

CLOSING CHINA OPERATIONS?
DANGERS AND CHALLENGES OF CLOSING A FACTORY IN THE CURRENT CHINA
ENVIRONMENT

Tuesday, October 28, 2025

11:00 AM EST



Webinar Agenda

Part 1: Brief Introduction of East West Associates

*** Housekeeping: Questions to the Speakers**

Part 2: Webinar Series

Part 3: Introduction of Speakers

Part 4: Current environment for closing China manufacturing plants

Part 5: EWA 3 Part Methodology

Part 6: EWA Case Studies

Part 7: Q&A Discussion

Participants will receive a webinar survey

- Webinar recording & PowerPoint will be provided in follow up email and available on EWA website (www.eastwestassoc.com)

Introduction to East West Associates (**EWA**)

East West Associates

East West Associates advises manufacturing companies on establishing and improving international manufacturing operations and global supply chains.

China, Southeast Asia, Mexico & Poland/Central Eastern Europe

- GLOBAL MANUFACTURING & SUPPLY CHAIN FOOTPRINT
 - Global Manufacturing & Supply Chain Footprint
 - Global Manufacturing & Supply Chain Footprint Implementation
 - Global Site Selection
 - Identification & Qualification of Contract Manufacturing
 - Plant Rationalization / Consolidation / Relocation
 - Plant Closure Planning
 - Negotiation of Foreign Governmental Incentives
 - Project Management of Plant Construction & Relocation

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- OPERATIONAL & COMMERCIAL PERFORMANCE
 - Operational Diagnostics and Functional Reviews
 - Growth Potential and Development
 - M&A Due Diligence
 - Corporate Turnarounds & Restructurings

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- **SUPPLY CHAIN**
 - Global Supply Chain Assessment
 - Make VS. Buy Strategy
 - Set Up & Operate Sourcing Office
 - Supplier Identification & Qualification
 - Covert & Overt Supplier Investigations
 - Supplier Performance Improvement
 - Supplier Transition
 - Global Relocation Of Supply Chain

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China, Southeast Asia, Mexico & Poland/Central Eastern Europe

- HUMAN RESOURCES & RISK MANAGEMENT
 - Integrity Awareness Training
 - Interim General Management
 - Executive Search
 - Background Checks
 - Organizational Assessment & Implementation
 - Compensation & Benefits

EWA Executive-level Advisors in 5 Global Regions

East West Associates



East West Associates Representative Clients

East West Associates



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Part 5: Consideration Impacting Closures of Chinese Manufacturing Plants

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Part 2: Webinar Series

October 30th, 2025 11AM - 12PM EST

Qualifying 3P Contract Manufacturers & Suppliers in Vietnam, Thailand, Philippines, Mexico & Poland

November

- Site Selection for New Operation & Offices in Vietnam, Thailand, Philippines and Poland/Central Europe
- **Business Process Outsourcing (BPO) capabilities in The Philippines and Poland**
'How to qualify a BPO Subcontractor and Determining whether to use a subcontractor or establish your own BPO office'
- **Global Manufacturing & Supply Chain Footprint Strategy**
'Implementing the results in Southeast Asia, Mexico and Poland/Central Europe'

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Speakers

Dan McLeod, EWA Director

Mark Plum, EWA Director

Li Xiao, Director of China, East West Associates

Joe Slayton, Manufacturing Director

Moderator: Alex Bryant, President of East West Associates

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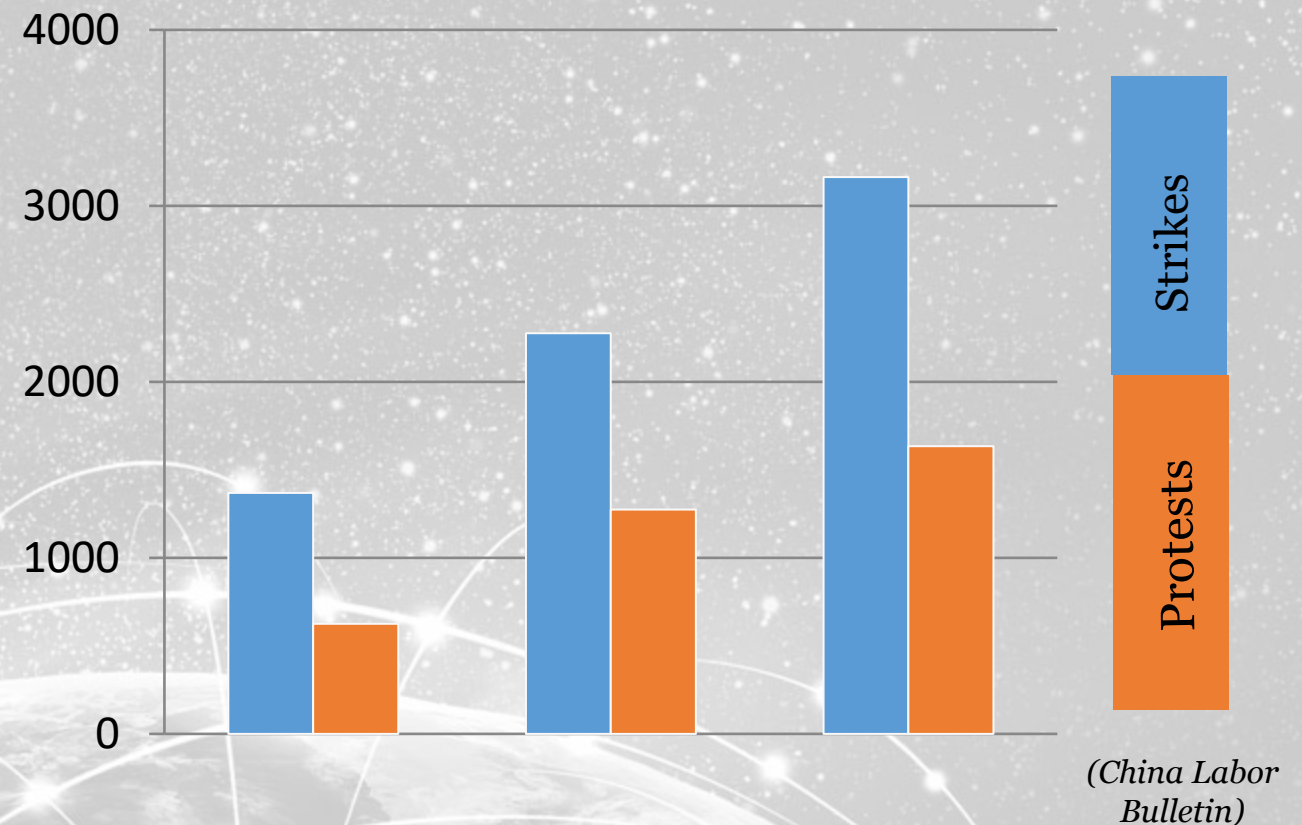
Current environment for closing China manufacturing plants

- Key drivers of change impacting company strategic decision making
- (1) Close China Plant, (2) Relocate outside of China, (3) Relocate within China (4) Downsize/Restructure
 - 1) Tariffs—growing exit of foreign exporters to Southeast Asia, Eastern Europe, the United States, and Mexico
 - 2) US manufacturing companies modifying their global Manufacturing & Supply Chain Footprint
 - 3) Growth of the Southeast Asian markets – leading to relocation
 - 4) Increased domestic & foreign competition in China – Downsizing / Restructure in China
 - 5) Urban renewal and infrastructure development within China –Relocation within China

Key Challenges – Closures, Consolidations & Relocations

Company decision making is being impacted by a number of new challenges which increase operational risks during a plant closure, consolidation and relocation

1. Increasing severance pay demands
2. China pro-labor regulations
3. Retroactive HR compliance and tax scrutiny
4. Rise in labor militancy before, during and after closure
5. Increased incidences of threats, sit-ins, strikes, stalking, kidnapping and theft
6. Deeper scrutiny by new permitting & registration authorities



Risk Management Challenges

East West Associates Confidential

Threats against company & personnel

- Factory Sit-Ins (“Squatters”)
- Hostage & Management Lock-Ups
- Death & Personal Injury Threats
- HQ Office Disruptions
- Media distortion
- Negative social media campaigns

Threats against company assets

- Work Stoppage & Management Lock-Outs
- Sabotage (Products, Facilities, Equipment)
- Riots & Physical Damage
- Fraud
- Theft (Products, Materials, IP)



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EWA's 3 Step Process

Phase I – Project Management & Crisis Management Planning

Phase II – Closure Implementation - HR and Security

Phase III – Plant Demobilization and Disposition of Plant and Equipment

EWA, in conjunction with the client's team, will lead the development and execution of a three (3) phase closure plan to address the following issues:

1. Planning, development and implementation of a multifunctional closure and crisis management plan
2. Legal, human resources and government relations considerations and communications plan
3. Location, venue, timing, method of notification and logistics
4. PSB and outside security coordination
5. Physical security and exit strategy to protect staff and company property
6. Operational support to demobilize and dispose of production equipment

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- US-based manufacturer of automotive parts with manufacturing WOFE in Shanghai. Ordered by the government to relocate operations and close the existing facility within 10 months, due to urban renewal
- Should the 10 month deadline not be met, the company faced a US\$1M fine
- No closure planning was done by the Company
- Following an ill-advised public announcement of the plant closure:
 - An employee strike broke out
 - The Chinese GM resigned
 - No security during the strike

EWA was engaged to manage the turnkey plant relocation & closure project:

- Protect the physical assets
- Resolve the strike
- Within 10 month timeframe
- Within the agreed upon budget
- Without interruption of manufacturing production
- Without disruption of customer product shipments

- EWA Recruited an experienced Interim General Manager (IGM) to take control of operations
- Recruited an Interim Project Manager (IPM) to immediately deal with the strike
 - Gathered background knowledge – local severance comp, previous company labor unrest
 - Developed and implemented a crisis management plan
 - Engaged strike leaders and employees
 - Ended the strike & got people back to work within 26 days

Then IGM/IPM focused on developing a phased **operating, relocating & closing strategy**:

- Communicated with customers to guarantee timely product deliveries
- Increased plant shifts from 1 to 3 to build inventory stocks
- Relocated inventory to an outside 3rd party warehouse to reduce risk of theft
- Implemented new physical, IP, data & information security safeguards in order to reduce theft
- Maintained quality levels and began preparations to re-certify product in the new facility
- Developed a closure and relocation budget & cash-flow management plan

- Initiated New Facility Project Planning
 - Site Selection and Building Modifications
 - Developed a comprehensive project relocation plan
 - Production area and utility equipment design & layout
 - Relocate production equipment and peripherals
 - Fit out of administrative offices and telecom systems
 - Procure / Relocate support and mobile equipment
 - Coordinated move sequence with building occupancy permit schedule

Old Facility

- Concluded negotiations over any government incentives to move
- Obtained liquidation approvals from business zone, governmental authorities, etc.
- Liquidation process (9 months elapsed time)
 - Filing government documentation-registration, business license, board resolutions
 - Filing necessary “close out” financials, bank accounts, tax, VAT rebates, registered capital - and customs documentation
 - Completion of all de-registration and governmental documentation and plant turnover to the landlord

- Timely project competition
 - **No** penalty fines
 - **No** governmental authority repercussions
- Smooth project implementation
 - **No** interruption to production
 - **No** delay in customer shipments
 - **No** quality decline (products from new plant approved under PPAP process)
 - **No** theft of IP or physical assets
 - **No** incidences of physical violence or post-strike labor unrest

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Q&A Discussion

1. China De-Coupling Trends
2. Can you comment on the nuances of doing a factory downsizing vs. a full closure in China?
 - Personnel
 - Business License
 - China Government Regulations
 - Molds/Tooling
3. How convey to vendors?
4. Who are key participants that need to be on the team for these types of projects(both local and overseas)?
5. How long should it take to close?

Q&A Discussion

6. Can manufacturing equipment be moved out of China?

- Is it feasible to consider?
- IP transfer risk
- Duty on equipment relocated out of China

7. Plant Consolidation as a Business Optimization Strategy

- Generally viewed as 3 plants consolidated to 2 plants in order to reduce costs
- Addressing Vendors? Government Agencies?
- Key roadblocks?

Q&A Discussion

8. What dangers might our people and assets in China face when it becomes known that we might close
9. Is it true that sabotage, local riots, and personal injury threats can occur? How do we avoid THAT?
10. What should our Risk Assessment Plan include? When should I engage protective security guards?
Risk Management = people, equipment and IP
11. When closing, how to ensure maintaining operations through scheduled end of production? How does this operational fact affect notification to employees?
12. What should a manufacturer do to help protect our IP and know-how when relocating out of China? Part of risk mgmt.
13. Is it relatively easy to physically move the manufacturing equipment we own out of China? Are we likely to face barriers by the Chinese government?
14. Should the company only notify the employees on the actual day of closing? When should the company notify the employees in advance of the plant closure?
15. Affect of closure on companies with trading companies?

17. What Chinese government agencies do you have to deal with during the closure process?
18. What HR practices should we follow to be fair to our employees in China and to safeguard our reputation there? Are there PSB (Public Security Bureau) considerations? Conversations with Labor Bureau – when to make anonymous call, their interpretation , need government authorities; labor union comments. Tax bureau – audit occurs in liquidation process
19. As we assess where to relocate, what important in-country factors & data should we be sure to compare to China?

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