

Beijing's UK Lending Operations

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Acknowledgments

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Introduction

While Beijing's role as a major financier for developing countries is widely recognized, much less is known about how and why its state-owned banks and enterprises provide credit for projects and activities in high-income countries, such as the United Kingdom. According to the 1.0 version of AidData's China's Loans and Grants to High-Income Countries Dataset (CLG-HIC 1.0), Chinese state-owned creditors provided nearly \$59.9 billion in loan commitments for projects and activities in the UK between 2000 and 2023.¹ This makes the UK the third largest high-income recipient of official sector credit from China between 2000 and 2023, behind only the U.S. and Australia. On both a per capita basis and as a percentage of GDP, the UK has received more lending commitments from Chinese state-owned entities than any other Group of Seven (G7) member.²

China's lending to developing countries primarily consists of loans to governments and state-owned enterprises, which qualify as sources of public and publicly guaranteed (PPG) debt. However, Beijing's lending to the UK and other developed countries primarily consists of non-PPG debt.³ These types of lending operations provide liquidity support to UK corporates, support mergers and acquisitions, and bankroll project companies (also known as "special purpose vehicles") that are responsible for public and private infrastructure projects.

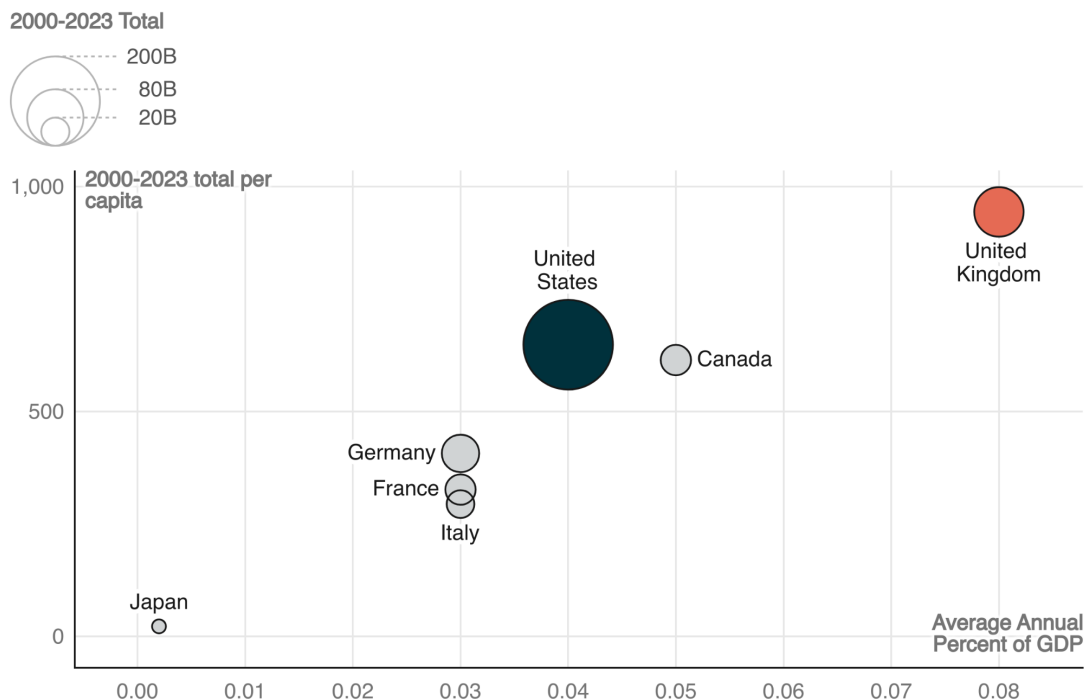
In recent years, the UK government has taken steps to tighten oversight of inbound sources of foreign capital—in part due to concerns about China's involvement in sectors that are considered to be sensitive on national security grounds. The passage of the National Security and Investment Act 2021 (NSIA), which came into effect in January 2022, marked a major turning point by introducing a relatively stringent investment screening mechanism (ISM).

¹ Unless otherwise noted, all references in this brief to U.S. dollars (\$) are in constant 2023 terms.

² See Figure 1.

³ For details on how non-PPG debt is becoming a more significant part of China's overseas lending operations in developed and developing countries, see Chapter 2 of AidData's report, *Chasing China: Learning to Play by Beijing's Global Lending Rules*.

Figure 1: China's cross-border lending commitments to G7 countries, 2000-2023



Notes: This figure presents the relative scale of China's cross-border lending commitments to G7 countries between 2000 and 2023. It does so via two measures: (1) total official sector loan commitments per capita, based on each country's average population size during the period, and (2) the average annual value of official sector loan commitments as a share of recipient country GDP. Together, these measures adjust for country size and economic scale, enabling an apples-to-apples comparison of China's official sector lending commitments to G7 economies.

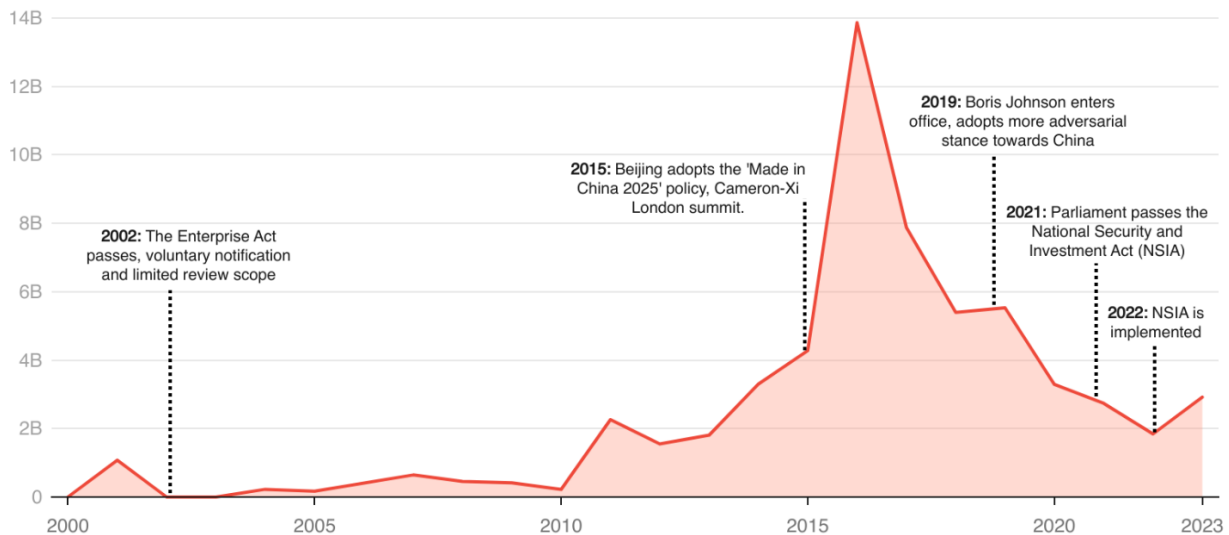
Figure 2 demonstrates that Beijing's financial footprint in the United Kingdom was relatively limited between 2000 and 2014. However, in 2015, Chinese state-owned banks and corporations funneled a large amount of credit into the country. The same year, Beijing announced the adoption of its *Made in China 2025* strategy—a ten-year plan to achieve 70% self-sufficiency across ten high-tech sectors, from next-generation information technology and robotics to aerospace, new energy vehicles, and biopharmaceuticals—incentivizing Chinese companies to acquire overseas assets to meet these goals.

Beijing subsequently made the UK a priority destination for official sector credit. President Xi Jinping's state visit to London in October 2015 ushered in a "golden era" in UK-China relations, and lending from Chinese state-owned creditors boomed over

the next five years. Beijing's average annual lending commitments for projects and activities in the UK amounted to \$7 billion during this period.⁴

Figure 2: Timeline of China's lending to the UK

Annual lending commitments to the U.K. in constant 2023 USD.



However, when the UK's coalition government collapsed after the Brexit vote, leadership changed—as did policy towards China. Under Prime Minister Boris Johnson's government, the UK took a more adversarial posture towards China in 2019, reducing Huawei's role in UK telecommunication networks and identifying China as a "systemic challenge [...] to [the UK's] security, prosperity and values" in its 2021 Integrated Review of Security, Defence, Development and Foreign Policy.⁵

Then, in April 2021, the UK Parliament passed the NSIA, creating a more robust screening mechanism for inbound sources of foreign capital, irrespective of the country

⁴ During President Xi's state visit to the UK in October 2015, the two governments released a joint statement describing the visit as "[opening] a golden era in UK-China relations":

<https://www.gov.uk/government/news/uk-china-joint-statement-2015>.

⁵ In 2020, Johnson's government announced that "Huawei will be completely removed from the UK's 5G networks by the end of 2027":

<https://www.theguardian.com/technology/2020/may/22/boris-johnson-forced-to-reduce-huaweis-role-in-uks-5g-networks>; in March 2021, the UK Cabinet Office released its updated Integrated Review of Security, Defence, Development, and Foreign Policy, outlining China as a systemic challenge to the UK and its allies:

<https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy>.

of origin.⁶ The law went into effect in January 2022, granting the government the power “to scrutinise and intervene in business transactions, such as takeovers, to protect national security, while providing businesses and investors with the certainty and transparency they need to do business in the UK.” It was given this authority on a prospective basis and a retrospective basis (for deals signed after November 2020).⁷

In this brief, we describe the composition of China’s lending portfolio in the UK and the role the NSIA has played in screening inbound sources of official sector credit from China.⁸ We also review several case studies that highlight the nature and extent of China’s financial footprint in the country—including its involvement in bankrolling sensitive infrastructure projects (like Hinkley C Nuclear Power Plant) and the acquisition of high-tech companies (like Gardner Aerospace and Imagination Technologies).

⁶ On April 29, 2021, NSIA 2021 received royal assent in the UK Parliament, “making provision for the making of orders in connection with national security risks arising from the acquisition of control over certain types of entities and assets; and for connected purposes” as outlined in the bill: <https://bills.parliament.uk/bills/2801>.

⁷ On January 4, 2022, NSIA 2021 officially became enforced in the UK, giving the government significant powers to comprehensively screen investments: <https://www.gov.uk/government/collections/national-security-and-investment-act>.

⁸ In Figure A1 in the Appendix, we present a sector-disaggregated map with the geolocations of UK projects and activities supported by official sector loans and grants from China between 2000 and 2023.

Decomposing the portfolio: What types of Chinese credit flow to the UK?

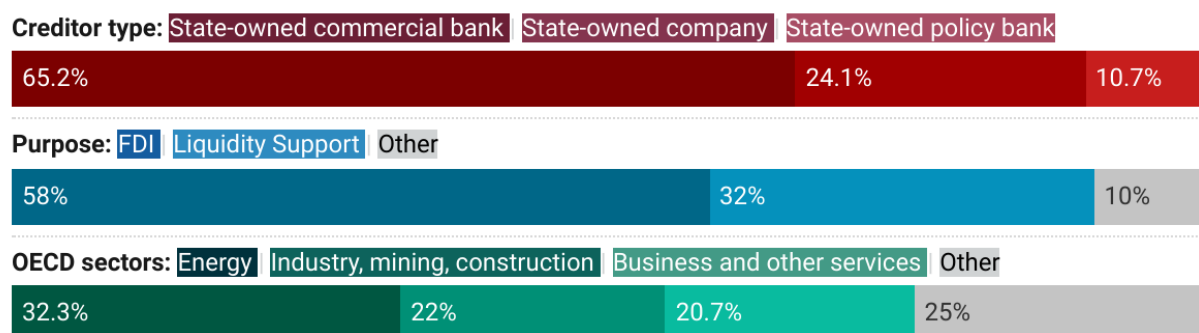
Between 2000 and 2023, Chinese state-owned creditors provided loan commitments worth \$59.9 billion for projects and activities in the UK. 79.7% of these commitments were issued between 2015 and 2023, with “peak lending” taking place in 2016 (with the receipt of \$13.87 billion in official sector credit).

Per Figure 3 below, Chinese state-owned commercial banks provided the lion’s share (65.2%) of credit to the UK. Chinese state-owned enterprises provided an additional 24.1%, although they increased their presence in 2016 with the provision of \$11.04 billion for the Hinkley Point C nuclear power station.

Between 2000 and 2023, Chinese state-owned creditors primarily supported “hardware” sectors, such as energy (32.3% of lending commitments) and industry, mining, and construction (22% of lending commitments), as further shown in Figure 3. Nearly 60%—equivalent to \$34.7 billion—of China’s official sector lending to the UK during this 24-year period supported foreign direct investment (FDI) projects and activities. FDI loans facilitate a lasting interest or control in enterprises operating abroad, often serving as a vehicle for Chinese firms to expand their global footprint through the acquisition of an existing asset or the development of a new asset or project. 42% of China’s FDI loan commitments to the UK supported brownfield investments—i.e., pre-existing companies or assets via mergers, acquisitions, or recapitalizations. The remaining 58% financed greenfield investments, which establish entirely new ventures, facilities, or operations.

Figure 3. China's official sector loan commitments across different financial instruments and categories, 2000-2023

Proportion of loan commitments in constant 2023 USD.

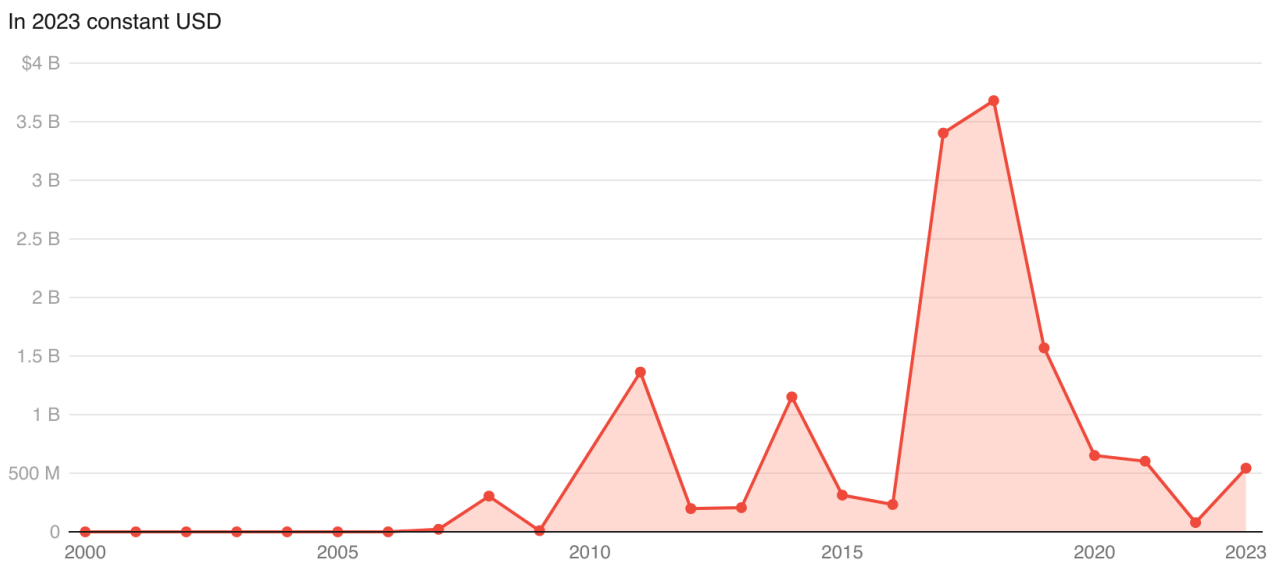


Notes: This figure presents China's cross-border lending portfolio to the UK across three independent dimensions: the type of Chinese-owned creditor; the purpose; and the sector. For the purpose dimension, FDI loans include financing for mergers and acquisitions, project development, shareholder or intercompany lending, and exploration or development carry arrangements. Corporate liquidity support refers to short- or medium-term financing (such as revolving credit facilities, working capital, or refinancing loans) that provide liquidity to firms but do not meet FDI loan criteria.

The UK's exposure to Chinese FDI lending is consistent with a broader trend in high-income countries, where 50% of China's cross-border lending qualifies as lending for FDI projects and activities. However, the UK has attracted more Chinese FDI lending than its peers. In the United States and France, only 36% of China's cross-border loans qualify as FDI loans, which suggests that the UK was an especially attractive destination for Chinese creditors and companies seeking to establish a commercial foothold in the wealthy, industrialized world.

As we explain in a new report entitled *Chasing China*, a central feature of China's cross-border brownfield FDI strategy consists of merger & acquisition (M&A) lending, a key channel through which Chinese creditors enable Chinese companies to expand their footprint in high-income countries. Between 2000 and 2023, Beijing provided \$14.3 billion of official sector credit for cross-border M&A activities in the UK, which represented 41% of China's total FDI lending to the country. China's cross-border M&A financing volumes rapidly increased following the adoption of Beijing's *Made in China 2025* policy, particularly in 2017 and 2018 (see Figure 4 below).

Figure 4. China's cross-border merger & acquisition (M&A) lending commitments in the UK



M&A financing is a particularly sensitive issue because these types of loans enable foreign investors to gain ownership of existing firms and strategic assets, which means they can carry national security and technological sovereignty implications. In the UK, the majority of China's official sector M&A lending operations have supported acquisitions in sensitive sectors (62%), including energy infrastructure, microprocessing technology, mineral resources, and industries that handle sensitive personal data.

In the next section of this policy brief, we explore several sensitive cross-border M&A transactions in greater depth, tracing how the UK's regulatory framework has evolved to address gaps in oversight and protect the country's national security interests.

Chinese lending before and after the introduction of the UK's investment screening mechanism (NSIA)

The passage of the NSIA in 2021 sought to significantly improve scrutiny of foreign investments into the UK. Prior to 2022, national security reviews of new investments in the UK were handled under the Enterprise Act 2002. These reviews were limited in scope and involved voluntary notification and narrow public-interest tests.

Amendments in 2018 and 2020 modestly expanded the sectoral coverage of the UK's screening mechanism for cross-border M&A transactions, but the framework remained reactive and fragmented. Under the pre-NSIA screening regime, fewer than 20 transactions were reviewed on national security grounds.⁹

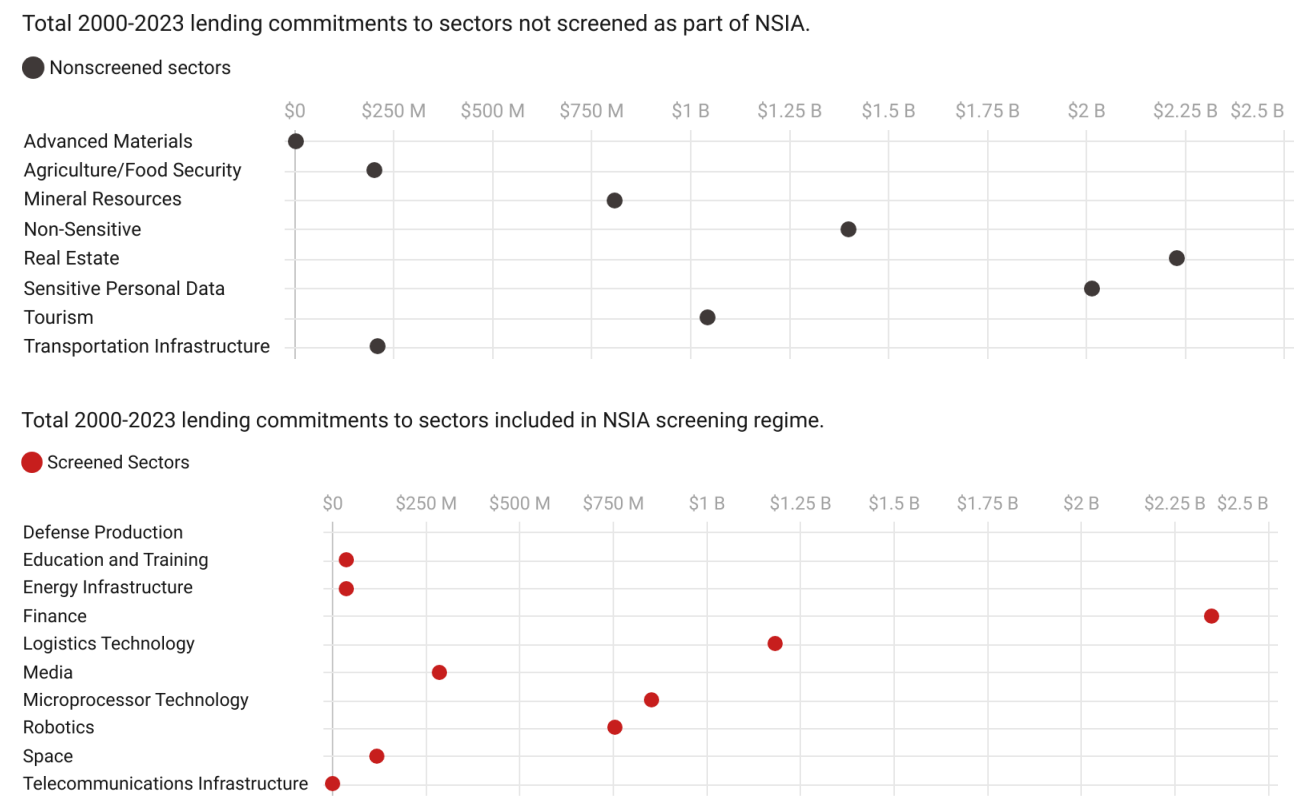
In 2020, the UK Department for Business, Energy & Industrial Strategy released the *National Security and Investment White Paper*, proposing a stand-alone NSIA framework, invigorated by fresh concerns over supply-chain security following the COVID-19 pandemic and Chinese takeovers of firms like Imagination Technologies.¹⁰ The proposal envisaged a comprehensive investment screening regime, including mandatory notifications and retrospective intervention.

When NSIA went into effect in 2022, the Department for Business, Energy & Industrial Strategy assumed centralized review authority for investment screening, and a reduction in cross-border M&A loan commitments from Chinese state-owned creditors soon followed. Figure 5 below demonstrates that the majority of China's official sector financing in sensitive or screened sectors occurred prior to the adoption of the NSIA.

⁹ For an overview of the Enterprise Act 2002, its screening regime, and the transition to the NSIA, see Giles et. al. (2023). *Global Rules on foreign direct investment: U.K.* Norton Rose Fulbright. Available at <https://www.nortonrosefulbright.com/en-ca/knowledge/publications/c582517b/global-rules-on-foreign-direct-investment---uk>

¹⁰ For the full white paper, see <https://assets.publishing.service.gov.uk/media/5fae8f72e90e0709ed1259d4/nsi-government-response.pdf>

Figure 5: China’s cross-border M&A lending commitments across acquisition target sectors, 2000-2023



Notes: This figure shows the total value of Chinese M&A lending directed to specific industries within the UK. Sector classifications follow the framework used in the Politics and Regulation of Investment Screening Mechanisms (PRISM) dataset (Bauerle Danzman and Meunier 2023).

These changes transformed the UK from one of Europe’s most popular destinations for Chinese state credit into one of its most scrutinized and regulated. By moving from a voluntary to mandatory notification regime, the UK effectively curtailed Chinese brownfield FDI financing for the acquisition of assets in sensitive sectors.

The NSIA’s introduction corresponded with a significant decline in official sector credit from China to the UK. Before the NSIA was implemented (2000-2021), average annual lending commitments from Chinese state-owned creditors for foreign direct investment (FDI) projects and activities in the UK amounted to \$2.23 billion. However, in the two years following the NSIA rollout (2022-2023), this figure dropped to \$684 million, which represents a 69% reduction in average annual Chinese FDI lending commitments after the NSIA entered into force. A similar reduction in China’s cross-border M&A lending

operations was observed. Average annual M&A lending commitments fell from \$979 million during the pre-NSIA period to \$311 million after the introduction of the NSIA (a 68% reduction).

In Figure A3, we provide a map with the locations of all Chinese loan-financed M&A activities in the UK before the adoption of the NSIA in 2021. Chinese loan-financed mergers and acquisitions were widespread in both screened and non-screened sectors during this period. However, in Figure A4, one can see that Chinese loan-financed M&A activities sharply declined in 2022 and 2023 (after the NSIA entered into force).¹¹

The law also empowered the UK government to retroactively review transactions completed prior to the NSIA's enactment. Within the first year of implementation, the Secretary of State for Business, Energy & Industrial Strategy invoked this authority to order Nexperia, a Chinese-owned semiconductor company headquartered in the Netherlands, to divest its 86% stake in Newport Wafer Fab, the UK's largest semiconductor wafer plant. The decision—justified on national security grounds—cited risks that the acquisition could “undermine UK capabilities” and enable technology transfers to Chinese firms.¹² The government-mandated divestiture came in the wake of another controversial case: the acquisition of Imagination Technologies by Canyon Bridge, a fund ultimately controlled by the Chinese state. They also failed to anticipate that, once under Chinese ownership, Imagination Technologies could potentially transfer its crown jewels—cutting-edge semiconductor designs and proprietary know-how—to Chinese firms with close ties to the People's Liberation Army (PLA).

These cases underscore the central challenge facing UK regulators: not all Chinese loan-financed transactions pose a threat to national security. Some—such as Hony Capital's loan-financed acquisition of PizzaExpress or Bright Food's purchase of Weetabix—represent benign commercial investments. Others, however, raise serious concerns. For example, CRRC Zhuzhou's acquisition of a 75% stake in Dynex Semiconductor allegedly enabled the PLA to access and adapt high-powered

¹¹ Figures A3 and A4 are available in the Appendix.

¹² See the UK Department for Business Energy & Industrial Strategy's 2022 Final Order related to Nexperia's review at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118369/NWF_Final_Order_Public_Notice_16112022.pdf

semiconductor technologies for the development of electromagnetic weapons.¹³ Similarly, the Canyon Bridge–Imagination Technologies transaction allegedly facilitated technology transfers to Chinese firms with PLA links.¹⁴

The challenge for policymakers, then, is not blocking all sources and types of Chinese financing from entering the UK economy, but distinguishing between benign commercial transactions and those that present national security vulnerabilities. Identifying which transactions fall into which category is rarely straightforward, not least because of opaque ownership structures and financing arrangements that obscure the true beneficiaries of Chinese capital.

Two features in particular warrant closer scrutiny: the use of special purpose vehicles (SPVs) and borrowing institutions with ultimate beneficial owners (UBOs) from China . As Figure 6 below illustrates, a larger proportion (43%) of China’s official sector lending for projects and activities in the UK is directed to special purpose vehicle (SPV) borrowers, as compared to 32% across all high-income economies. SPVs have legitimate purposes, but they can also be used to mask the true source or purpose of lending. Their layered ownership structures can also make it more difficult for regulators to identify links to state-backed entities.¹⁵

Figure 6 highlights that Chinese-controlled borrowing institutions are highly active in the UK market. Nearly half of all loans supporting activities within the UK are extended to borrowers with at least one Chinese ultimate beneficial owner (UBO)—well above the 36% average that is observed across other high-income countries.¹⁶

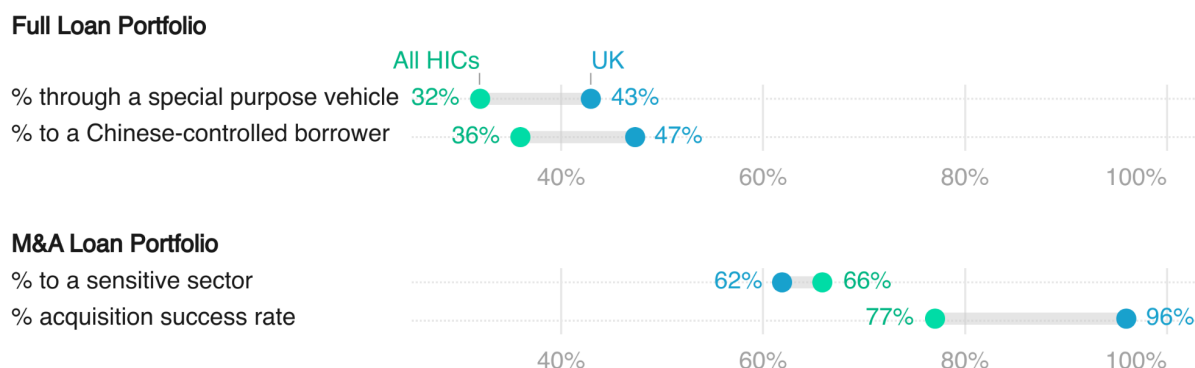
¹³ For more details on allegations that Dynex technology supported the PLA, see <https://www.thetimes.com/world/asia/article/has-china-used-british-technology-to-build-a-railgun-n7blzkmdg>.

¹⁴ For more details on allegations about tech transfers by Imagination Technologies to China, see <https://ukctransparency.org/wp-content/uploads/2024/12/Imagination-Technologies-the-CCP-web.pdf>.

¹⁵ For more details on this, see AidData’s forthcoming report, *Chasing China: Learning to Play by Beijing’s Global Lending Rules*.

¹⁶ The 1.0 version of AidData’s CLG-HIC Dataset captures the owners—including UBOs and non-UBOs—of borrowing institutions and their countries of origin.

Figure 6: Comparison of Chinese financing in the UK to other high-income countries (HICs), 2000-2023



Notes: This figure compares China's lending to the United Kingdom with lending to other high-income economies between 2000 and 2023. For all lending, it shows the share of loans routed through SPVs and the share involving borrowers with at least one Chinese UBO. For M&A financing, it reports the share of commitments in sensitive sectors and the acquisition success rate.

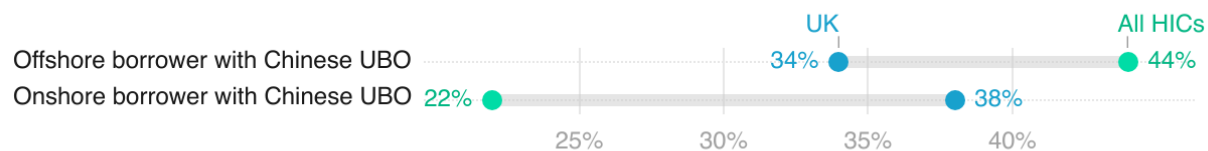
Chinese firms have also had significantly more success completing acquisitions in the UK than in other parts of the industrialized world. Between 2000 and 2023, 96% of attempted Chinese loan-financed acquisitions in the UK were successfully completed, as compared to 77.5% across all high-income economies.¹⁷

Beijing's success in the UK may be related to a "fly beneath the radar" strategy. An unusually large share of borrowing institutions in China's FDI lending portfolio in the country are legally incorporated within the UK while retaining Chinese ownership—a structural feature that complicates regulatory oversight. As Figure 7 below demonstrates, 38% of China's FDI lending commitments to the UK were directed to borrowing institutions that are legally domiciled in the country but ultimately owned by Chinese firms—nearly double the rate that is observed in other high-income economies (22%).

¹⁷ The acquisition success rates here are calculated based on the percent of the M&A lending portfolio that supports a successful acquisition in constant 2023 USD.

Figure 7: The UK's distinctive mix of onshore and offshore
Chinese-controlled borrowers

Share of Chinese FDI lending to onshore and offshore borrowers with Chinese owners: U.K. versus high-income countries (HICs)



Notes: This figure shows the share of China's FDI loan commitments between 2000 and 2023 in which the borrowing entity is incorporated outside the country of activity (an offshore borrower) and has at least one Chinese ultimate beneficial owner (UBO). The comparison contrasts FDI lending for projects and activities in the United Kingdom with FDI lending across all high-income economies, highlighting differences in the use of offshore and onshore structures to channel Chinese state-linked finance.

For UK authorities, the ability to distinguish between benign and non-benign transactions is no longer a peripheral concern; it is central to managing the next phase of the UK's economic relationship with China.

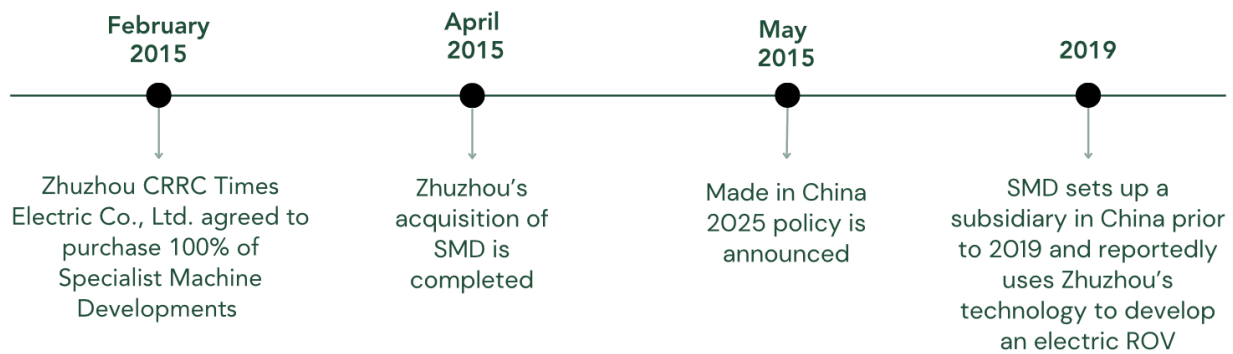
In the next section of this brief, we examine five case studies of Chinese lending and investment activity in the United Kingdom, illustrating the range of transactions that have shaped the country's financial relationship with Beijing. These examples reveal how Chinese capital has financed both commercially routine and strategically sensitive deals—from uncontroversial acquisitions in consumer sectors to transactions that have raised significant national security concerns.

Case study 1: Acquisition of Specialist Machine Developments (SMD) Limited

Commitment year: 2015	Borrower: Zhuzhou CRRC Times Electric Co., Ltd.	Creditor: Export-Import Bank of China	Loan amount (USD): \$115 million (estimated)	Transaction type: Brownfield FDI	Sector: Industry, mining, construction
Deal overview: A Chinese state-owned policy bank provided a loan to a Chinese state-owned company to acquire a British deep-sea robot and subsea engineering machinery manufacturer.					

In February 2015, Zhuzhou CRRC Times Electric Co., Ltd. (“Zhuzhou”)—a Chinese state-owned enterprise specializing in mass transit electric drive converter and control systems and a subsidiary of CSR Corporation Limited (another Chinese state-owned enterprise)—agreed to purchase 100% of Specialist Machine Developments (SMD) Limited, a British deep-sea robot and subsea engineering machinery manufacturer based in Wallsend, England for £108.3 million GBP from private equity firm Inflexion. At the time, Zhuzhou already held a 75% ownership stake in Dynex Semiconductor, a semiconductor manufacturer headquartered in Lincoln, England. To facilitate the acquisition, the Export-Import Bank of China issued a loan to Zhuzhou.¹⁸

¹⁸ The nominal value of the China Eximbank loan is unknown. Given that the total cost of the acquisition was £108.3 million GBP and many China Eximbank M&A (overseas investment) loans cover 70% of the total cost of a cross-border acquisition, AidData has estimated its nominal value as £75.81 million GBP for the time being. However, this issue requires further investigation. A post-acquisition, £60,000,000 GBP debenture was also issued in 2015 by CRRC Times Electric (Hong Kong). For more details, see <https://web.archive.org/web/20250413115053/http://www.eximbank.gov.cn/aboutExim/annals/2015/201806/P020180612449684068720.pdf> and <https://find-and-update.company-information.service.gov.uk/company/06533623/filing-history?page=2>



SMD was regarded as the world's leading manufacturer of deep-sea robots and equipment for subsea trenches and cables, with remote operated vehicles (ROVs) supporting the subsea trenching, submerged mining, marine renewables, and nuclear energy sectors. Buyers of its ROVs included the Royal Navy. Under the terms of the acquisition, SMD was to remain independent in business operations and day-to-day functions under its retained UK-based management team, though with a new board of directors and a new executive and financial staff member added as part of the acquisition. There was no apparent scrutiny of the deal by UK authorities.

The acquisition was completed in April 2015, aligning closely with Beijing's *Made in China 2025* goals related to robotics, ocean engineering, power equipment, and green energy. SMD had been operating at losses when it was acquired. Under Zhuzhou's ownership, SMD established a factory in Shanghai to manufacture ROVs and set up a Chinese affiliate operating as a direct subsidiary of Zhuzhou. SMD incorporated Zhuzhou technology into an electric ROV unveiled in 2019.¹⁹ SMD also provided spare parts and services for an ROV operated by a Chinese research vessel surveying the South China Sea and off Taiwan's coast. Though most of the members of SMD's board of directors are Chinese nationals, SMD continues to have a British chief executive officer and has expanded its UK operations under Zhuzhou's ownership.

¹⁹ For information on the QUANTUM/EV ROV can be found at http://www.xinhuanet.com/english/2019-09/07/c_138373606.htm

Case study 2: Acquisition of Gardner Aerospace Holdings Ltd.

Commitment year: 2017	Borrower: Shaanxi Ligeance Mineral Resources Co., Ltd.	Creditor: Chengdu Shuangliu Xingcheng Construction Investment Co., Ltd.	Loan amount (USD): \$283.5 million	Transaction type: Brownfield FDI	Sector: Industry, mining, construction
Deal Overview: A Chinese municipal-owned company provided a loan to a Chinese mining company to acquire a British aerospace components manufacturer.					

In November 2016, Shaanxi Ligeance Mineral Resources Co., Ltd. (“Ligeance”)—a Chinese publicly-traded mining company—agreed to acquire 100% of Gardner Aerospace Holdings Ltd. (“Gardner”), a British aerospace components manufacturer headquartered in Derby, for £326 million GBP (equivalent to \$422 million USD in nominal terms) from BECAP Fund. To support the deal, Chengdu Shuangliu Xingcheng Construction Investment Co., Ltd., a firm owned by the municipal government of Shuangliu District, Chengdu—where Ligeance was headquartered—issued an RMB 1.8 billion (~\$283.5 million USD) loan to Ligeance. For a chart depicting the acquisition financing of Gardner, see Figure A5 in the Appendix.

Gardner is recognized as a European leader in the manufacture of aerospace components supplied to aerospace original equipment manufacturers such as Airbus, Boeing, Rolls Royce, and airframe and engine producers. Gardner’s products include structural assemblies and parts, such as structures and parts for wing spars and fuselage frames, and are included in Airbus A400Ms and engine platforms for RTM322.



The acquisition was completed in June 2017, with little apparent scrutiny by UK regulators. However, Gardner's subsequent attempts to buy UK companies proved controversial. In 2018, it sought to buy civil aerospace component firm Northern Aerospace Ltd. The government reviewed the deal, but ultimately approved it. In 2019, Gardner sought to acquire Impcross Limited, a manufacturer of components for the aerospace industry (including for military aircraft). The government, using an expanded set of investment screening powers, blocked the deal, ostensibly to protect classified information and maintain the UK's strategic capabilities. Then, in 2022, the government cleared a proposed debt-for-equity swap between Sichuan Development Holding Co, Ltd., a Chinese state-owned fund, and Ligeance. However, it imposed restrictions on information sharing and stipulated that Ligeance and Sichuan's representatives be removed from and a government observer be appointed to Gardner's board of directors. Gardner sued its former CEO in 2024, claiming he had sought to sabotage the Sichuan deal by allegedly lobbying British MPs and regulators to have the deal reviewed under NSIA.²⁰

²⁰ Further details on the specifics of this case can be found at <https://www.cityam.com/ex-ceo-faces-trial-for-allegedly-urging-mps-to-block-chinese-backed-acquisition/>.

Case study 3: Acquisition of Imagination Technologies Group

Commitment year: 2017	Borrower: CBFI Investment Limited	Creditor: Canyon Bridge Fund I, LP	Loan amount (USD): \$756.3 million	Transaction type: Brownfield FDI	Sector: Industry, mining, construction
Deal Overview: A majority Chinese state-owned firm provided a shareholder loan to an offshore investment fund to acquire a British semiconductor and software design company.					

In September 2017, Canyon Bridge Fund I, LP—a Delaware-incorporated fund managed by California-headquartered private equity firm Canyon Bridge Capital Partners, LLC (1% stake) but majority owned by Yitai Capital Limited (99% stake), a firm owned by several Chinese state-owned companies, with China’s State Council as the ultimate beneficial owner—agreed to purchase Imagination Technologies Group (“Imagination”), a British semiconductor and software design company of graphics processing units with applications for graphics, artificial intelligence (AI), machine learning, and autonomous vehicle navigation based in Hertfordshire for £548.9 million GBP (equivalent \$744 million USD in nominal terms). In November 2017, Canyon Bridge Fund I issued a £551.656 million GBP (\$756.3 million) zero-interest shareholder loan to a special purpose vehicle subsidiary, CBFI Investment Limited, to fund the acquisition. For a breakdown of the ownership of Canyon Bridge Fund I and the debt financing to acquire Imagination, see Figure A6 in the Appendix.

The acquisition did not include MIPS, the U.S.-based unit of Imagination producing processes used in embedded computing, which was sold separately. Canyon Bridge previously attempted to purchase American semiconductor firm Lattice Semiconductor Corporation, but the U.S. government blocked the deal in September 2017 after it came to light that “[t]he purpose of creating Canyon Bridge [Capital Partners, LLC] was to obscure the source of capital to ‘enhance the possibility’ that the transaction would

be approved by [the Committee on Foreign Investment in the United States, or CFIUS].”²¹

To secure approval of the acquisition, Canyon Bridge Fund attested the Chinese state-controlled sponsors were only passive investors, with U.S.-based Canyon Bridge Capital Partners, LLC in control, and that Imagination would not be moved to China. Furthermore, Canyon Bridge Fund appointed Western CEOs to Imagination, first Ray Bingham and then Ron Black, to convey the Chinese investors’ passivity.

However, in April 2020, Black and other executives resigned from Imagination in protest of what they alleged was a Chinese government-backed takeover of the firm, due to China Reform Holdings Corporation (“China Reform”) attempting to appoint four members to Imagination’s board of directors.²² Black also alleged that China Reform had suggested Imagination move technology and expertise to China at the expense of the firm’s UK operations and that Chinese government control could have military and espionage implications. The episode led to a hearing in Parliament and China Reform abandoning its takeover attempt. In 2025, Canyon Bridge attempted to sell Imagination. For a detailed timeline of relevant events throughout the Imagination Technologies acquisition and divestiture process, see Figure A6 in the Appendix.

²¹ See

<https://www.nytimes.com/2017/04/07/business/china-defense-start-ups-pentagon-technology.html>

²² China Reform Holdings Group holds a 35.29% equity stake in Yitai Capital Limited. The remaining shareholders—China Pacific Insurance (Group) Ltd, CCB Capital Management Company, CCB Trust Co. Ltd, and Shenzhen Investment Holding Company Ltd.—are also Chinese state-owned entities. In November 2016, *Reuters* reported that an annual report of China Reform Holdings Corporation identified the following organizational objective: to “invest in strategic emerging industries related to national security.” See

<https://www.reuters.com/article/world/exclusive-chinese-government-money-backs-buyout-firms-deal-for-us-chip-make-idUSKBN13N1D1/>

Case study 4: Acquisition of Todd & Duncan

Commitment year: 2009	Borrower: Ningxia Zhongyin Cashmere Co., Ltd.	Creditor: Export-Import Bank of China	Loan amount (USD): \$9.5 million	Transaction type: Brownfield FDI	Sector: Industry, mining, construction
Deal Overview: Chinese state-owned policy and commercial banks provided loans to a Chinese private company to acquire a British textile and cashmere company.					

In November 2008, Chinese textile and cashmere company Ningxia Zhongyin Cashmere Co., Ltd. ("Zhongyin") agreed to acquire 100% of the assets of Todd & Duncan, a Kinross, Scotland-based cashmere business, from Dawson International PLC for a consideration of £6.15125 million GBP (equivalent to \$9.47 million USD in nominal terms). The deal included the brands Todd & Duncan, T&D, T&D Cashmere, Todd & Duncan Cashmere, Brown Allan, proprietary technology, and a four-year lease on a cashmere and lambswool spinning mill at Lochleven Mills, Kinross. China Eximbank issued an RMB 47 million loan (\$9.5 million, representing about 72% of the acquisition cost) to Zhongyin to support the deal. The Bank of China also issued loans in support of the deal.



The acquisition was completed in July 2009 with no reported scrutiny by the government. At the time of the sale, Todd & Duncan was experiencing operating losses. Zhongyin accepted additional loans from China Development Bank and China Eximbank loans in 2011 and 2012. By all accounts, Todd & Duncan turned its business around, with the acquisition preserving the livelihoods of hundreds of employees and

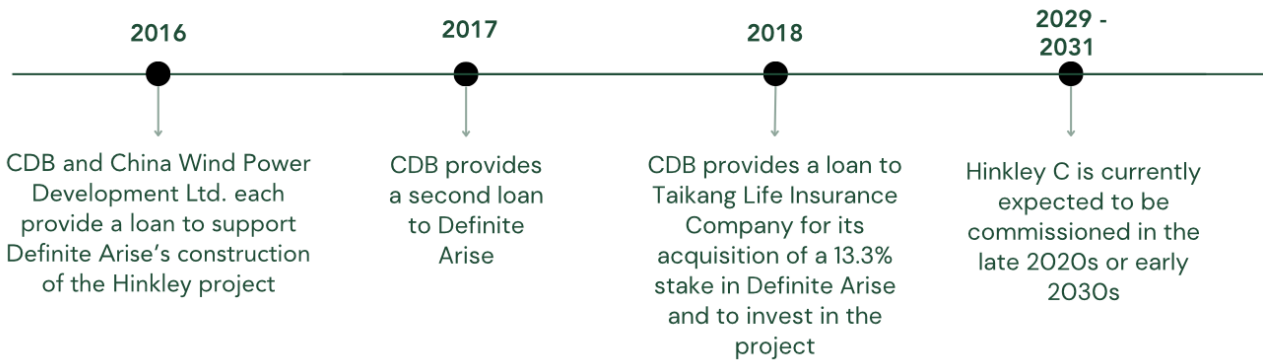
leading to an increased presence in Kinross, as well as new supply relationship with Chinese wool providers. Todd & Duncan's board of directors included members from China, the United Kingdom, and the rest of Europe. In 2019, Zhongyin sold Todd & Duncan to Ningxia Zheao Enterprise Management Partnership, a subsidiary of Chinese wool and cashmere company Zhejiang Xinao Textiles Inc. Then, in December 2024, Barrie Knitwear, a major customer of the British cashmere yarn, purchased a 40% ownership stake in Todd & Duncan for £18.8 million GBP.

Case study 5: Hinkley Point C Nuclear Power Plant Project

Commitment year: 2016-2018	Borrower: International Nuclear Investment Ltd; Definite Arise Ltd; Taikang Life Insurance Company Ltd	Creditor: China Development Bank; China Wind Power Development Limited	Loan amount (USD): \$15.67 billion	Transaction type: Greenfield and Brownfield FDI	Sector: Energy
Deal Overview: To support a 3.2 GW nuclear power plant, a Chinese state-owned policy bank issued multiple loans to an offshore SPV and one to a Chinese private sector firm; a Chinese state-controlled company issued two shareholder loans to an UK SPV.					

The investment of the Chinese minority sponsors into Hinkley Point C was heavily supported by debt. China Development Bank issued two loans for construction of the nuclear power plant, a £798.4 million GBP loan in 2016 and a £2 billion GBP loan in 2017, to Definite Arise Limited (“Definite Arise”)—a British Virgin Islands-incorporated SPV owned by the project’s Chinese sponsors—and a third, £531 million GBP loan in 2018 to Taikang Life Insurance Company to fund its acquisition of a 13.3% stake in Definite Arise and to invest in the project.²³ Furthermore, in 2016, China Wind Power Development Limited—a wholly-owned subsidiary of Definite Arise—issued two interest-free shareholder loans worth £7.501 billion GBP to International Nuclear Investment Limited—its England and Wales-incorporated wholly-owned subsidiary—to finance construction.

²³ For information on CDB's financing of the Hinkley Point C Nuclear Power Plant Project, see Figure A8.

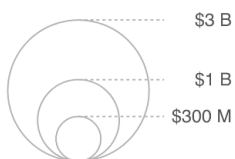


In total, Chinese state-owned entities have lent at least \$15.67 billion for Hinkley Point C, which constitutes 26% of all official sector credit from China to the UK between 2000 and 2023. Such a massive investment was made when sponsor China General Nuclear (CGN) expected to take stakes in the Sizewell C and Bradwell B projects. Bradwell B was of particular interest, as CGN would have held a majority stake and it would have used its Hualong One HPR1000 reactor, which had never been used abroad; successful approval by British regulators was expected to facilitate further export of the reactor. However, in 2022, the UK government removed CGN from Sizewell due to national security concerns. In 2025, it was reported that CGN would not pursue Bradwell B.

Appendix

Figure A1: Locations of Chinese loan- and grant-financed projects and activities in the UK, 2000-2023

in 2023 constant USD.



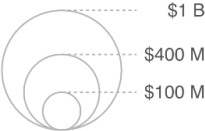
Sectors

- Banking and financial services
- Business and other services
- Communications
- Energy
- Industry, mining, construction
- Transport and storage
- Other

Notes: The category "other" encompasses the following sectors: action relating to debt, agriculture, forestry and fishing, education, government and civil society, health, other multisector, other social infrastructure and services, and water supply and sanitation.

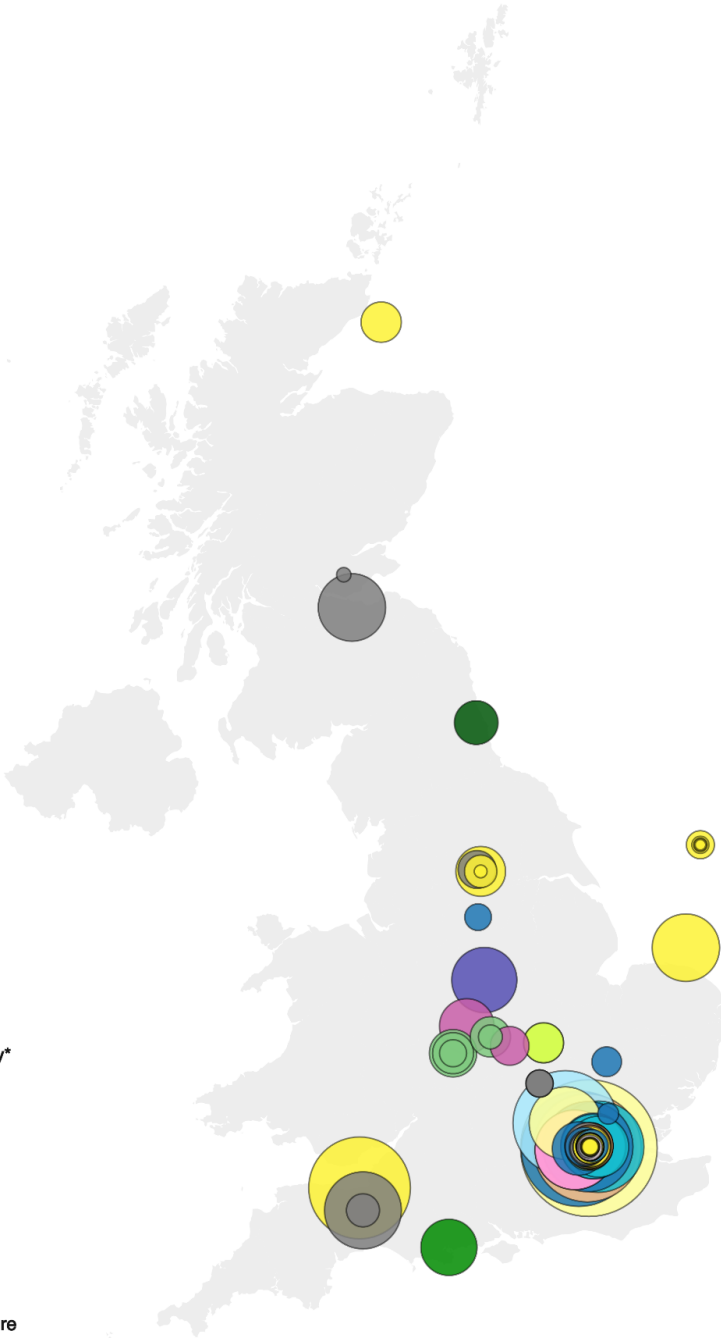
Figure A2: Locations of Chinese loan-financed M&A activities in the UK, 2000-2023

in 2023 constant USD



Sectors

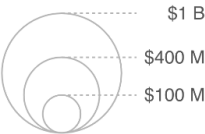
- Advanced materials
- Agriculture/Food Security*
- Defense Production*
- Education and Training
- Energy Infrastructure*
- Finance*
- Logistics Technology
- Media*
- Microprocessor Technology*
- Mineral Resources*
- Non-Sensitive
- Real Estate
- Robotics*
- Sensitive Personal Data*
- Space
- Telecommunications
- Infrastructure *
- Tourism
- Transportation Infrastructure



Notes: Sectors marked with an asterisk (*) are sensitive sectors.

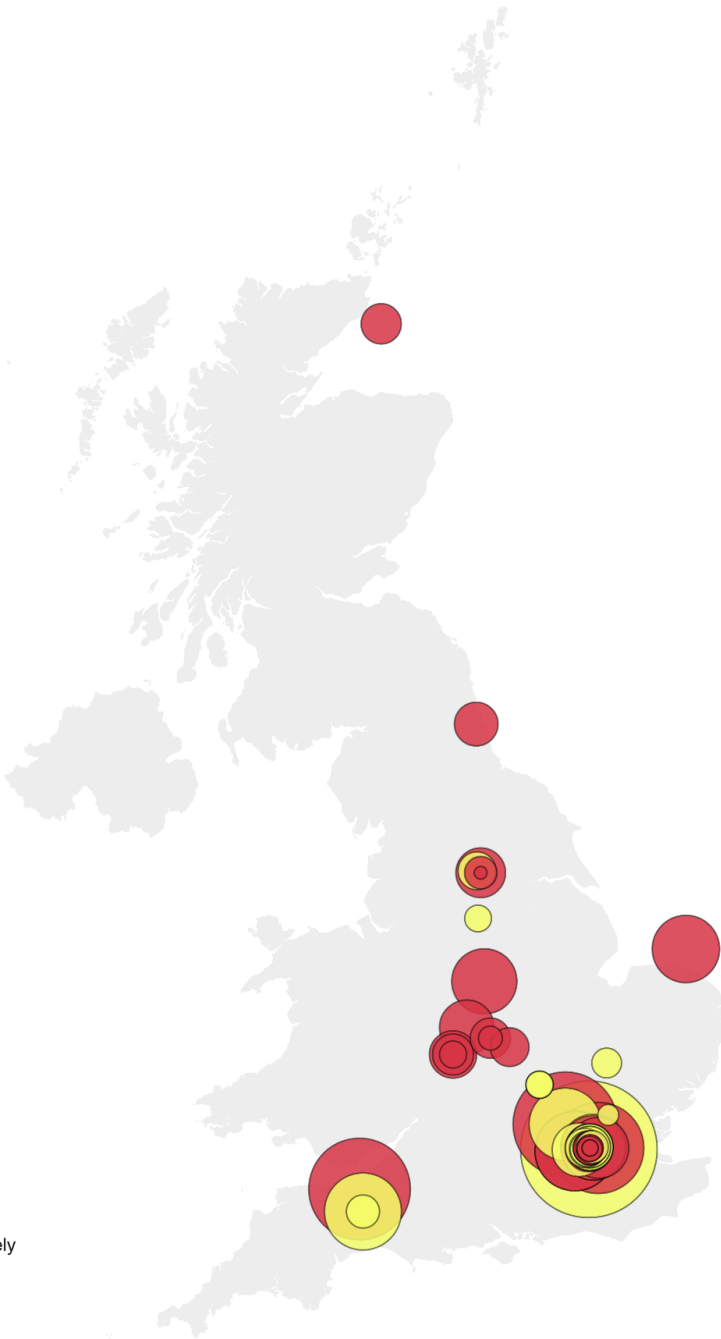
Figure A3: Locations of Chinese loan-financed M&A activities in the UK before the adoption of NSIA, 2015-2021

in 2023 constant USD.



Sectors

- Sectors not comprehensively screened before or after NSIA
- Sectors comprehensively screened after NSIA



Notes: Following the adoption of NSIA, the UK began to comprehensively screen 25 sectors. Before the adoption of NSIA, the UK selectively screened some sectors on a voluntary notification basis; these are labeled as not comprehensively screened.

Figure A4. Locations of Chinese loan-financed M&A activities in the UK after the adoption of NSIA, 2022-2023

in 2023 constant USD

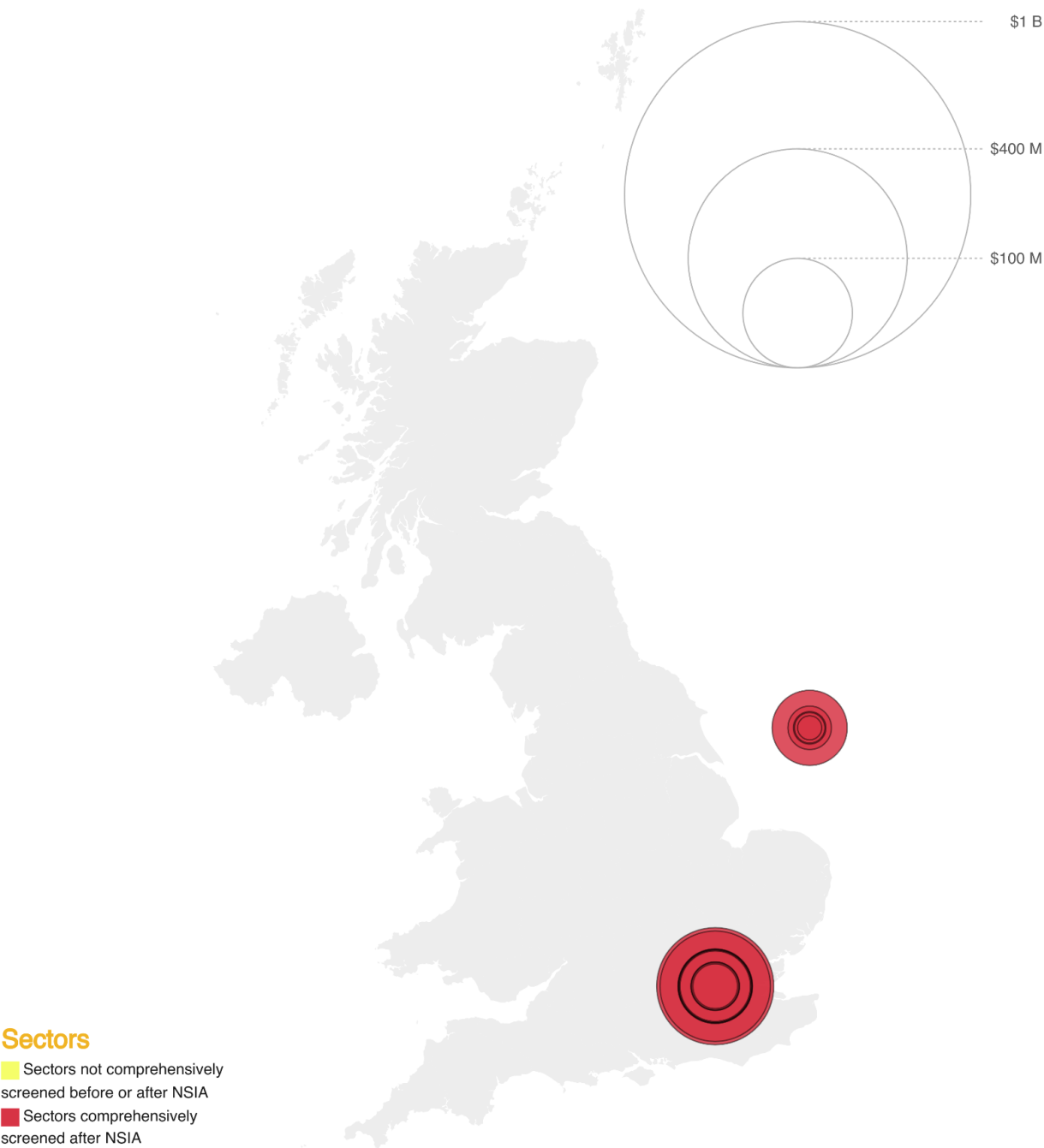


Figure A5: Debt financing of Shaanxi Ligeance Mineral Resources Co., Ltd.'s acquisition of Gardner Aerospace Holdings

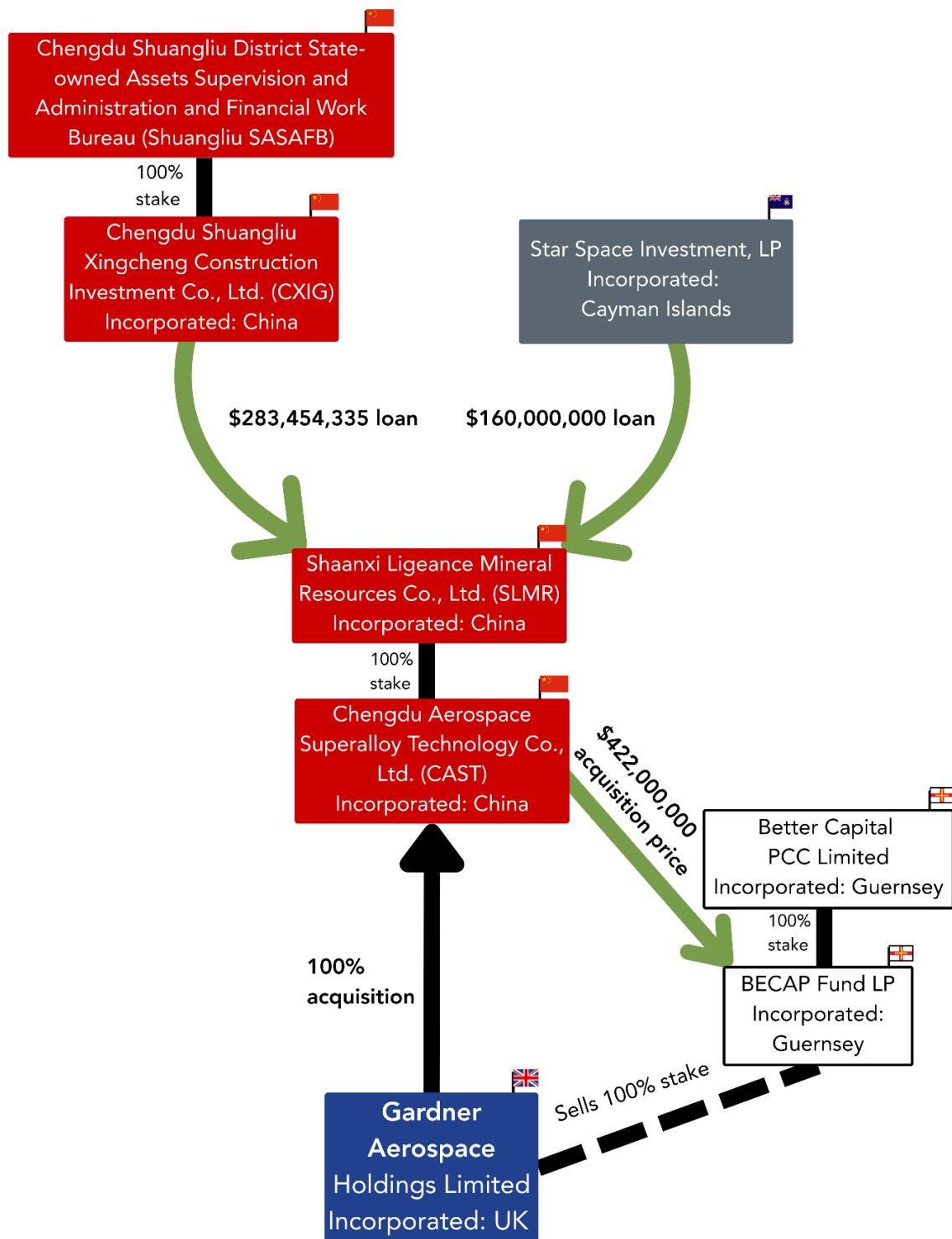
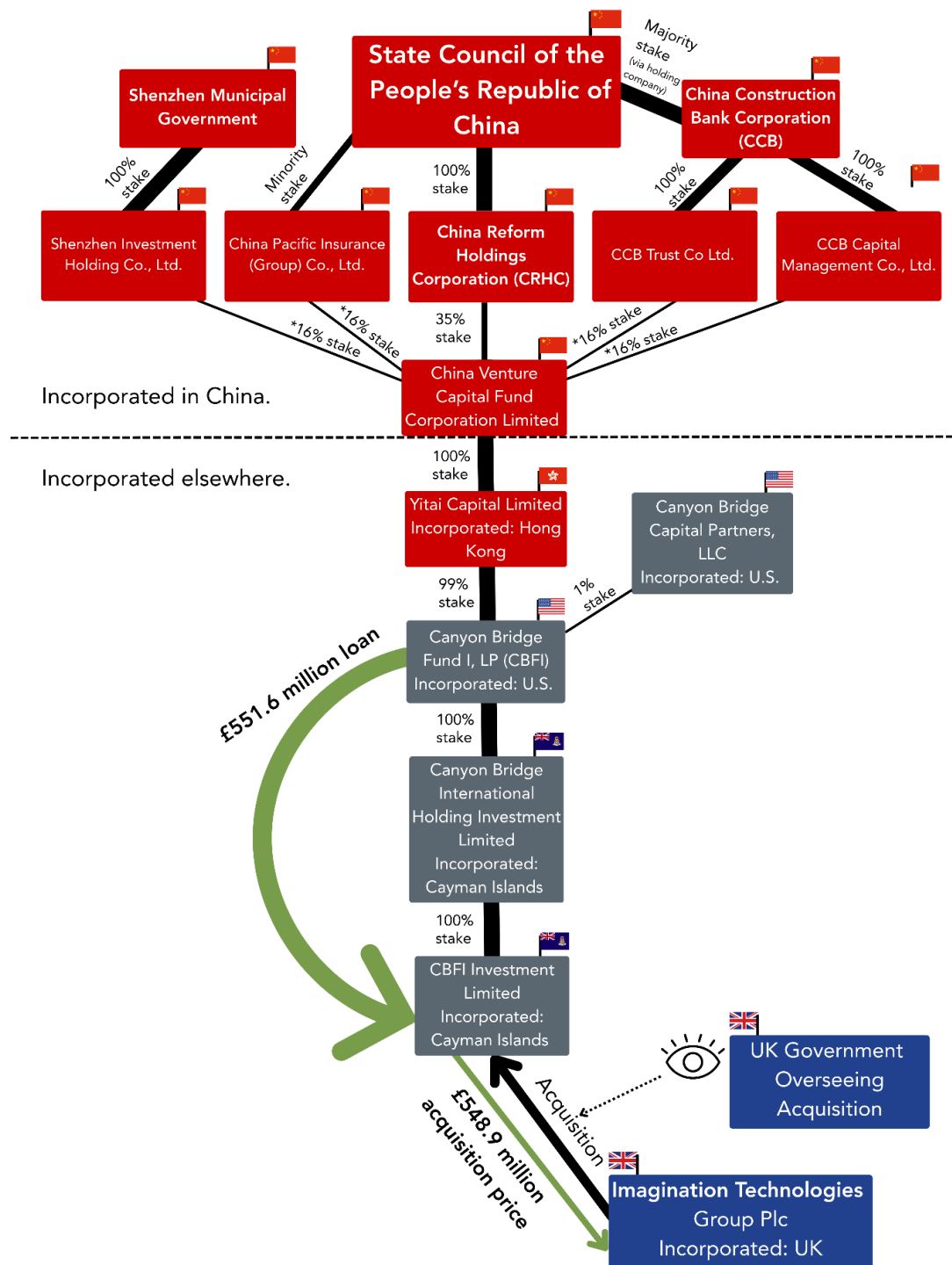


Figure A6: Ownership of Canyon Bridge Fund I and its shareholder loan to acquire Imagination Technologies



*Stake is an approximation.

Figure A7: Timeline of Canyon Bridge Fund I's acquisition and subsequent ownership of Imagination Technologies

Milestones

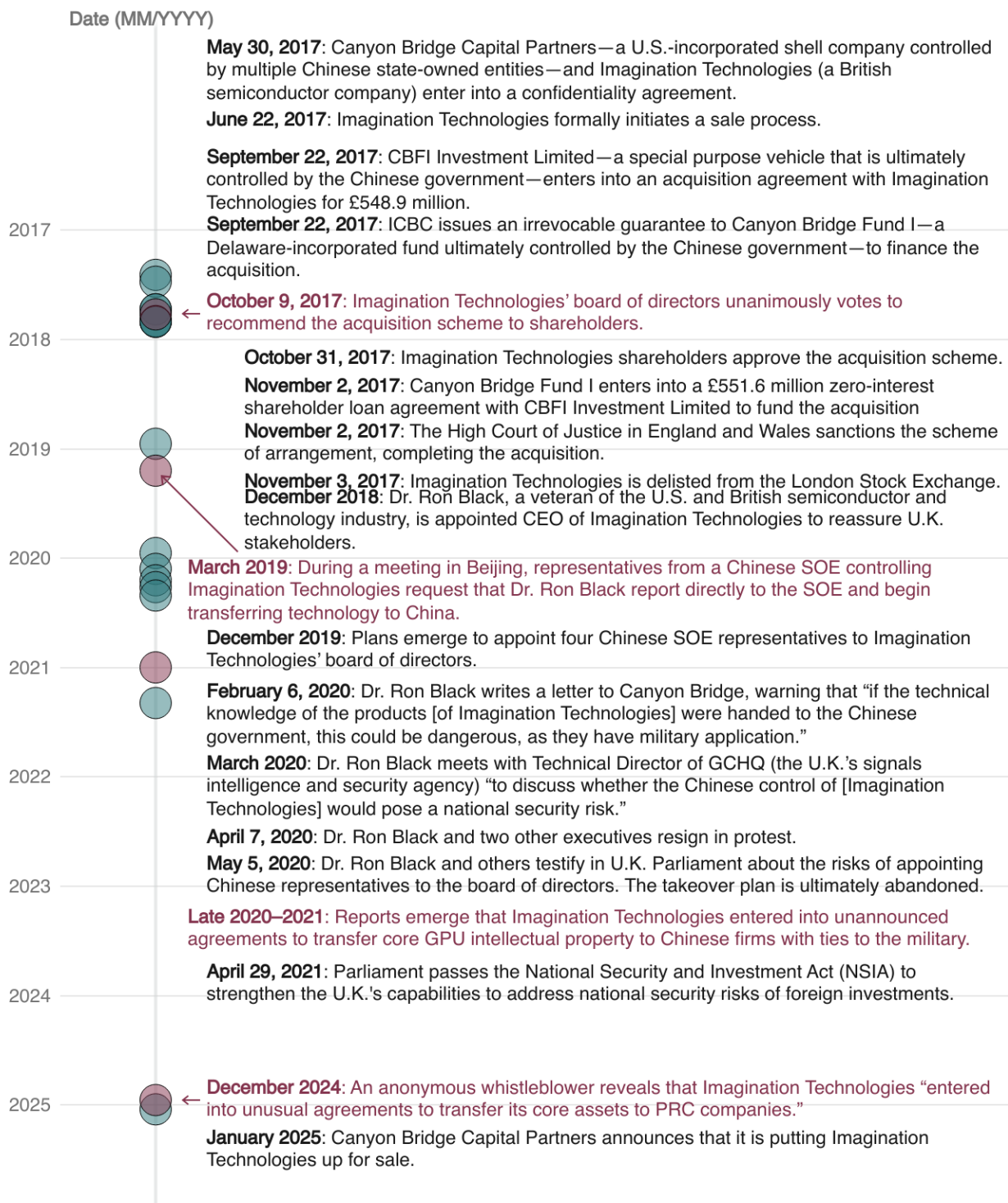
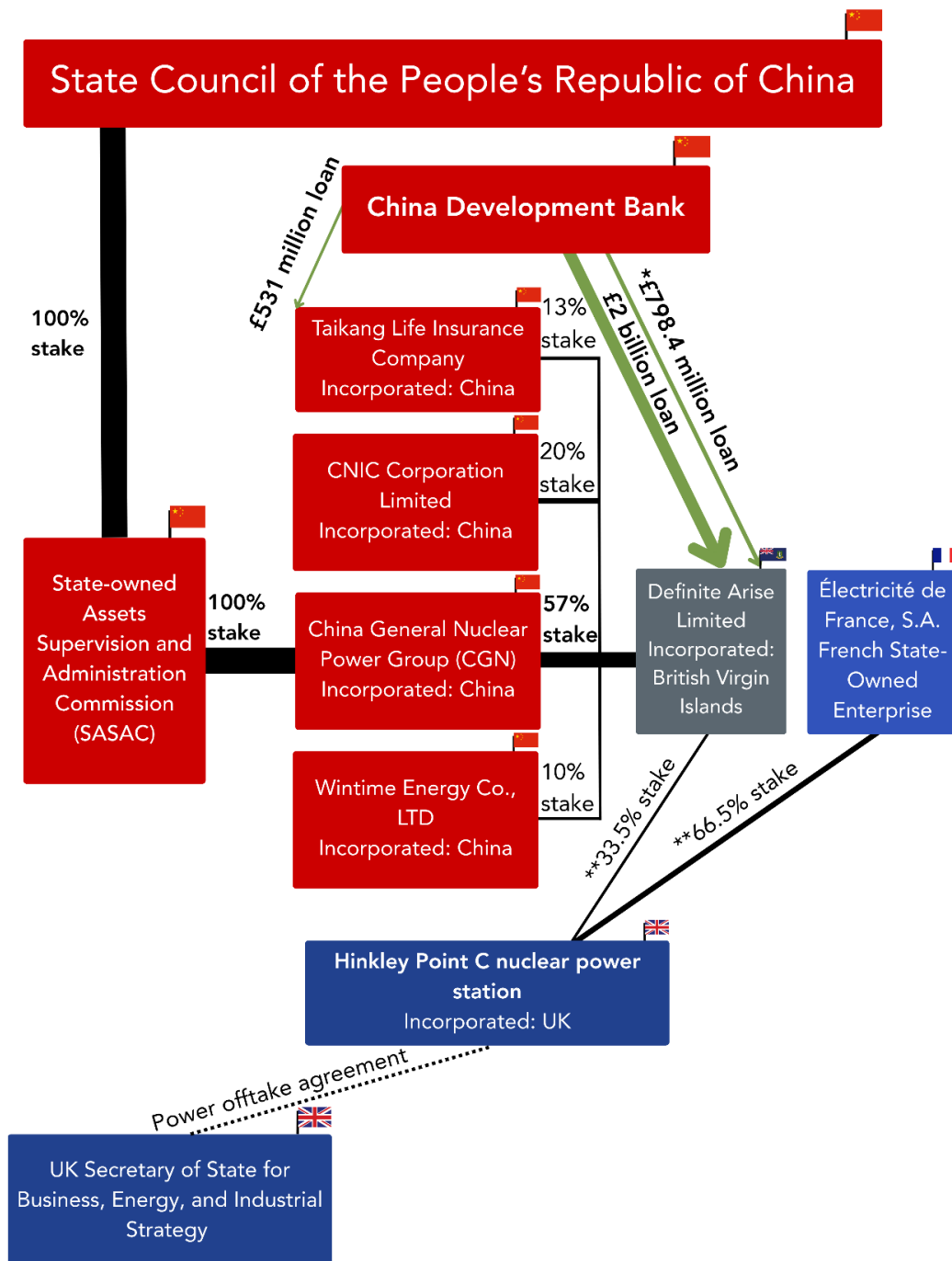


Figure A8: China Development Bank's loans to finance the construction of Hinkley Point C



Notes: *Definite Arise is the assumed borrower of the £798.4 million GBP loan. **Based on 2018. Definite Arise's ownership in Hinkley Point C has since decreased while Électricité de France's stake has grown.

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