



# DENMARK IN CHINA



IFU and Danish enterprises

in China 1984-2005



## China's open door

By Sven Riskær, managing director

In 1978, when Deng Xiaoping announced that China had “opened its door” to foreign investors, China – and the world at large – looked very different from today. Chinese enterprises were all public or state-owned, and foreign investors – including Danish companies – looked upon the great country, which had been closed for such a long time, with a mixture of awe and scepticism. The at that time somewhat larger East Asiatic Company – or Bau Long Yang Hang (Rich Foreign Trading House) as it had already been known for almost a century in China – had maintained its presence, also during the hard times and actually became a spearhead for Danish enterprises looking for the best way to enter this great and hitherto unknown market. In the beginning, conditions were difficult. Co-ownership with state-owned or public Chinese enterprises was pre-conditional and only a limited number of geographical areas, mostly in the costal region, were open to foreign investors.

### IFU's first investment

The interest from the foreign investors' side focused mainly on consumer products for 1.2 billion Chinese and actually, IFU's first experience with an interested Danish investor was related to the production of bicycles – an adventure which IFU did not find to be feasible nor relevant in a country which already had the world's largest production of bicycles. The company was established without IFU's participation, but survived only for a short time. IFU's first investment in China effectively took place in cooperation with the East Asiatic Company – the well-known hotel and foreign residence complex still in very successful operation, East Lake Villas in Beijing. Since then, a number of mainly large Danish companies, still focusing on



mainly consumer products or services for the large Chinese market, were established and in general with IFU's co-investment participation.

### From big to small

As the open-door policy evolved into a truly "open market" policy and China joined the WTO, Danish investments gradually changed, both in size and nature. Today we see a continuous and strong growth in the number of Danish enterprises looking for IFU advice and co-financing in order to establish themselves in China. While large groups such as Maersk, Novo, Danfoss and Danisco dominate the picture, many of the Danish investors in China today are small and medium-sized, and their motives are either outsourcing labour intensive or even high-tech jobs to reduce costs so that they can better serve overseas markets, or getting closer to their main customers who have already for some time outsourced their production activities to China.

### From east to west

And increasingly, attention is being focused on the huge potential of Western China, with Carlsberg leading the way with a remarkable brewery investment in Lhasa, the capital of Tibet Autonomous Region. The Danish (and other foreign investors) have shown with their "feet and money" that China today is an attractive and wide-open market, stretching from Beijing and Shanghai in the east to Lhasa in the west, from Inner Mongolia in the north to Hong Kong in the south. Everywhere with fast expanding infrastructure, an ample supply of efficient and eager collaborators and splendid market opportunities – and with IFU ready to provide 20 years of experience, advice and money to support their entry into what will soon be the largest and most open economic power in the world.

## NETWORKING WITH ROYAL DANISH EMBASSY AND DANISH TRADE COUNCIL

IFU has a close cooperation with the Royal Danish Embassy in Beijing and with the three Danish consulates in Shanghai, Guangzhou and Chongqing. For Danish companies trying to enter the Chinese market or to find the best investment opportunities in China, an early contact to the Danish Trade Council representatives in China in these offices will give access to a wealth of relevant information and useful contacts. **Royal Danish Embassy in Beijing:** [bjsemb@um.dk](mailto:bjsemb@um.dk) · **Royal Danish Consulate in Shanghai:** [shagkl@um.dk](mailto:shagkl@um.dk) · **Royal Danish Consulate in Guangzhou:** [cangkl@um.dk](mailto:cangkl@um.dk) · **Royal Consulate of Denmark in Hong Kong:** [hkggkl@um.dk](mailto:hkggkl@um.dk) · **Consulate of Denmark in Chongqing:** [chongqing@dtchina.dk](mailto:chongqing@dtchina.dk)

### IFU'S CHINA TEAM IN CHINA:



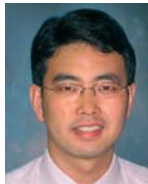
#### IFU BEIJING OFFICE:

**Ms Hong Jiang, Chief Representative**  
MSc (Economics) from Copenhagen University. Born in China, now a Danish citizen. Working experience within the Danish public sector (Ministry of Finance), and private sector (Computer Science Corporation). Hong's 10-year stay in Denmark has added Danish experience to her Chinese background. Hong started working for IFU in 2000, leading the office in China and representing IFU on the board of several projects. [hji@ifu.com.cn](mailto:hji@ifu.com.cn)



#### Ms Zhan Hu, Investment Officer

MSc (Economics) in Business, Language and Culture from Copenhagen Business School. 1997-2000, Worked with China Nam Kwong National Imp. & Exp. Corp. under Ministry of Commerce of PRC. 2000-2001 Demokratifonden Scholarship programme (trainee in various Danish organizations). 2001-2004, Trainee in IFU Copenhagen. Investment Officer in IFU Beijing Office since 2005. [zh@ifu.com.cn](mailto:zh@ifu.com.cn)



#### Mr Le An, Investment Officer

Major in English at Beijing Foreign Studies University. Master of the Law from Tsinghua Law School and Certificated International Business Negotiation Expert. Worked with PriceWaterhouseCoopers. Presently being engaged in IFU Copenhagen training and Executive MBA, Scandinavian International Management Institute. [lan@ifu.dk](mailto:lan@ifu.dk)



#### Ms Janet Shi, Secretary

English Major. Business assistant at China Trade & Development Import & Export Cooperation. Has worked as secretary at IFU Beijing since 1996, when IFU set up the representative office. Visited IFU Copenhagen for training in 1997 and 2002. [jsh@ifu.com.cn](mailto:jsh@ifu.com.cn)



#### IFU ADVISERS:

##### Mr Larry Yee Cheng, Adviser

MBA (Financing) from the University of Southern California and Certified Public Accountant. Working with China State Economic Commission and China Enterprise Confederation, KPMG, Peat Marwick Huazhen, Price Waterhouse China, and Australia and New Zealand Banking Group, Beijing Branch. Became adviser to IFU in 2004. [cheng.y@163.com](mailto:cheng.y@163.com)



##### Mr Lucien Wang, Adviser

Major in Business Mathematics, Soochow University. Worked as regional director of Telecommunication Services for Motorola Asia until 1999, then started his own consulting business. Has also organised high-tech related projects, especially on IT outsourcing and software. Adviser to IFU on investments in China since 2001. Representing IFU on boards of various project companies. [lwang@public3.bta.net.cn](mailto:lwang@public3.bta.net.cn)



##### Mr Peter Rasmussen, Adviser

BSc. (Electrical Engineering), MBA from National Taiwan University (in Chinese). Has worked in China with Danfoss A/S and Jacob Holm og Søner A/S. Owner and General Manager of Asia Base A/S. Founder and co-owner of Global Industries A/S. Founder and co-owner of DI-Asia Base Business Services. Involved in IFU related projects since 1993. [pnr@asia-base.com](mailto:pnr@asia-base.com)

### IFU has participated in the following exited projects:

#### PROJECT

Chinaust Changchun  
Chinaust Plastics  
Chinaust Shanghai  
Coloplast  
Dalian Xinshiji  
Danagraf China  
Danavox Xiamen  
Danisco (China)  
East Lake Villas  
Green Environment  
Impact Furniture  
Innovation  
International Nutrition  
Jacob Holm  
Ningbo Zhedong  
Primo Kunming  
Shanghai Ovo Egg Prod.  
Shanghai Trayton Trading  
SIDIC  
Silcon  
Smekru  
Trayton Furniture  
Unicon-Dalian  
Wolfking Tianjin Co.  
Yan-Dan  
Zhejiang ACO  
Danhua  
Novozymes (China)  
Hydro-X (China)  
Danfoss  
Bestseller Fashion Group  
Beijing Sunpu El. Appl.  
Tianjin Teamwork

#### DANISH PARTNER

Codan Gummi  
Codan Gummi  
Codan Gummi  
Coloplast  
EAC (Hong Kong)  
Danagraf  
GN Danavox  
Danisco Ingredients  
EAC (Hong Kong)  
Rambøll/Cowi  
Eileresen  
Innovation Randers  
EAC (Hong Kong)  
Jacob Holm & Søner  
Plastmo  
Primo Danmark  
Ovotec International  
Trayton Møbler  
Dangroup International  
Silcon  
Krüger  
Trayton Møbler  
Unicon Beton  
Wolfking Danmark  
Dangroup International  
Plastmo  
Kampsax/Vejdirektoratet  
Novozymes  
Hydro-X  
Danfoss  
Bestseller  
Metro Term†  
System B8



## Ongoing projects with IFU

Currently, IFU has co-invested in 31 projects all over China. They represent investments by IFU of more than a total of DKK 263m. Of course not all of them have had a fluent start, but IFU supports them – not only financially, but also with the big local knowledge which has been accumulated in the Fund through 20 years of experience in China and personified in the advisers in China as well as the staff in Copenhagen. In addition to that, IFU cooperates with different institutions, e.g. the International Finance Corporation's (IFC) office in the Sichuan province in Western China, where the Fund has noted a growing interest among Danish companies in the past years and DEG (Deutsche Investitions- und Entwicklungsgesellschaft mbH) and their Public Private Partnership Programme.

### IFU is currently a partner in the following projects:

PROJECT	DANISH PARTNER
Baihua	Heidelberg
Codan Ling Yun	Codan Gummi
Shanghai Dansk	Dansk HK
Ting Fung Starch	Kartoffelmecentralen
Shanghai Roulund	Roulunds Rubber
Zi Dan	Heidelberg
Huhhot Hua Ou Starch	Kartoffelmecentralen
Mærsk Container	Mærsk Container
Schrøder Plast	Schrøder-Plast
Hydra Tech	Hydra Tech
Wenzhou Primotex	Moria Industri
Qiaohong New Materials Co.	Dan-Webforming
BlueStar Cool Sorption	Cool Sorption
Sonion (Suzhou)	Sonion Horsens
ECCO Shoefactory	ECCO Sko
Heco Mechanical Seals	Heco Holding
Rosti China	Rosti
Anqing White Cement	Aalborg Portland
DISA (Changzhou)	DISA
GPV China	GPV International
GPV (Suzhou)	GPV International
BB Electronics China	BB Electronics
Weike Zhuhai Electronic	Ulveco
AVK Sealing Technology	AVK Gummi
Flexa Suzhou Furniture	Flexa Holding
Tibet Lhasa Brewery	Carlsberg International
Lanzhou Huanghe Jianiang	Carlsberg Breweries
ECCO Tannery (Xiamen)	ECCO Sko
ECCO (Xiamen)	ECCO Sko
Carlsberg Qinghai	Carlsberg Breweries
Desmi China	De Smithske

## Best kept secret – IFU's pipeline

The best kept secret is the identity of the partners in IFU's pipeline for new investments. However, it is no secret that right now IFU has a pipeline of new project proposals and ideas for China close to 50 in numbers, which is the highest count ever recorded. These project ideas encompass a broad range of motives and business sectors - ranging from outsourcing activities, infrastructure projects, service industry and trading to production targeting the huge growing Chinese home market. Previously, only big Danish players took an active interest in China. Today, this picture has changed, and a mix of small, medium and big Danish enterprises are all found in IFU's current pipeline. The geographic focus of IFU's projects has traditionally been in the areas of Beijing/Tianjin, Shanghai and neighbouring provinces, as well as in the Guangdong Province. Today, new focus is also on other parts of China – the Sichuan Province, Chongqing, Inner Mongolia, Ningxia Region and Tibet – as these areas' big potential is becoming known.

## GoGlobal – Gateway to Globalisation

Danish enterprises are increasingly looking abroad to sell products, supply services, distribute and make investments. Still more enterprises are moving part of their production abroad in order to compete in the global market. The Danish Government actively support these globalisation efforts since activities abroad can create growth and jobs in Denmark and elsewhere. Denmark must be proactive in its globalisation efforts, at the same time making a much needed contribution to global development. Consequently four Government funded organisations – the Danish Trade Council, Eksport Kredit Fonden, Danida and IFU – are working together to provide better globalisation services for Danish trade and industry. The primary objective is to strengthen Danish activities abroad to make them profitable and viable. In this way, the individual enterprise makes a reasonable profit, and in the long term the Government achieves a return on its investments or recovers its long-term loans. At the same time, Denmark and Danish enterprises boost global growth and development. In developing countries, such contributions to economic and social development are crucial. [www.goglobal.dk](http://www.goglobal.dk)

## IFU – A Value Adding Partner

IFU has almost 40 years experience as an adviser to and active co-investor for Danish enterprises wishing to set up business or expand their activities in developing countries. IFU offers partnership via co-financing – by subscribing to shares and/or granting loans of up to DKK 50 million per project. IFU participates on the boards of project companies with experienced internal and external advisers. An extensive network of advisers enables IFU to assess the commercial aspects of a proposed project, including aspects on local legislation, business climate, etc. Presented with a specific idea for production in a developing country, IFU will offer the partners a preliminary meeting for discussing issues of importance to the viability of the project. IFU is familiar with most pitfalls and offers guidance on how to steer clear hereof. IFU may also help in identifying potential partners and various financing options – including contacts to IFU's network of international financing institutions.

### IFU'S CHINA TEAM IN COPENHAGEN



**Mr Torben Huss,**  
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Executive MBA, Scandinavia International  
Management Institute. 1991-1993, Supervisor, KPMG  
Peat Marwick Representative Office, Beijing. 1993-  
1995, Trainee, IFU Copenhagen. 1995-1996, Area  
Manager, IFU Copenhagen. 1996-1998, Chief  
Representative, IFU Beijing Office. Since 1998,  
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**Ms Malene Kvist Kristensen,** Investment Officer,  
IFU Copenhagen  
MSc (International Business) from Copenhagen  
Business School in 1999. Studied one year at Fudan  
University in Shanghai from 1997-1998. Worked 3  
years as financial analyst within the Corporate Finance  
/ M&A Department of Morgan Stanley in London before  
joining IFU in 2002. Stationed at IFU's Beijing office  
for 7 months during 2004. [mkk@ifu.dk](mailto:mkk@ifu.dk)



**Mr Ib Albertsen,** Senior Regional Co-ordinator,  
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MSc (Economics and Financing) from Copenhagen  
Business School. Has worked with corporate financing  
since 1984 and joined IFU in 1992. Stationed in the  
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sively with IFU's new projects in China since early  
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## Bestseller Fashion Group China (BFGC)

Today, Bestseller Fashion Group China has more than 800 shops covering all the major cities in China, where fans of ONLY, Vero Moda and Jack & Jones can be found among the young generation of Chinese. The secret behind the success is the attitude of the Danish investors. While many foreigners in China tend to isolate themselves from the community, and seek to stay together with other foreigners, the Danes behind Bestseller mix with the Chinese and have learned how to adopt the local culture and how to cope with the local environment. While it is common among foreign investors to complain about mobilizing and quality of the Chinese staff members, BFGC has the best experience with its stable and dedicated employees. This is due to training of the local staff members and competent management with strong motivation.



## Lhasa Brewery

It is an extremely exciting event that a Danish investment is moving from the East to the West of China – Carlsberg A/S and IFU, together with the local partner Tibet Galaxy, join hands in Tibet for a brewery joint venture, Lhasa Brewery. The investors aim to contribute to as well as benefit from a growing market in Tibet, based on a fair market position already possessed by the project. The beer lovers in China and elsewhere will have the possibility to taste beers made of the clean water from the “roof of the world”.



## International Nutrition Co. Ltd. (INC)

Breastfeeding is always the best, but sometimes it is acceptable or even necessary to have a substitute. In such cases, it is essential to ensure products of the highest quality. In 1992, The East Asiatic Company (EAC), a Danish registered trading house with trading experience in China for more than 100 years, set up a joint venture in Shanghai together with IFU and Xin An Dairy Company – who was bought out later by EAC and IFU - for production of infant formula and yogurt. IFU sold its shareholding in INC to EAC in 2000, when the project started to enjoy its great success, after overcoming the frustrations and difficulties with the local partner and the market in the past years. Today, INC has a leading position in East and Central China and is expecting even greater achievements.



## Huhhot Hua Ou Starch Co. Ltd. (Hua Ou)

20,000 Chinese farmers in a relatively underprivileged district of Inner Mongolia have access to a new and secured market for their products and hence a better income through delivering their potato to Hua Ou, a joint venture for production of potato starch established among Kartoffelcentralen amba (KMC), IFU, Lyckebys from Sweden and Nailun Group. This project demonstrates how the technical know-how can be transferred successfully, on a commercial basis, from the potato farmers in Scandinavia to their colleagues on the other side of the globe for the mutual benefit of both parties.



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