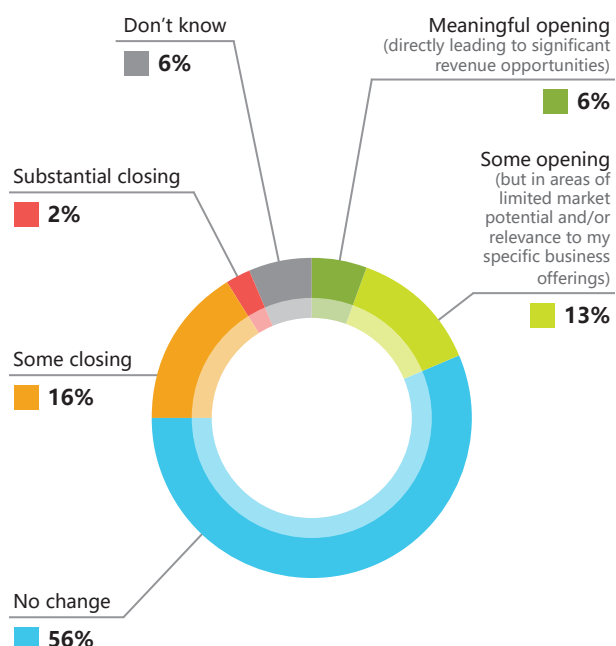


This year's results show that the overall picture on market access barriers remains broadly similar to last year. Across the sample, 39.5% of respondents report that barriers limit their operations, while 38.5% say they do not encounter such constraints.

Although the headline figures have not changed significantly, there are sectors impacted more than others. Energy stands out as the most affected sector, with 71.4% of companies reporting barriers. Retail and consumer goods, healthcare, advanced manufacturing and transportation (AMT) and food, beverage and agriculture (FBA) all report figures in the 40–56% range. In contrast, sectors such as sport and built environment have fewer respondents reporting barriers.

By company size, 43.6% of multinational companies report barriers compared with 37% of SMEs. Regionally, firms headquartered in Beijing report the highest level of constraints at 46.4%, followed by Shanghai at 38.4%. In South China and Southwest China the figures fall to around one third, indicating that respondents in these regions perceive fewer obstacles in their current operating environment.

HAVE THERE BEEN ANY MEANINGFUL MARKET OPENINGS OR CLOSINGS IN YOUR SECTOR IN THE PAST 12 MONTHS?



When asked whether they had seen any meaningful market openings or closings in the past year, 18.7% of respondents reported openings and an identical 18.7% reported closings, while just over half saw no significant change. This balance of responses suggests that the regulatory environment remains mixed, with developments varying widely between sectors and business models.

Financial services and healthcare are among the most likely sectors to report openings, with 34.2% and 36.4% respectively identifying some degree of improvement. Retail and consumer goods, creative industries and food, beverage and agriculture report a more even split between openings and closings, indicating that firms in these sectors are experiencing different regulatory conditions depending on their specific activities. Energy and AMT record the highest shares of market closings at 28.6% and 23.8%.

A total of 76 respondents provided written examples of openings or closings. One of the most significant developments highlighted in these submissions comes from the legal services sector, where several firms reported receiving approval to form joint legal operations with PRC law firms. This was described as a major opening and represents the outcome of more than six years of sustained Chamber advocacy. The model was formally recognised in the UK–China Economic and Financial Dialogue



outcomes document in January, and its appearance in members' survey responses reflects its major impact for British businesses.¹

Healthcare companies frequently referenced volume-based procurement as a central constraint, especially for medical device companies. Other companies in the sector noted new openings linked to wholly foreign-owned medical institutions at the municipal level. In education, respondents cited multiple challenges, including closures of international and private schools, consolidation across the sector and increased scrutiny of transnational education activities. Several comments noted that growth in British-branded schools has effectively stalled, while others pointed to new outbound partnership initiatives encouraged by the central government.

Other submissions pointed to a wide range of regulatory shifts. Examples included the Qualified Domestic Limited Partner (QDLP) scheme - a pilot program that allows fund managers to raise RMB in China to invest in overseas markets - continuing to be on hold, increased scrutiny of consulting and business intelligence services, stronger local preference for domestic equipment, and new or potential opportunities associated with outbound Chinese investment and emerging technologies such as blockchain-based financial infrastructure. These examples underline that companies and sectors are experiencing a highly varied set of openings and closings rather than a uniform trend across the market.

¹ '2025 UK-China Economic and Financial Dialogue: policy outcomes,' HM Treasury, January 2025

WHICH OF THE FOLLOWING REGULATORY ISSUES, IF ANY, PRESENT CHALLENGES TO YOUR ORGANISATION'S OPERATION IN THE CHINESE MAINLAND?

Overall		
1	Transparency of the business environment	↑1 from 2024-25
2	Intellectual property rights protection	↑2
3	Competition with SOEs	↑3
4	Enforcement of Laws and regulations	↓1
5	Navigating cybersecurity and IT regulations	↓4
6	Obtaining business licences and certificates	↓2
7	Standards related challenges	↑4
8	Public procurement policy and practices	↑1
9	Customs procedures	↑1
10	Taxation landscape for foreign firms and businesses	↑3
11	Accessing or moving company finances	↓3
12	Recognition of professional qualifications	↓5
13	Employing local staff	↑1
14	Employing foreign staff	↓2

MNC		
1	Competition with SOEs	↑1
2	Intellectual property rights protection	↑3
3	Public procurement policy and practices	↑1
4	Navigating cybersecurity and IT	↓1
4	Enforcement of laws and regulations	NEW

SME		
1	Transparency of the business environment	=
2	Intellectual property rights protection	↑3
3	Obtaining business licences and certificates	↓1
4	Enforcement of laws and regulations	=
5	Accessing or moving company finances	NEW

Healthcare		
Healthcare services	Medical devices	Pharmaceuticals
1	Public procurement policy and practices	=
2	Intellectual property rights protection	=
3	Competition with SOEs	NEW
4	Customs procedures	NEW
5	Standards related challenges	NEW

HTTL		
Hospitality	Travel, tourism, and leisure	
1	Transparency of the business environment	↑1
2	Employing foreign staff	NEW
3	Competition with SOEs	NEW
3	Obtaining business licenses and certificates	↓2
5	Navigating cybersecurity and IT regulations	NEW

Energy

- 1 Public procurement policy and practice **↑4**
- 1 Transparency of business environment **NEW**
- 3 Intellectual property rights protection **↓1**
- 3 Competition with SOEs **↓2**
- 5 Recognition of professional qualifications **=**

Education

Early years and K12 | Higher education | Other education business (edtech, vocational, materials etc.)

- 1 Transparency of the business environment **↑3**
- 2 Enforcement of laws and regulations **=**
- 3 Standards related challenges **NEW**
- 4 Obtaining business licences and certificates **↓1**
- 5 Competition with SOEs **NEW**

Creative

Culture and arts | Media and publishing | Marketing and communications

- 1 Transparency of the business environment **↑2**
- 2 Intellectual property rights protection **↑2**
- 2 Accessing or moving company finances **NEW**
- 4 Public procurement policy and practices **=**
- 5 Obtaining business licences and certificates **NEW**

Professional Services

- 1 Accessing or moving company finances **↑2**
- 2 Transparency of the business environment **↑3**
- 3 Obtaining business licences and certificates **NEW**
- 4 Navigating cybersecurity and IT regulations **↓3**
- 5 Customs procedures **=**

AMT

Automotive and auto components | Aerospace and aviation | Manufacturing | Transportation, logistics and distribution

- 1 Intellectual property rights protection **NEW**
- 1 Competition with SOEs **↑2**
- 3 Customs procedures **NEW**
- 4 Transparency of the business environment **↓2**
- 5 Enforcement of laws and regulations **↓4**

Food, Beverage & Agriculture

Food and Beverage | Agriculture

- 1 Customs procedures **=**
- 2 Intellectual property rights protection **↑1**
- 3 Obtaining business licences and certificates **NEW**
- 4 Competition with SOEs **↓2**
- 5 Standards related challenges **NEW**
- 5 Accessing or moving company finances **NEW**

Built environment

Built environment services | Civil engineering and construction | Real estate development

- 1 Competition with SOEs
- 2 Intellectual property rights and protection
- 3 Enforcement of laws and regulations
- 4 Transparency of the business environment
- 5 Public procurement policy and practices

Financial services

Financial Services | Accounting

- 1 Enforcement of laws and regulations **↑2**
- 2 Transparency of the business environment **=**
- 3 Obtaining business licences and certificates **↑1**
- 4 Navigating cybersecurity and IT regulations **↓3**
- 4 Competition with SOEs **NEW**

Sport

- 1 Transparency of the business environment
- 2 Obtaining business licences and certificates
- 2 Intellectual property rights and protection
- 4 Employing foreign staff
- 5 Competition with SOEs

Retail and consumer

- 1 Customs procedures **↑1**
- 2 Intellectual property rights protection **↑2**
- 3 Navigating cybersecurity and IT regulations **NEW**
- 4 Transparency of the business environment **NEW**
- 4 Standards related challenges **↓3**

Legal Services

- 1 Recognition of professional qualifications **=**
- 2 Taxation landscape for foreign firms and employees **↑1**
- 3 Obtaining business licences and certificates **↓1**
- 4 Navigating cybersecurity and IT regulations **NEW**
- 5 Standards related challenges **NEW**

This year's results show a notable reshaping of the regulatory challenges facing British companies in China. Transparency of the business environment has moved into the top position overall, overtaking cybersecurity and data regulation, which had been the leading concern for the past two years. Intellectual property protection is now the second highest issue, representing one of the most significant shifts in this year's survey. Competition with state-owned enterprises has risen into the top three, followed by enforcement of laws and regulations, and cybersecurity and IT regulations.

The prominence of transparency reflects persistent concerns about the predictability and clarity of regulatory processes across many sectors. It ranks as the number one challenge for SMEs, businesses in the HTTL, creative

industries, sport, and education sectors, and companies headquartered in Beijing. It is the second-largest concern for businesses in financial services, business advisory, retail and consumer goods, and several regional groups. These results suggest that a wide range of firms continue to face uncertainty in interpreting rules, planning investments and navigating administrative requirements.

Intellectual property protection has risen sharply from fourth into second place overall. It is the top issue for AMT businesses, and it appears in the top two concerns for the healthcare, retail and consumer goods, creative industries, MNCs, energy, sport and built environment sectors. Although concerns about intellectual property are rising across the board, different sectors have distinct worries. Healthcare companies link IP concerns to product integrity and competitive pressures, while retail and creative sectors highlight issues around brand protection, and AMT firms identify technology-related vulnerabilities. Energy companies also list IP protection among their highest concerns, often in conjunction with competition with state-owned enterprises.

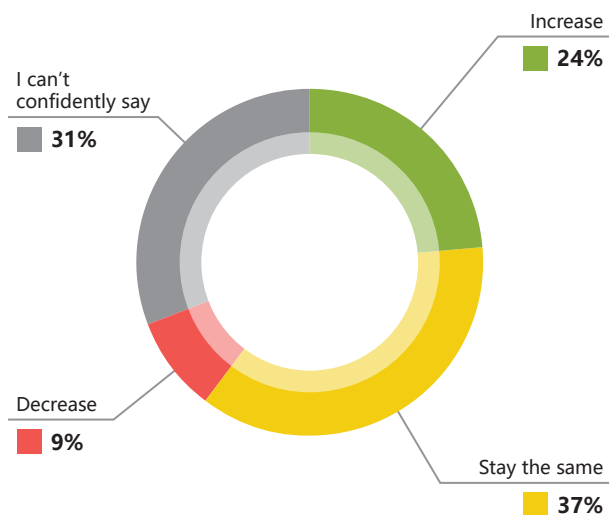
Competition with SOEs is the third-ranked issue overall. It is the top concern for MNCs and built environment businesses, and appears in the top three for businesses in healthcare, FBA, AMT, HTTL, creative industries, education and those based in Shanghai. For many firms, this issue reflects both commercial pressures and the regulatory advantages available to state-owned competitors in areas such as procurement, permitting and access to projects.

While no longer the top concern overall, data and cybersecurity compliance, remains a significant cross-cutting challenge. It ranks first for financial services and ITT, and appears in the top three for retail and consumer goods companies, the creative industries, Beijing-based firms and several sub-sectors in professional services. Companies continue to report difficulty interpreting requirements, managing risk and adapting to rapid regulatory updates.

Several sectors also highlight licensing and approvals as ongoing barriers to effective market participation. Obtaining business licences ranks second for SMEs and appears in the top three for companies in legal services, FBA, professional services, creative industries and retail and consumer goods. Education and HTTL respondents also cite licensing as a major pressure point, reflecting the continued complexity of approvals in regulated service sectors.



HOW DO YOU EXPECT THE NUMBER OF REGULATORY OBSTACLES YOUR COMPANY IS FACING IN THE CHINESE MAINLAND TO CHANGE OVER THE COMING 5 YEARS?



This year's data shows that expectations about the regulatory environment have stabilised compared with last year. Overall, 23.5% of companies expect regulatory obstacles to increase over the next five years, slightly lower than last year's 28.8%. A larger share (36.8%) believe obstacles will remain at current levels, and 8.8% expect them to decrease. The remainder, close to one third of respondents, are unsure. These results suggest that while concerns persist, expectations of further tightening have eased modestly.

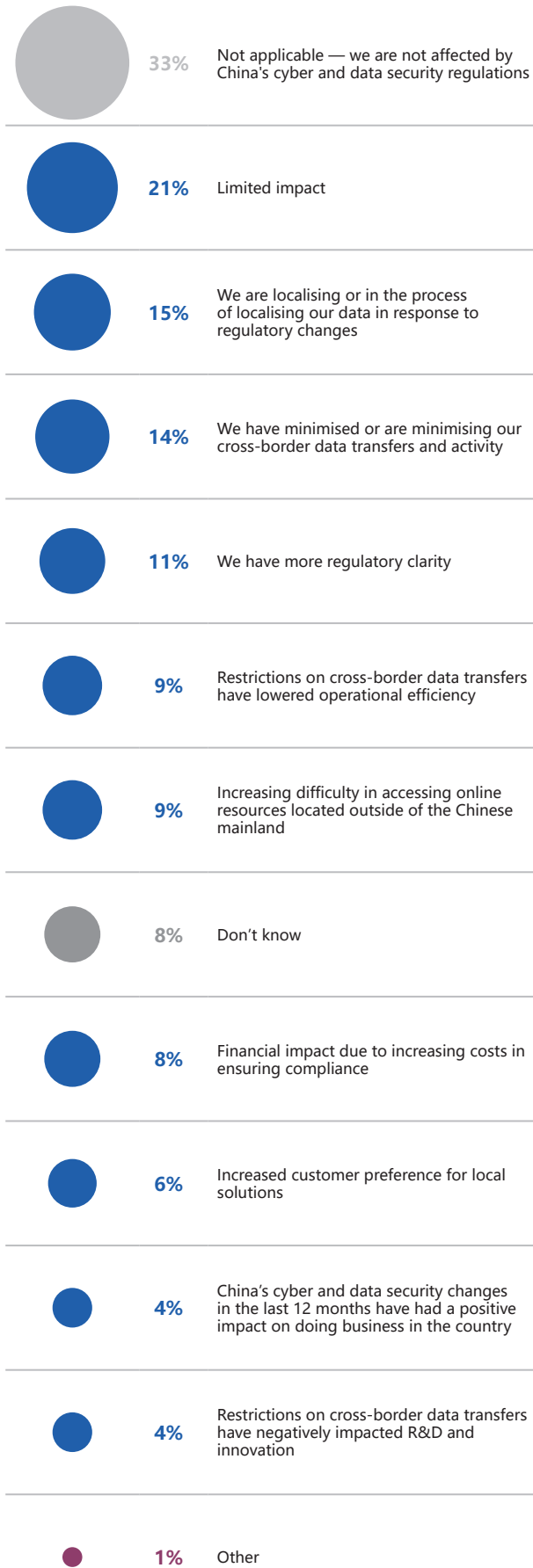
Company size continues to shape perceptions. SMEs are more cautious, with 23.9% expecting obstacles to

rise and only 3.4% expecting them to fall, alongside a relatively large proportion who are uncertain about the outlook. MNCs express a more balanced view, with 20.3% predicting an increase and 21.6% expecting a decrease. This reflects the different ways companies experience regulatory demands, with larger organisations typically having more resources and established processes for navigating change.

Sector-level differences remain pronounced. AMT companies are again the most likely to anticipate more obstacles, with 36.6% taking this view, consistent with their exposure to more tightly regulated technologies and supply chains. Education companies follow with 26.3% expecting more obstacles, reflecting continued regulatory activity across the sector. Retail and consumer goods also report above-average expectations of increased obstacles. In contrast, the legal services and built environment sectors report the lowest expectations of rising regulatory pressures at 15.4% and 10%. Companies in the sport sector are most likely to anticipate a reduction, with 26.7% expecting fewer obstacles.

Regional patterns show modest variation. South China has the highest share expecting regulatory obstacles to increase at 33.3%, while Beijing and Shanghai are close to the overall average. Southwest China stands out for having the lowest expectation of increased obstacles at 4.8%, but also the highest share of respondents selecting "don't know", indicating uncertainty rather than confidence in the outlook.

WHAT HAS BEEN THE IMPACT OF CHINA'S EVOLVING CYBER AND DATA SECURITY REGULATIONS ON YOUR ORGANISATION OVER THE PAST 12 MONTHS?



Cybersecurity and data regulation has fallen from the top-ranked challenge for British companies in China to fifth place this year. The survey results point to several developments that help explain this shift.

Across the full sample, very few companies say the regulatory environment has become easier to navigate. Only 4.45% of respondents state that China's recent cyber and data security changes have had a positive impact on doing business, and only 11.3% report having more regulatory clarity. These low figures indicate that the drop in ranking is not driven by widespread improvements in the regulatory framework.

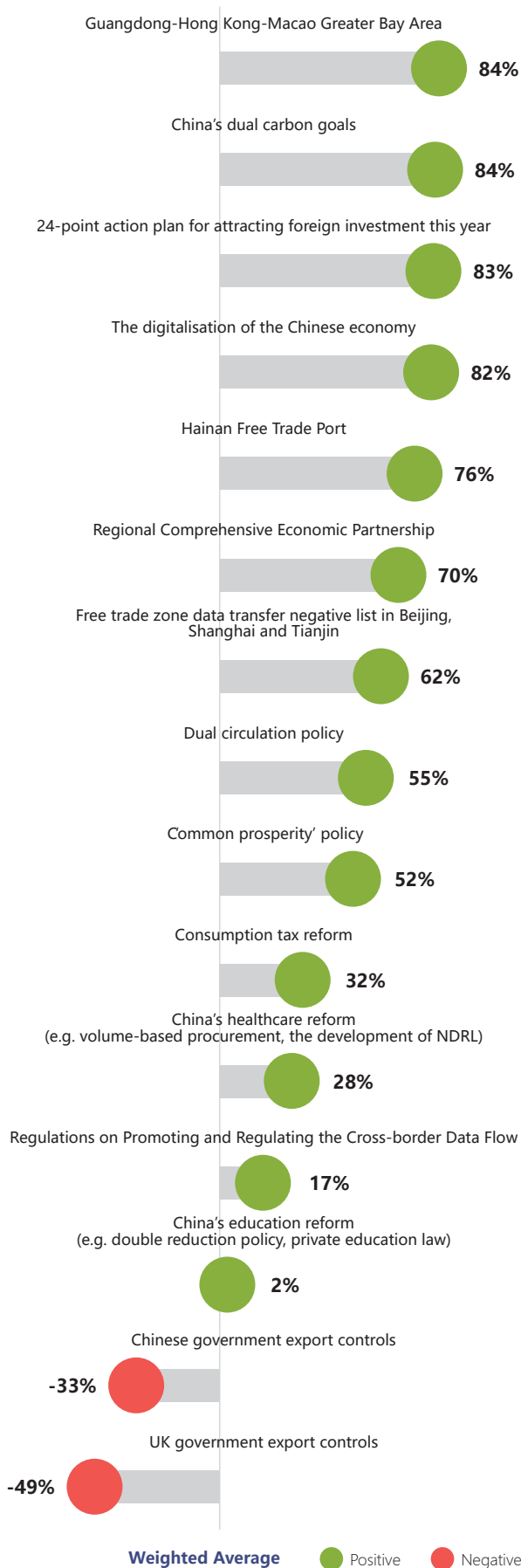
Instead, the data shows that companies are adjusting their own operations to manage compliance. Reducing cross-border data transfers is one of the most common responses across financial services, professional services, AMT and several regions. This suggests that firms are actively reconfiguring processes to limit their exposure to data transfer requirements.

Data localisation is also becoming more common. MNCs, energy companies and financial services companies generally report localising, or being in the process of localising, their data. For many of these firms, localisation appears to be the primary method for meeting regulatory expectations, which may help reduce the day-to-day impact of the rules even if the rules themselves have not become easier.

Sectoral differences remain pronounced. The financial services sector shows the strongest combination of localisation and reduced cross-border transfers. Healthcare companies report similar patterns, with several noting the continued need to adjust data management practices. Professional services firms report both localisation and reduced operational efficiency resulting from cross-border restrictions, indicating that compliance still carries real costs.

Among SMEs, the dominant responses focus on operational adjustments rather than major changes. Localisation is reported less frequently than among MNCs, but reduced cross-border transfers still feature prominently, showing that smaller firms are gradually aligning with the wider trend of internalising data within China.

WHAT IMPACT HAS CHINA'S DEVELOPMENT OF THE FOLLOWING POLICIES OR INITIATIVES HAD ON YOUR ORGANISATION'S ABILITY TO MAINTAIN AND GROW YOUR BUSINESS IN THE CHINESE MAINLAND OVER THE PAST YEAR?



British companies report a mixed experience of adjusting to China's major policy initiatives. The Guangdong-Hong Kong-Macao Greater Bay Area and the digitalisation of the Chinese economy are again the most widely cited positive influences, noted by many in the service sectors. China's dual carbon goals also continue to generate support, particularly among energy companies and parts of AMT.

A smaller set of policies continues to generate challenges. Export controls, China's education reform and healthcare reform appear most frequently as negative influences, with effects concentrated in specific sectors and regions.

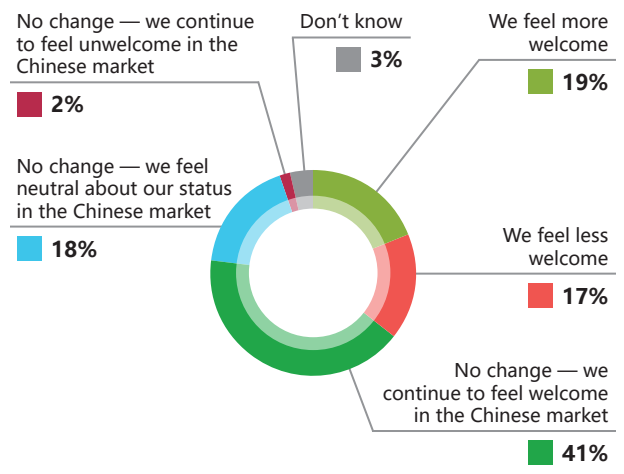
The effect of export controls diverge across sectors and regions. In southwest China, UK export controls are cited as the primary concern, reflecting the concentration of aerospace firms and research-focused organisations affected by restrictions on sensitive technologies and academic collaboration. In south China, where many British firms rely on Chinese-origin components for export manufacturing, Chinese government export controls are a more significant constraint. The AMT sector reports similar pressures, with Chinese controls reducing access to inputs required for production both in China and in overseas facilities.

Concerns around China's education reform are heavily concentrated within the education sector - something covered throughout this report. Healthcare reform remains a sector-specific challenge, with medical device and pharmaceutical firms continuing to face pressures on issues like volume-based procurement.

Regulations on cross-border data flow generate more mixed responses. Some professional services and legal firms cite benefits linked to clearer frameworks, while several consumer-facing and healthcare companies report operational constraints reflecting their heavier reliance on cross-border data activity.



AS A FOREIGN BUSINESS IN THE CHINESE MAINLAND, HAVE YOU FELT MORE OR LESS WELCOME AND ENCOURAGED TO ENGAGE IN THE MARKET OVER THE PAST YEAR?



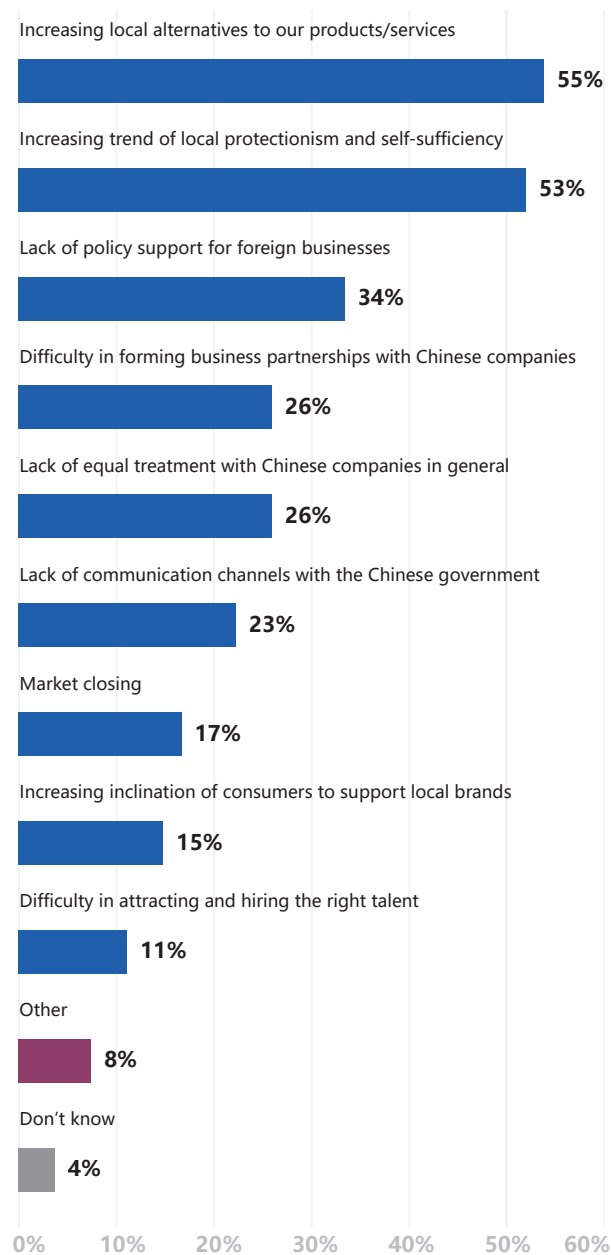
This year, 18.9% of British companies report feeling more welcome in the Chinese market, 16.8% feel less welcome and 60.8% report no change. The overall balance remains similar to last year, when most companies also reported no change, but sector-level movements show clearer shifts in sentiment.

Healthcare companies have shown the most notable turnaround. Last year 35% of healthcare companies reported feeling less welcome, during a period marked by regulatory tightening and market pressure. This year, however, 42.9% say they feel more welcome, with the remainder reporting no change. Companies in ITT and professional services also reported feeling unwelcome last year but now largely record no change or modest improvement.

Retail and consumer goods firms record 31.3% feeling more welcome, and the HTTL and sport sectors show similar levels of improvement. MNCs also lean more welcome than unwelcome, with 22.7% feeling more welcome compared with 13.3% feeling less welcome. FBA companies report no respondents feeling less welcome at all this year.

On the other hand, several sectors continue to report weaker sentiment. Professional services, education, creative industries and energy all show above-average proportions of companies feeling less welcome, consistent with other findings in the survey where these sectors report more market closings, competitive pressures or declining policy support.

WHY DOES YOUR ORGANISATION FEEL MORE WELCOME OR UNWELCOME AS A FOREIGN BUSINESS IN THE CHINESE MAINLAND?



Across respondents who feel more welcome this year, the two strongest drivers are more opportunities to collaborate with Chinese companies (43.7%) and more communication channels with the Chinese government (31.1%).

Several sectors with higher-than-average shares of companies feeling more welcome highlight collaboration as the main factor, including the healthcare, retail and consumer goods, financial and professional services, MNCs, professional services, sport and education sectors. Healthcare companies in particular point to both new collaboration opportunities and specific areas of market opening, consistent with wider developments reported

elsewhere in the survey. Retail and consumer goods firms also cite collaboration alongside increased demand.

Improved communication channels with the Chinese government feature prominently in submissions by firms in financial and professional services, HTTL, education, sport, as well as by MNCs as a whole. These trends are also reflected regionally, with companies in Beijing, Shanghai and Southwest China frequently selecting this option. While the survey does not identify direct causes, this year has coincided with renewed UK–China engagement through the Economic and Financial Dialogue, the relaunch of the Joint Economic and Trade Commission and sector-focused exchanges in areas such as healthcare and energy.

In the AMT and FBA sectors, companies most often cite their ability to provide unique offerings that cannot be matched by local competitors. This suggests that strong competitive differentiation continues to play an important role in shaping how welcome some firms feel in the market.

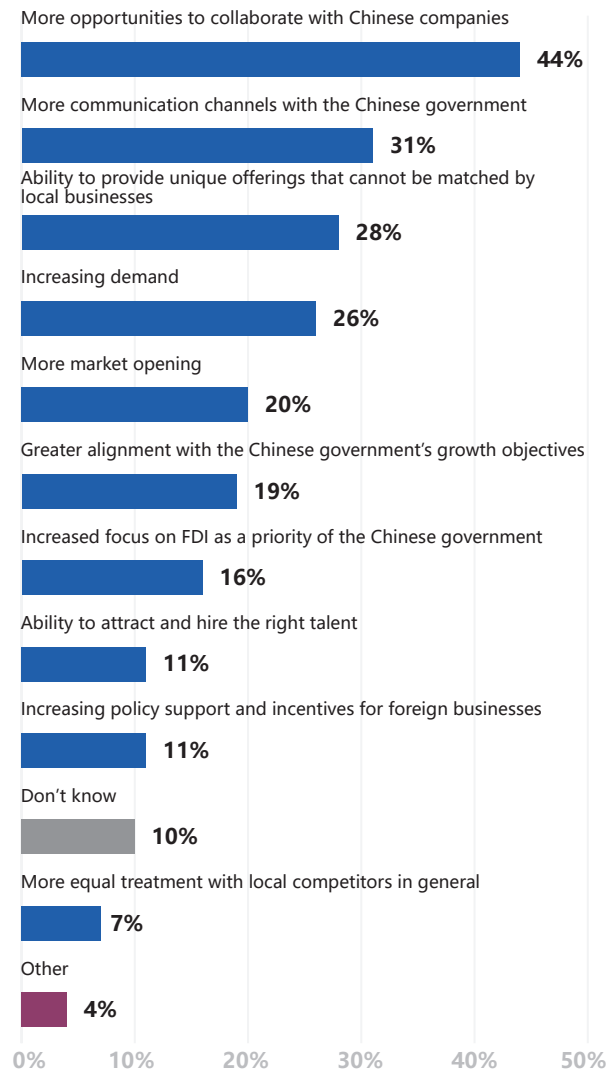
Looking at the three sectors (healthcare, creative, and built environment) that showed a general sentiment of feeling less welcome, it is notable that 71% of companies in the healthcare sector cited 'the rise of local alternatives to our products/services' as their top concern, followed by 'lack of policy support for foreign businesses' (43%) and 'the increasing trend of local protectionism and self-sufficiency' (43%). For the creative sector, the leading cause is 'the increasing trend of local protectionism and self-sufficiency' (57%), followed by 'the rise of local alternatives to our products/services' (43%), which aligns with the overall rankings. In the built environment sector, the primary reason is 'the increasing trend of local protectionism and self-sufficiency' (67%), followed by 'difficulty in forming business partnerships with Chinese companies' (50%).

Indeed, for all three sectors there are plans to offshore certain business functions (refer to the localisation and diversification chapter) in the coming years, which are likely driven by these concerns. Additionally, both the healthcare and creative sectors are designated as growth-driven sectors in the UK Industrial Strategy². Despite being important sectors in the UK government's strategy, they are facing significant challenges in the Chinese market.

² 'Invest 2035: the UK's modern industrial strategy,' Department for Business and Trade, October 2024



WHY DOES YOUR ORGANISATION FEEL LESS WELCOME OR WELCOME AS A FOREIGN BUSINESS IN THE CHINESE MAINLAND?



Among companies that feel less welcome this year, the main drivers are the growing prevalence of local alternatives to foreign products and services (54.7%) and the increasing trend of local protectionism and self-sufficiency (52.8%). These pressures are most visible in sectors where domestic incumbents have strong advantages or where regulatory scrutiny has intensified.

Professional services, education, financial services and AMT all report high levels of concern about protectionism and substitution by domestic competitors. In professional services, 75% of those feeling less welcome cite protectionism and 50% cite the rise of local alternatives. Creative industries show a similar pattern, with 71.4% reporting increased local protectionism and an identical share citing the rise of domestic alternatives.

Financial services firms frequently highlight limited policy support, unequal treatment and increasing domestic competition. Education companies also identify a combination of rising local alternatives (52.2%), protectionism (47.8%) and reduced policy support, reflecting sustained regulatory tightening across the sector. In AMT, 62.5% of firms that feel less welcome cite protectionism, and 37.5% cite local alternatives, consistent with broader concerns about technology localisation and domestic substitution in advanced sectors.

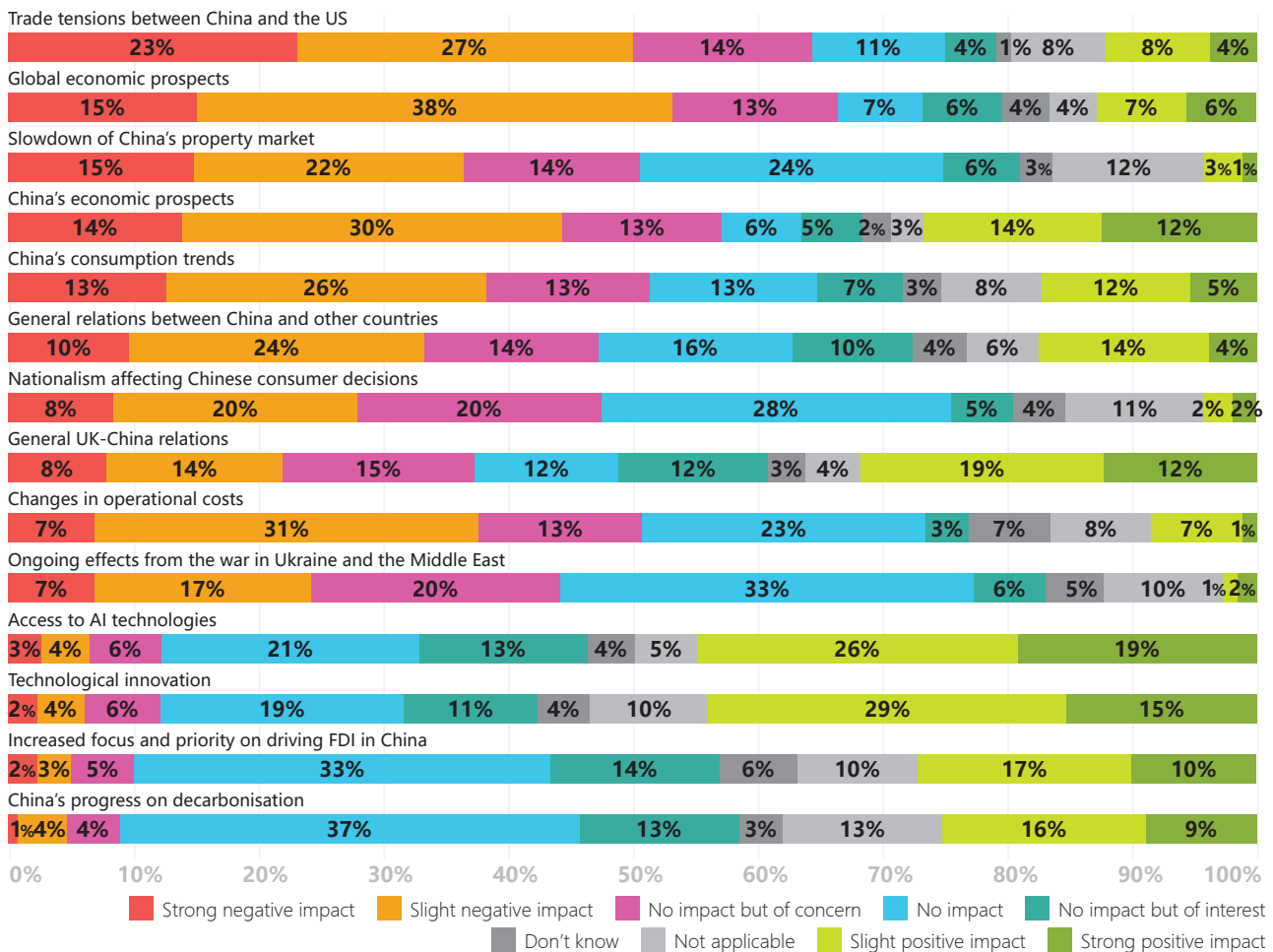
Several industries also point to challenges forming business partnerships with Chinese firms or difficulties securing equal treatment, particularly in the energy sector.



6

POLITICAL AND ECONOMIC TRENDS

PLEASE ASSESS THE FOLLOWING TRENDS IN TERMS OF THEIR IMPACT ON YOUR ORGANISATION'S PROSPECTS IN THE CHINESE MAINLAND OVER THE NEXT YEAR.



In this question, companies are given the opportunity to rank 14 different global trends against each other. For this year, an additional selection was added on USA China trade tensions.

In 2025-26, trade tensions between the USA and China became the top cited negative trend observed by British businesses. 64.4% of respondents reported USA China trade tensions as either of concern or already having a negative impact on their business. The threat of trade

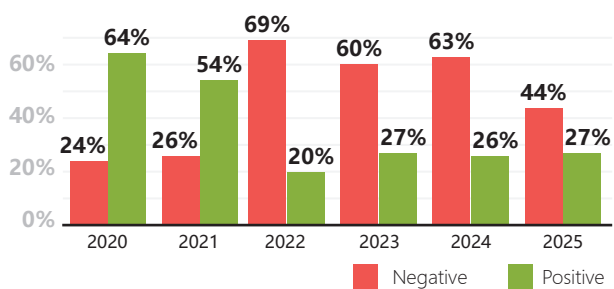
tension is likely to be most concerning to sectors with high import-export volume and likely to contribute to rising pessimism in sectors such as manufacturing and the built environment. The impact of trade tensions may explain why maintaining or increasing supply chain capacity is a rising trend as companies look to build resilience to geopolitical tension.

Previous to this, China's economic prospects has been the number one concern on this question for multiple years,



but has fallen from 1st to 3rd place among negative trends. On this, the percentage of respondents with negative views on China's domestic economy has shrunk from 69% in 2022 to 44% this year, the lowest figure since it was down at 26% in 2021. Positivity around China's economic prospects has meanwhile remained steady over the last three years between 26-27%.

PLEASE ASSESS CHINA'S ECONOMIC PROSPECTS' IMPACT ON YOUR ORGANISATIONS PROSPECTS IN THE CHINESE MAINLAND OVER THE NEXT YEAR.



The global economy has overtaken China's domestic economy and is now the second most concerning trend among respondents. This was most acutely reported by SMEs and the hospitality sector. Interestingly, while both SMEs and MNCs included global economic trends and geopolitical tension as the top two negative trends, SMEs view the global economy as a more negative trend

than geopolitical tensions, whereas MNCs show the reverse pattern.

On the positive side, access to AI technology and technological innovation lead. Of all respondents, 58% reported a positive outlook on AI, and 55% view technological innovation as a positive trend. AI has ranked more positively than overall technological innovation for the first time. UK China relations has continued to climb and is now viewed as the third most positive trend, showing more positivity around the UK government's reengagement with China. Two years ago it was ranked as a top-5 negative trend.

Sector analysis reveals unevenly felt opportunities and challenges. China's progress on decarbonisation is regarded positively by sectors whose performance is linked to sustainability and efficiency gains, including energy, built environment, AMT and FBA. China's consumption trends are seen positively by the food and beverage industry. On the other hand, the education and creative sectors report that the perceived impact of nationalism on consumer choices is negatively affecting their industries. The negative effects of war in Ukraine and the Middle East was highlighted by both the legal and financial sector, with the legal sector naming it as the most negative trend affecting their industry.

WHAT IMPACT HAVE GEOPOLITICAL TENSIONS INVOLVING CHINA HAD ON YOUR BUSINESS OPERATIONS WITHIN THE CHINESE MAINLAND OVER THE PAST YEAR?



Geopolitical pressures impact on British firms in 2025 is consistent with previous year. Firms continue to report unpredictability of trade policy, supply chain uncertainty and decreasing demand for products and services as the most pressing challenges arising from geopolitics. Generally speaking, sentiment on the impact of geopolitics has diversified in the last year. Following the addition of US-China trade tensions, in nearly every other response category, the share of respondents selecting it has fallen. The only impact that saw an increase in the percentage of respondents was “an increased demand for goods and services” which rose from 8% to 10% - perhaps reflective of the positive impact of improved UK-China relations.

Several sectors show distinct geopolitical pressure points. In the legal sector, concerns around compliance and sanctions were more than double the average across all sectors. Half of firms in energy and healthcare reported supply chain uncertainty as an adverse geopolitical effect, and 36% of energy firms reported delaying investment decisions in China, compared to the overall average of 15%. In the AMT sector, 54% of companies reported concerns about supply chain uncertainty, compared to the average of 28%. In the sports sector, 38% of respondents stated that geopolitical tensions made it harder to co-operate with partners outside of the Chinese mainland, far above the survey wide figure of 12%.

Additionally, geopolitical risk has been highlighted as a cause of decreased demand for goods and services. In the education and creative sectors, 28% of companies report this adverse impact. 14% of companies reported delayed investment decisions regarding China operations, although this number has decreased from 19% in 2024, indicating that decision making may be becoming less constrained. Companies still report a negative impact of geopolitics on their ability to co-operate and engage with businesses outside of the Chinese mainland, but this has also fallen from 16% in 2024 to 12% in 2025.





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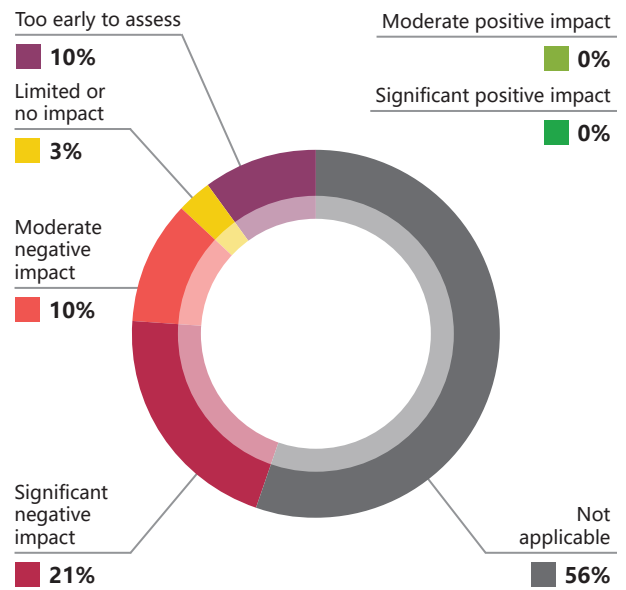
SUPPLY CHAINS

This year's survey introduces a dedicated section on supply chains, reflecting the growing importance of this issue for British companies operating in China. The Chamber has engaged extensively with members on supply chain challenges over the past year, including through the May 2025 Position Paper,¹ informed by a roundtable in Shenzhen and subsequent interviews, where firms shared concerns about tariff volatility, regulatory uncertainty and the wider impact of geopolitical developments on cross-border manufacturing.

Against this backdrop, the survey sought to capture how widespread these pressures are and how companies are adapting. Of the 303 respondents, 68 companies (22.4%) manufacture in China for export to other markets, with 44 firms (14.5%) doing so regularly and 24 (7.9%) occasionally. A further 23 businesses (7.6%) export directly from China to the United States, placing them at the sharp end of recent tariff shifts. Of companies exporting directly to the US, 47.8% are from the AMT sector, 21.7% are from the retail and consumer goods sectors and others from areas like medical devices and energy. These findings provide a clearer picture of how British firms use China within their global value chains and the scale of exposure to external shocks.

¹ 'British business in China – Position Paper 2025,' British Chamber of Commerce, May 2025

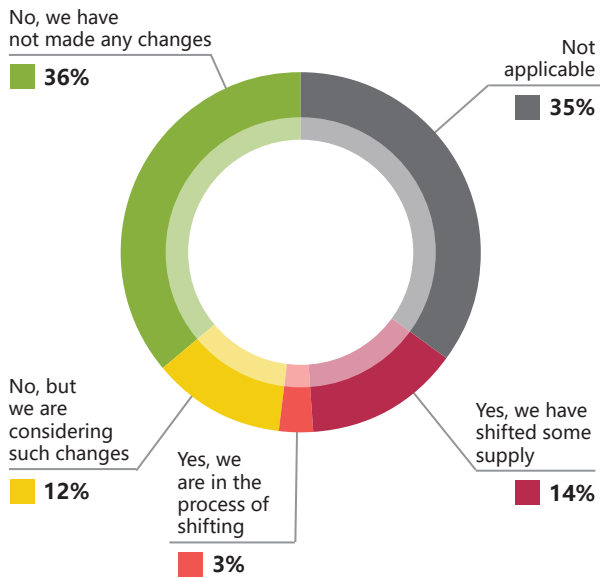
IF YOU EXPORT FROM CHINA TO THE UNITED STATES, HOW HAVE RECENT TARIFF MEASURES IMPACTED YOUR OPERATIONS?



Among the 23 British companies exporting directly from China to the United States, recent tariff measures have had a substantial effect on operations. Just over half report clear negative impacts, with 56.5% experiencing either significant (34.8%) or moderate (21.7%) disruption. Only 8.7% report limited or no impact, while 26.1% say it is too early to assess the full implications. None suggested it had a positive impact.

These exporters represent a broad cross-section of British commercial activity in China, including firms in automotive, built environment, medical devices, AMT and retail and consumer goods. The group is also mixed in scale: 36.4% are multinational corporations and the remainder SMEs, reflecting the varied ways in which tariff exposure is affecting both large and smaller operators. The predominance of negative responses across this diverse group underlines the severity and immediacy of tariff pressure on companies with direct US-facing supply chains.

SINCE 2 APRIL 2025, HAS YOUR COMPANY SHIFTED ANY PRODUCTION OR SUPPLY CHAINS OUT OF CHINA?



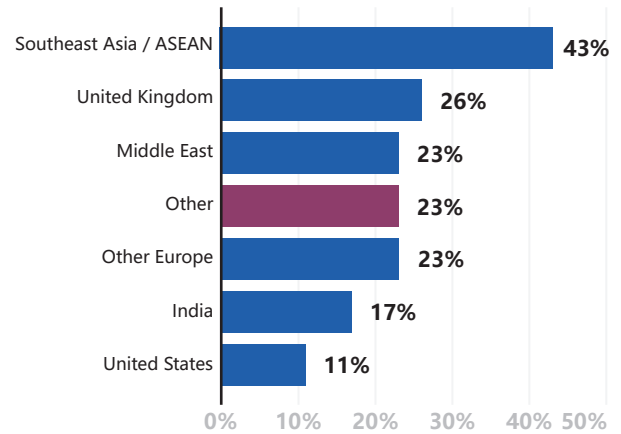
Across all British companies that export goods from China, most have not yet made structural adjustments to their supply chains. Among the 67 exporters surveyed, 14.9% report having already shifted some production or supply chains out of China, and a further 1.5% are currently in the process of doing so. Another 11.9% say they are considering changes but have not yet acted.

By contrast, the largest group (37.3%) report no adjustments, indicating that a plurality are holding steady for now. These results reflect the cautious, wait-and-see approach raised in Chamber roundtables this April, where firms noted that tariff pressures have not yet triggered widespread restructuring.

Focusing specifically on the 23 companies that export directly from China to the United States, responses show a more even balance. A combined 30.4% have already shifted or are shifting parts of their supply chains, while another 26.1% are considering such moves.

At the same time, 30.4% of US-facing exporters have not made any adjustments to date. This group includes companies in automotive, built environment, medical devices, manufacturing and retail and consumer goods, with a mix of 36.4% MNCs and 63.6% SMEs. The findings suggest that while exposure to US tariffs is prompting action among a significant minority, many firms continue to monitor developments closely before committing to structural changes.

IF YOUR COMPANY HAS SHIFTED SUPPLY CHAINS OUT OF CHINA, WHICH MARKETS OR REGIONS HAVE BENEFITED MOST?

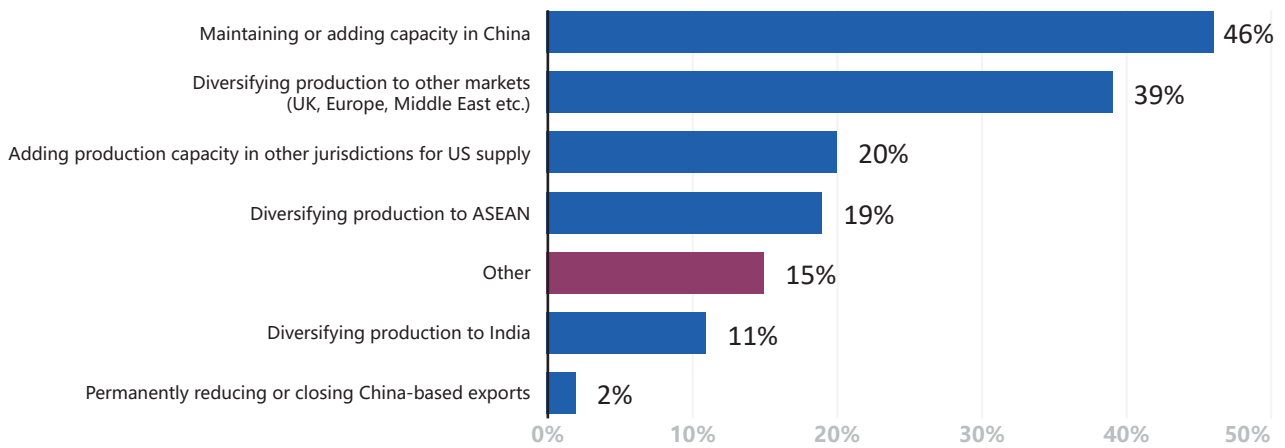


Among the companies that have shifted parts of their supply chains out of China, Southeast Asia and ASEAN economies are the primary beneficiaries, cited by 45.5% of respondents. The United Kingdom (27.3%) and other European countries (24.2%) are also significant destinations, reflecting efforts to rebalance production towards markets with fewer geopolitical risks or closer to end consumers.

The Middle East (21.2%) and India (18.2%) feature as emerging alternatives, while 12.1% report moving activity to the United States. In the write-in responses, one company referenced shifting activity to South America.



HOW IS YOUR COMPANY DIVERSIFYING ITS GLOBAL SUPPLY CHAINS TO MITIGATE RISK? (SELECT ALL THAT APPLY)

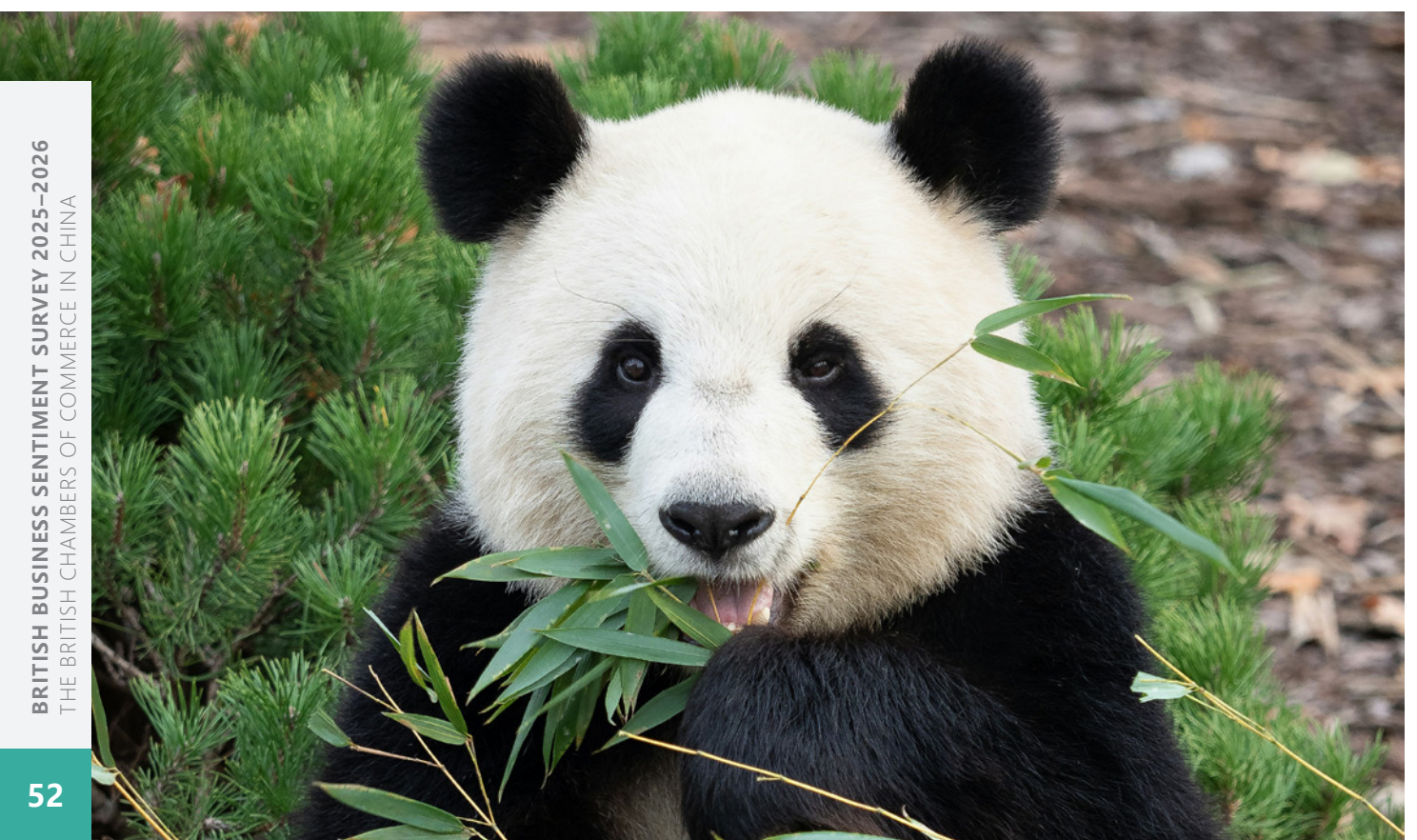


Exporting companies are adopting a mixed approach to supply chain diversification, with most pursuing adjustments that complement rather than replace their China-based operations. The most common response was “maintaining or increasing capacity within China”, selected by 46.2% of respondents. This reflects the continued importance of China as a manufacturing base even amid tariff and geopolitical pressures.

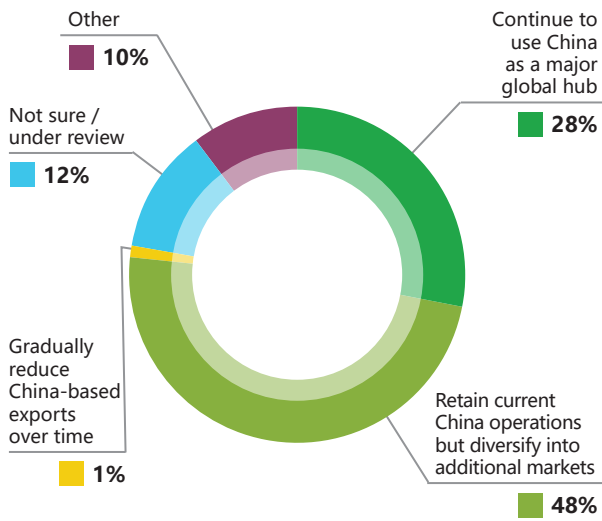
At the same time, 40.4% of exporters report diversifying production to other international markets such as the UK, Europe or the Middle East, indicating a clear shift toward spreading risk across multiple regions. ASEAN (19.2%) and

India (11.5%) are also emerging destinations, although at lower levels than broader diversification into Europe and other global markets.

A fifth of respondents (21.1%) are adding production capacity in other jurisdictions specifically to serve the US market, underscoring how tariff exposure is prompting targeted adjustments to North America-facing supply chains. Only one company reports permanently reducing or closing China-based exports, suggesting that withdrawals remain limited. Among write-in responses, firms noted tailored moves such as establishing specialist assembly lines in Europe or exploring niche regional alternatives.



LOOKING AHEAD, WHAT BEST DESCRIBES YOUR COMPANY'S LONG-TERM SUPPLY CHAIN STRATEGY INVOLVING CHINA?



The long-term plans of British exporters show that China remains firmly embedded in most supply chain strategies. Nearly half of respondents (47.7%) expect to retain their current China operations while diversifying into additional markets, indicating that diversification is being pursued as a complementary measure rather than a substitution. A further 27.7% plan to continue using China as a major global hub, reinforcing the country's central role for many firms.

Only one company (1.5%) anticipates a gradual reduction in China-based exports, and none expect to permanently relocate key supply chains out of China. Around 12.3% say their strategy is still under review. Among the write-ins, one company noted it would continue producing in China specifically for the China market, while others indicated the question was not applicable.

Across this chapter, responses suggest two dominant patterns: many firms are diversifying into other markets without reducing their Chinese operations, while others are maintaining their position and waiting before making more significant long-term decisions.





LOCALISATION AND DIVERSIFICATION

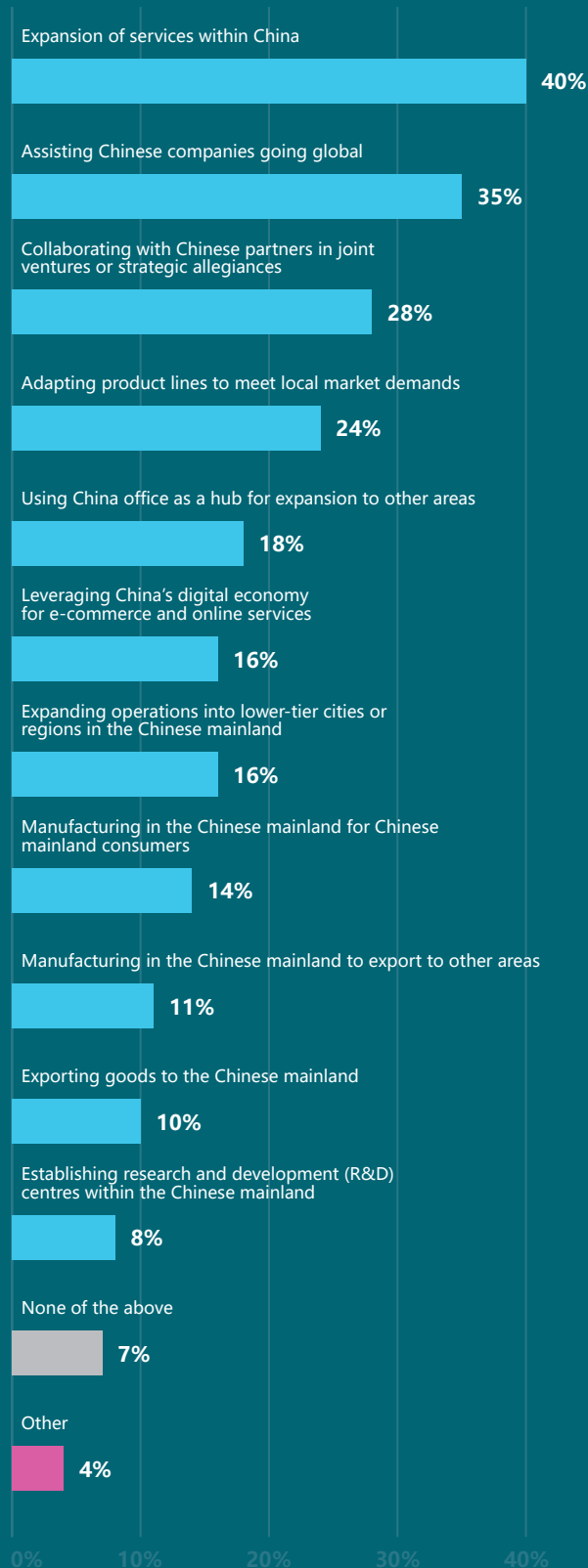
This section of our survey examines how British companies are aligning their strategies in the Chinese market with their overall global strategies amidst rapidly changing dynamics between China and the West. In a year marked by heightened concerns over the risk of increased tariffs stemming from tensions with the EU and the potential return of a Trump presidency in the US, the survey reveals intriguing trends in localisation, with each sector driven by distinct purposes.

The majority of British businesses across different sectors have kept their investment strategies unchanged; however, some key sectors like AMT, healthcare, and energy, key components of both the UK's industrial strategy¹ and China's 'new productive forces', show an increasing trend towards pursuing a higher degree of localisation in business functions such as manufacturing, sourcing components, and R&D.

Compared to last year, an overall increase of 11% in the number of companies considering or planning a higher degree of localisation strategy has also been observed, reinforcing the phenomenon where certain industries are more inclined towards localisation than others. The data also show AMT sectors are localising manufacturing in China to expand and/or export to other regions, along with a tendency for companies to use China as a hub for expansion to other areas.

¹ 'Invest 2035: the UK's modern industrial strategy,' Department of Business & Trade, October 2024.

WHERE DO YOU SEE YOUR GROWTH PROSPECTS IN THE CHINESE MAINLAND?



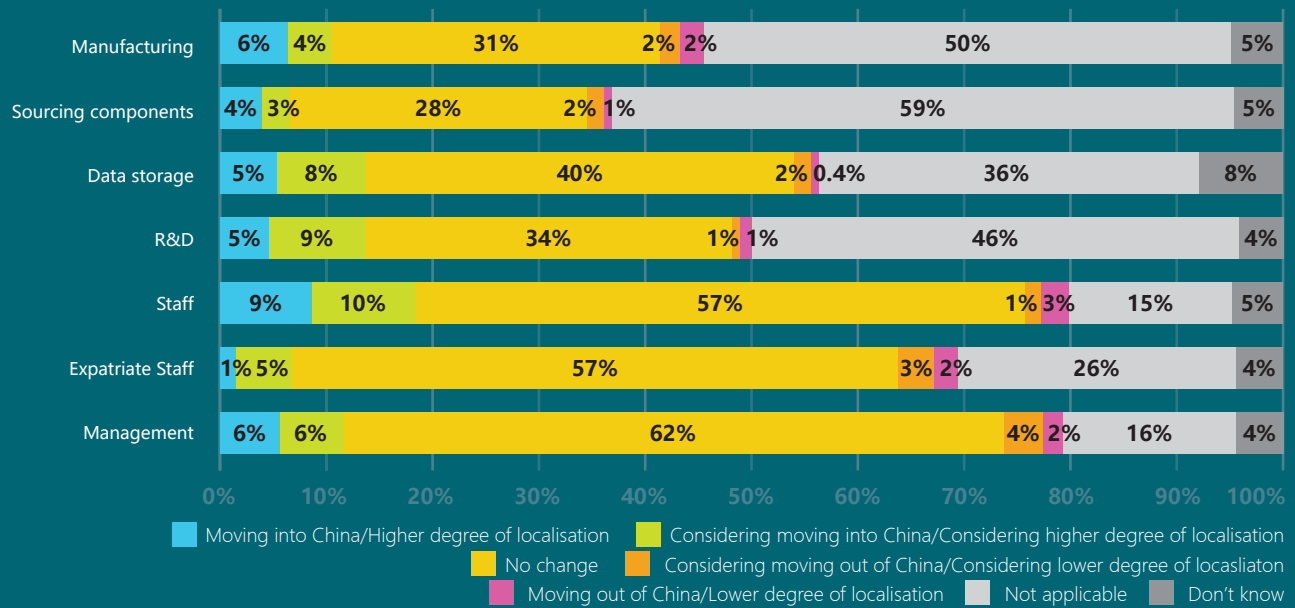
This year's results show a broadly consistent picture of where British companies see opportunity in China, but with several important shifts. Expansion of services within China remains the most selected growth avenue at 39.9%, almost identical to last year's 40%. Assisting Chinese companies going global also stays steady at around 35%, continuing to reflect the strong demand for advisory, legal, financial and creative sector support as Chinese firms internationalise. Joint ventures and strategic alliances (28.2%) remain a core part of growth planning, again similar to last year.

One of the clearest changes is the rise in companies seeking growth by expanding into lower tier cities and regions, increasing from 12% to 15.6%. This aligns with feedback gathered in recent membership roundtables, where firms noted that opportunities in major coastal hubs now feel more mature, while inland provinces offer expanding consumer bases and more local government support for new investment.

At the same time, growth expectations linked to manufacturing have softened. Manufacturing for export has dropped from 16% to 11.3%, and manufacturing for domestic consumption has edged down from 15% to 14%. This decline is consistent with wider trends in the survey, including tariff uncertainty, supply chain reassessment and rising input costs. AMT firms still identify manufacturing as a growth driver, but at lower levels than in previous years, and several sectors now place greater emphasis on service expansion or product adaptation.

Supporting Chinese companies in going global continues to be a major opportunity, holding steady at around 35%. This is particularly strong among services firms. Legal services respondents stand out, with 84.6% selecting outbound support as their top growth prospect. Financial services firms also rank this highly at 57.9%, reflecting continued demand for structuring, transaction support and international compliance services. For business advisory and business services companies, 71.1% saw this as a growth prospect.

IS YOUR COMPANY USING THE CHINESE MAINLAND AS A BASE FOR REGIONAL OPERATIONS?



Nearly half of respondents (48.2%) report using China as a regional base. Use of China as a hub is highest in energy (69.2%), AMT (68.3%), healthcare (63.6%) and retail and consumer goods (61.1%). These sectors rely heavily on China's logistics capacity and supplier networks, and several also have established production or distribution systems linked into Southeast Asia. Hospitality, travel, tourism and leisure (56.5%) and food, beverage and agriculture (56%) also report above-average use.

Lower relative use of China as a regional base appears in legal services (33.3%), sport (37.5%) and the creative industries (41.7%). Financial services firms also report lower adoption (39.5%), reflecting the fragmented regulatory landscape across Asia and the prevalence of alternative hubs such as Singapore and Hong Kong.

WHAT ARE YOUR ORGANISATION'S OVERALL PLANS FOR THE FOLLOWING BUSINESS FUNCTIONS OVER THE NEXT FEW YEARS?

Stability is the dominant trend across all major business functions. The highest response category for every function is *no change*: 30.8% for manufacturing, 27.9% for sourcing, 40.3% for data storage, 34.5% for R&D, 57.5% for staff, 57.1% for expatriate staff and 62.2% for management. This reflects a pattern of British companies maintaining existing levels of localisation rather than significantly increasing or reducing their China-based operations.

Manufacturing and sourcing

In manufacturing, only 6.4% plan to increase localisation and 4.1% are considering increasing it, while a combined 3.9% are considering or planning to move activity out of China. The backdrop of recent US and China tariff volatility is relevant here, with many exporters elsewhere in the survey describing a wait and see approach on supply chain restructuring until there is greater clarity. Sourcing

components follows a similar pattern, with 3.9% increasing localisation and nearly 60% selecting not applicable, suggesting many firms do not source components directly or rely on stable existing supply chains.

Data storage and compliance

Data storage shows more movement than manufacturing or sourcing. A combined 13.7% are increasing or considering increased localisation, reflecting regulatory pressures rather than commercial restructuring. This is consistent with wider survey findings showing companies reducing cross-border transfers or localising datasets to meet compliance requirements. Only 1.9% report plans to reduce data localisation, reinforcing that this is one of the few functions where regulatory change continues to drive operational adjustments.

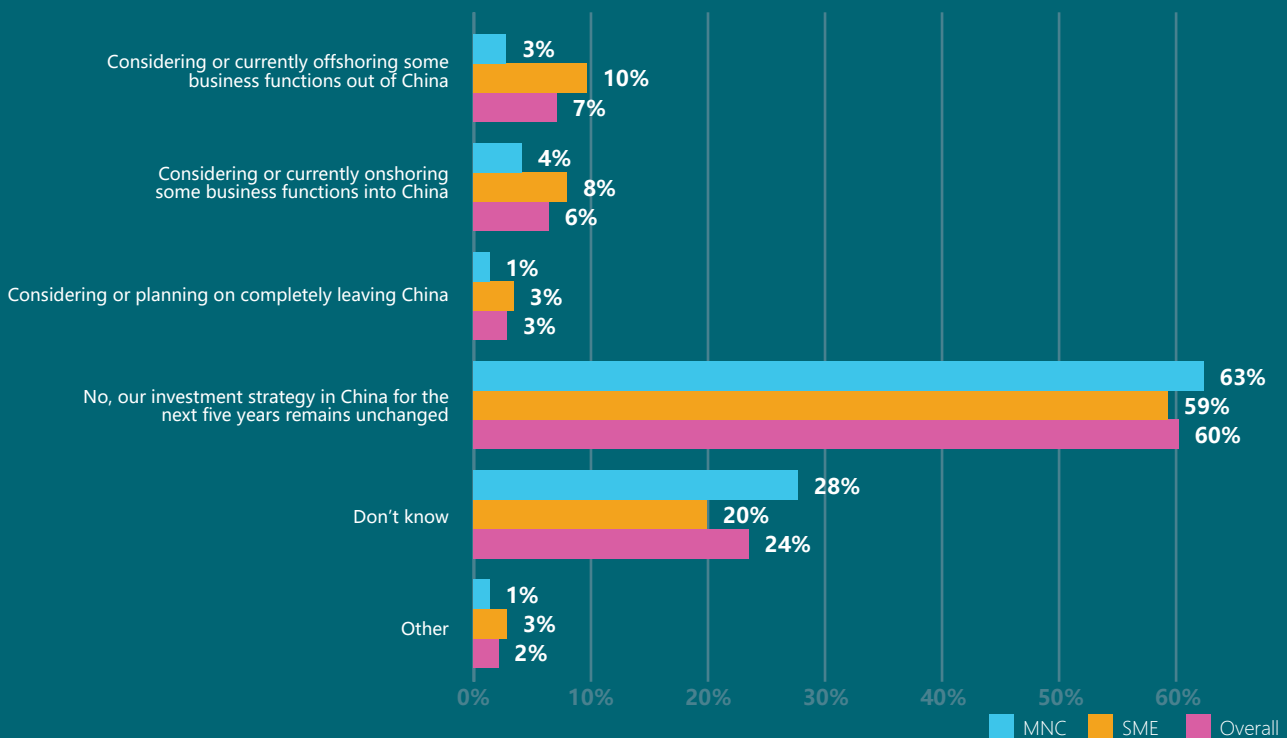
R&D and staffing

R&D activity shows a modest level of planned adjustment. 4.6% are increasing localisation and 9.1% are considering it, while 34.5% foresee no change. Staff localisation follows a similar pattern, with 8.6% increasing localisation and 9.7% considering it. The majority, 57.5%, report no change, indicating that staffing structures are largely settled. Expatriate staffing remains particularly stable, with 57.1% maintaining current levels and only 1.5% increasing expatriate roles.

Management functions

Management localisation shows the highest stability of all categories. 62.2% foresee no change. Only 5.6% plan to increase localisation and 5.9% are considering it, while 5.6% are considering or planning reductions. This reflects mature organisational structures, with companies neither expanding nor reducing management presence at scale.

IS YOUR ORGANISATION CONSIDERING OR CURRENTLY REVIEWING ITS FUTURE INVESTMENT STRATEGY IN CHINA FOR THE NEXT 5 YEARS?



This year's survey reveals that the majority of British companies (60.4%) plan to maintain their investment strategies in China over the next five years, demonstrating a continued commitment to the Chinese market. However, there are small shifts in how companies are approaching their operations in China, reflecting the evolving business environment.

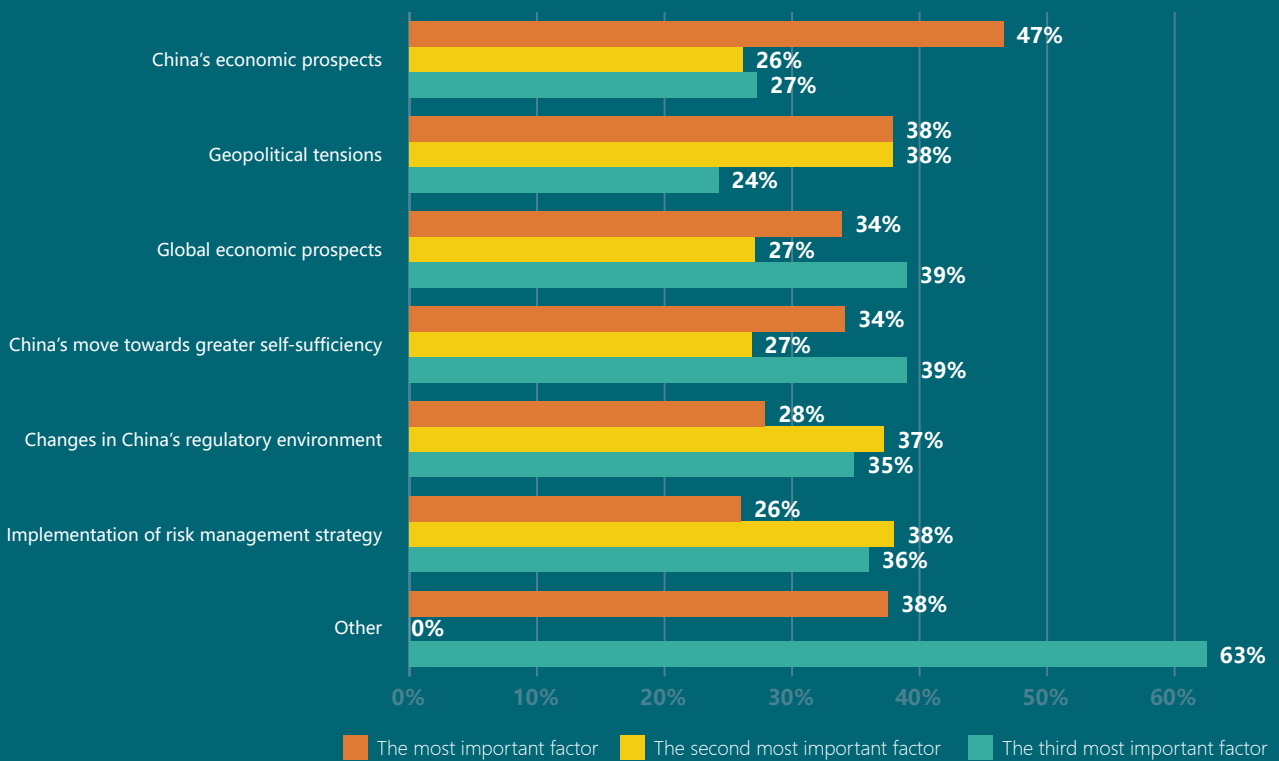
Firstly, 7.1% of businesses are currently considering or actively offshoring some business functions out of China, a slight increase from 6% last year. While still a relatively small proportion, this indicates ongoing concerns about the business climate in China for certain sectors. In contrast, 6.4% of companies are considering or have already

onshored some functions into China, which represents a modest increase from previous years. This suggests that, despite challenges, some companies continue to view the Chinese market as an attractive location for expansion.

Furthermore, only 2.9% of respondents are considering or planning to completely exit China, a decrease from last year's figure of 3.5%. This indicates that the majority of businesses still consider China an essential market for their future growth. However, 23.6% of companies indicated uncertainty or lack of clarity regarding their future investment strategies in China, highlighting a degree of hesitation or indecision in their long-term plans.



PLEASE RANK THE TOP THREE REASONS FOR THE CHANGE IN YOUR ORGANISATION'S FUTURE INVESTMENT STRATEGY IN THE CHINESE MAINLAND



For companies who reported that they are reviewing or considering their long term investment strategy in China, 'China's economic prospects' continues to be the main factor behind this change. Geopolitical tension ranked second, and both the global economy and China's move towards self-sufficiency were the joint third most cited reasons.

A comparative view of MNCs and SMEs reveals diverging narratives behind the reason for changing investment strategies. Both report geopolitical tension in their top three causes, but MNCs rank it first while SMEs place China's economic prospects higher, suggesting greater SME sensitivity to immediate economic conditions.

Looking at the data through the lens of localisation strategy adds further nuance to the picture. Among the 16 companies planning to increase onshoring over the next five years, China's push for self-sufficiency and firms' risk-management considerations are the second and third most common motivations behind the global economy. Among the 25 respondents who intend to offshore, the leading reason is changes to the regulatory environment. Taken together, these patterns point to a split in strategic responses as firms either adapt to local conditions or scale back their presence. Importantly, these results reflect only the 14 percent of all survey respondents who reported an intention to either onshore or offshore.



8

TALENT AND INTERNATIONAL TRAVEL

HOW HAS YOUR CHINA OPERATIONS' SITUATION CHANGED IN TERMS OF INTERNATIONAL TALENT OVER THE PAST YEAR?

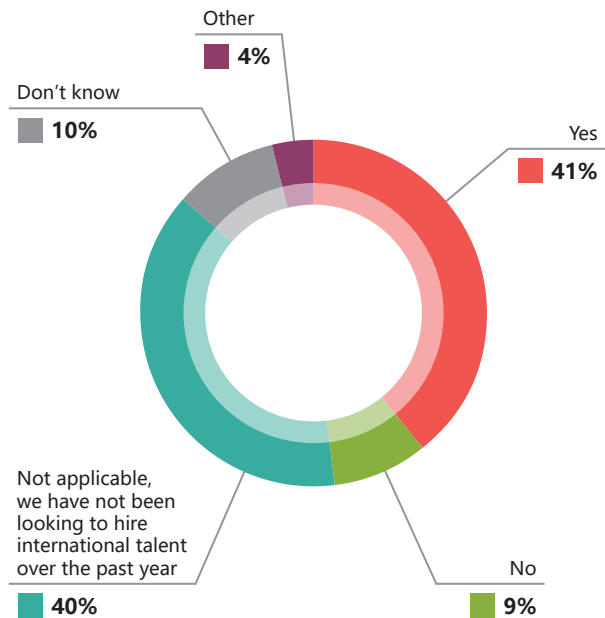


This year's data shows a stable trend in foreign talent acquisition for China operations, with some slight changes compared to last year. 33.7% of companies employ foreign passport holders with no significant changes from last year. Meanwhile, 20% of businesses suggest they do not hire foreign passport holders, consistent with the previous year's 22%. Interest from potential foreign hires has increased slightly, with 9% reporting more interest, up from 7.8% last year. Conversely, 6% of businesses saw less interest, a decrease from last year's 7.8%.

Regarding foreign employee numbers, 7.3% of companies saw a net increase in foreign hires, while 8.67% experienced a net decrease, reflecting a balanced shift similar to last year.

Overall, while foreign interest is slightly up, the situation remains stable over time, with SMEs continuing to see more positive trends in foreign employment compared to larger enterprises.

HAVE YOU BEEN ABLE TO FIND AND/OR RETAIN ENOUGH OF THE NECESSARY INTERNATIONAL TALENT YOU NEED TO OPERATE AND/OR GROW YOUR BUSINESS IN THE CHINESE MAINLAND OVER THE PAST YEAR?

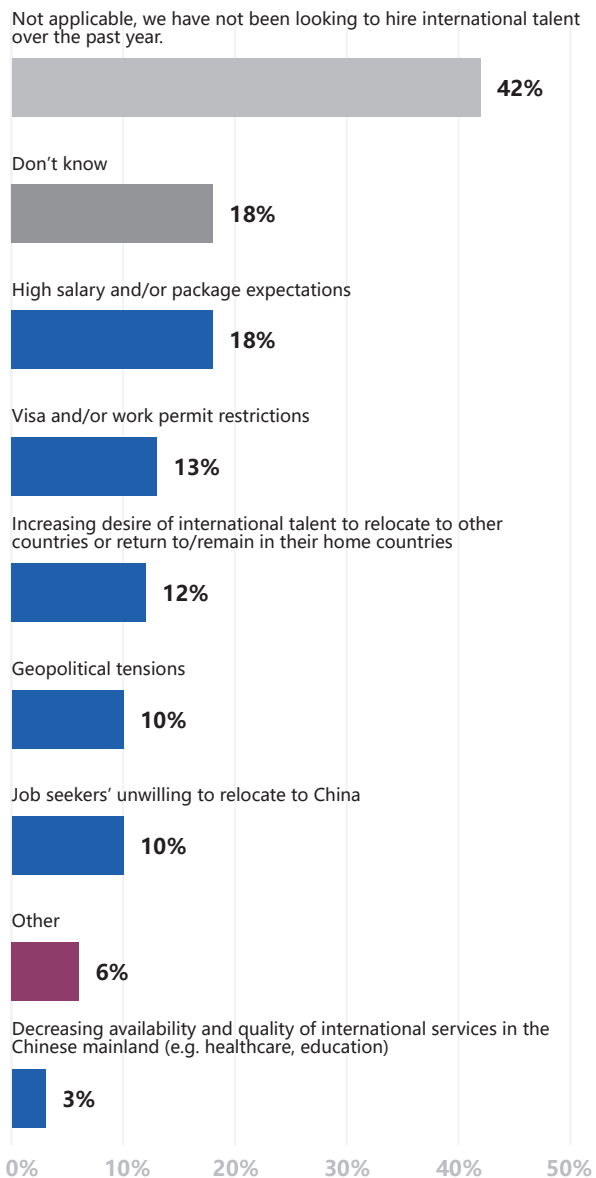


This year's survey reveals that 41.1% of respondents have successfully found or retained the necessary international talent to operate and grow their business in mainland China, a figure consistent with last year's 40.6%. However, 39.8% of companies indicated they did not actively seek to hire international talent over the past year, showing a slight increase from last year's 35%. This shift may reflect a change in business strategies or a preference for local talent.

A smaller proportion of respondents, 9.1%, reported challenges in securing international hires, while 9.5% were unsure of their hiring efforts.



WHICH OF THE FOLLOWING FACTORS HAVE IMPACTED YOUR ORGANISATION'S ABILITY TO HIRE AND/OR RETAIN THE NECESSARY CHINESE TALENT?



Recruitment pressures remain evident, though the nature of these challenges has shifted compared with the previous year. The primary difficulty found last year centred on identifying candidates with the requisite skills and qualifications, cited by 68% of respondents. While 58% of organisations still identify skills gaps among local talent this year. However, the focus has broadened to include structural, market-driven, and regulatory constraints affecting international recruitment.

High salary and package expectations have emerged as the main barrier, cited in 18% of responses which contrasts with last year, when 27.3% of companies reported salary expectations as a challenge, suggesting a reversal of the previous easing trend amid tighter budgets and intensified competition for internationally experienced staff. Visa and work-permit restrictions remain a significant obstacle, affecting 13.3% of respondents, with one-third of organisations in South West China identifying administrative processes as a direct barrier.

Another notable development is the growing reluctance of international professionals to relocate to or remain in China. 12.5% of businesses reported that international candidates were increasingly seeking opportunities elsewhere, influenced by geopolitical tensions, evolving career priorities, and stronger pull-factors from other markets. This trend is particularly evident in creative industries, manufacturing, and consumer-facing service sectors.



WHICH OF THE FOLLOWING ACCURATELY DESCRIBES YOUR EXPERIENCE WITH APPLYING FOR AND OBTAINING VISAS TO ENTER AND/OR WORK PERMITS TO RESIDE IN CHINA FOR FOREIGN PASSPORT HOLDERS IN YOUR ORGANISATION?



There is a generally positive trend in the experience of applying for visas and work permits for foreign passport holders, although challenges remain. Among respondents, an increased 25.4% found documentation requirements straightforward and easy to navigate, compared to 22% last year. However, 15.1% still reported that paperwork is complicated. In terms of processing times, 24.6% of companies noted relatively quick preparation and processing, a small increase from last year's 23%, reflecting some positive changes. Yet, 25.9% of businesses indicated that they had no experience in applying for visas for foreign passport holders, a figure that mirrors last year's 23%.

Policy innovations also continue to influence business experiences. The introduction of visa-free entry for multiple countries was cited as having a positive impact by 14.7% of respondents, reflecting early benefits in facilitating short-term business travel. However, only 4.3% of companies found the ports visa for business visits useful, showing little change from last year's 4%, indicating limited uptake and room for further refinement. Overall, 12.5% of respondents stated that obtaining visas and work permits in the past 12 months has become easier.

ABOUT THE BRITISH CHAMBER OF COMMERCE IN CHINA

The British Chamber of Commerce in China is a membership organisation in the Chinese mainland focused on providing advocacy, knowledge and community for British businesses throughout the country, with offices across Beijing, Southwest China and South China. We operate as an independent, not-for-profit organisation with a strong and diverse membership. With over 44 years worth of business experience in the market, we are the independent voice of British business in China, bringing the UK-China business community together and supporting UK companies to thrive in one of the world's fastest growing markets.

As the voice of British business in China, the Chamber advocates on behalf of our members to both the British and Chinese governments for the purpose of better directing trade relations. The dialogues we foster raise the core concerns of our members, making their voice heard in government and the wider China business environment.

Our major policy initiatives are our annual Position Paper and Business Sentiment Survey, two authoritative overviews of the needs of British businesses in the China market. Both publications examine the impact of China's regulatory system on the ability of BritCham members to thrive and provide a full range of products or services to market, and provide both policy recommendations and an overview of opportunities for British business in China. Our other reports provide more focused analysis on particular facets of China's regulatory landscape. Through our engagement with the British and Chinese governments we aim to foster a strong, resilient UK-China trade relationship.

ABOUT THE BRITISH CHAMBER OF COMMERCE SHANGHAI

Founded in May 1915, the British Chamber of Commerce Shanghai (BritCham Shanghai) is the oldest foreign Chamber in China and a dynamic network of international businesses with a shared interest in East China. Our members are the pulse of the organisation — we champion best practice, share knowledge, and foster trusted, long-lasting partnerships.

Our purpose is to make meaningful connections: connections that open opportunities, empower businesses, and unite our international community in China. Guided by our three pillars — Advocacy, Knowledge, and Community — we help members navigate one of China's most dynamic commercial hubs.

With more than 280 member companies, BritCham Shanghai offers on-the-ground intelligence, practical support, and engagement opportunities across a wide range of sectors. Our advocacy is strengthened by core research outputs such as the bi-weekly Policy Digest and Thought Leadership series. These insights inform our agenda and support the long-term success of British and international companies across Shanghai and East China.

ACKNOWLEDGMENTS

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