

# **Break Through the Chinese Wall**

**- Legal and practical guidelines  
for establishing a company in China**

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## About the book

“Break Through the Chinese Wall” is an accessible handbook which provides an introduction to the fundamental rules, regulations and common practices related to establishing and running a business in China. The handbook provides answers to the most frequently asked questions from our clients.

The handbook has been jointly written by Capital Associates and NCO China. Capital Associates is a Chinese law firm specialised in providing commercial legal services and assistance to foreign companies investing in and trading with China. NCO China is a consulting firm that offers corporate services with regard to the establishment of an enterprise in China, Hong Kong etc., and provides accounting, tax and HR services to foreign investors in China. Both Capital Associates and NCO China serve a variety of clients; from large multinational companies to small and medium sized enterprises.

China’s rapid development means that regulations and practices are constantly changing. The handbook is meant to be an introduction to the current laws and practices in China. Updates and further information regarding the subjects covered by the handbook can be obtained from our offices or websites. Please refer to the contact information in the back of the book.

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# **Establishing an enterprise in China**

Compared to the situation some years ago, it is now much easier to establish a Foreign Investment Entity (FIE) in China. The Chinese government has set up a comprehensive legal framework and adopted many policies that have paved the road to increase foreign investment.

Although the changes have been for the better, many foreign investors still consider the Chinese approval process to be both bureaucratic and frustrating. The Chinese government tends to closely regulate every aspect of commercial life and the approval of a foreign investment is subject to comprehensive examinations by various government agencies.

The establishment of a FIE usually requires approval from governmental authorities in charge of foreign trade and economic cooperation. The submission of an application to the local municipal administration for industry and commerce for obtaining a business license is also required. Depending on the type of investment project, additional approvals may be needed. Once a FIE has been approved by the Chinese authorities, and the business license has been issued, the FIE can commence its business activities.

After the business license has been issued, the FIE is required to carry out a number of post-registration procedures e.g. application to the local tax bureau and the administration for foreign exchange.

## **Different forms of FIEs**

There are various ways to set up a foreign invested enterprise, however the most common form is either a Sino-foreign Joint Venture (Joint Venture) or a Wholly Foreign Owned Enterprise (WFOE). Joint

Ventures can be established in two different ways: either as an Equity Joint Venture (EJV) or as a Cooperative Joint Venture (CJV).

Beginning 1 March, 2010, foreign investors have been given a third option to invest in China: the establishment of a Foreign Invested Partnership (FIP). This new option offers great flexibility with regard to form and structure and enjoys favourable Chinese tax treatment.

Other forms of investments exist in China, e.g. joint exploitation enterprises and foreign-funded share-holding companies. Due to the limited scope of this book, these kinds of investments will not be further addressed.

To complete the terminology, the Representative Office (RO) should also be mentioned. For many foreign investors, the initial entry into the Chinese market has been in the form of a RO. However, a RO in China can only be used for representation purposes. It is unable to carry out direct business operations like Joint Ventures or WFOEs.

Before we discuss the characteristics, advantages and disadvantages, and the application process for the most common enterprise structures, the business scope should be briefly introduced.

## **Business scope**

An important element when applying for a business license is to define the business scope of the enterprise very precisely. Many applications are rejected because the definition of the business scope is either too broad or too vague.

Furthermore, the business scope must comply with current regulations governing foreign invested enterprises. The business scope must also relate to the industry sector or the business characteristics in the enterprise's name. Finally, the business scope

must be identical with the business area that is mentioned in the enterprise's Articles of Association or partnership agreement.

The business scope must be registered with the enterprise registration authority pursuant to an application made by the investor or the enterprise. In certain cases, depending on the nature and content of the business scope, prior consent from the authorities must be obtained before the enterprise can apply for registration of its business scope.

Once the business scope has been approved and registered, the FIE should carry out business carefully in order not to exceed the approved business scope. If a FIE intends to carry out business in a different area or in another way expand or change its field of business, prior approval from the registration authority is necessary. If the FIE engages in business outside its approved business scope, there is a risk that the competent authorities will stop the business activities that are not covered by the business scope, confiscate the income from those activities, and, if the situation is considered to be serious, dissolve the FIE.

## **Joint Venture**

When China launched its "Open Door Policy" more than 30 years ago, foreign investments were limited to Joint Ventures with at least one Chinese partner. According to the corporate law at that time, Chinese business entities were closely supervised by authorities, and this applied similarly to Sino-foreign invested Joint Ventures.

Though foreign investors can now operate more freely in the Chinese market, the Chinese government still prefers Joint Ventures to WFOEs. In certain industries, investments in form of Joint Ventures are the only option, e.g. investment in the extraction of natural resources.

A foreign investor may prefer a Joint Venture to a WFOE for the following reasons:

- The industry is restricted to Joint Ventures leaving the foreign investor with no other choice.
- The investment requires special approvals from Chinese authorities. A Chinese partner may be more familiar with dealing with the Chinese authorities and bureaucracy, and may have some personal connections.
- A Chinese partner is necessary if the foreign investor wants to take advantage of existing business contracts, product markets, distribution networks, business connections, etc.
- If the Chinese partner is a state-owned enterprise, the Joint Venture may be favoured by governmental assistance in supply of raw materials and allocation of import and export quotas.
- To reduce the business risk of the foreign investor.

### **Differences between an Equity Joint Venture (EJV) and a Cooperative Joint Venture (CJV)**

The basic structure of an EJV and a CJV is very similar. All parties share profits and losses and jointly partake in managing the venture. The Chinese government's expectations to the business scope of an EJV and a CJV are also the same.

However, an EJV and a CJV are subject to different laws and regulations which give them the following main characteristics:

- The CJV is more flexible. The parties can decide on most matters concerning the CJV in the contract setting up the venture, whereas an EJV must comply with more statutory requirements.
- The CJV is also more flexible in terms of the form of capital contributions.
- Unlike the EJV, the distribution of profit in a CJV does not need to be in strictly proportion to the investment contribution of each party.
- In a CJV, foreign investors can withdraw profits from investments ahead of Chinese partners. In return, the ownership of all fixed assets of the CJV shall be reverted to the Chinese partners. In an EJV, all assets belong to the parties in proportion to their subscribed capital contributions.
- Unlike the EJV, a CJV does not need to be registered as a legal person, i.e. a CJV can be organised as a partnership without limited liability.

Some Joint Ventures in China may differ from common EJVs and CJVs in structure and name. For instance, there are special requirements for investments in industries such as extraction of natural resources, energy production, and infrastructure. Although the company form may be different, the basic principles of EJVs and CJVs remain intact.

The application procedure for a Joint Venture partnership between a Chinese and a foreign investor can be complicated, as approvals from several government authorities are required. We therefore highly recommend that you contact a Chinese lawyer before initiating the application procedure.

## **WFOE - Wholly Foreign Owned Enterprise**

Under Chinese law, a WFOE is a legal entity with limited liability. The paid in capital is provided by one or more foreign investors.

Different types of WFOEs exist depending on the area of business. For example, a WFOE engaged in trade, wholesale, retail or franchise is called a trading WFOE or a FICE (Foreign Invested Commercial Enterprise).

Common reasons for establishing a WFOE rather than a Joint Venture are:

- The foreign investor does not want to share its technology, know how and sensitive business information with third parties.
- To avoid the risk of serious disagreement with a Chinese partner. Chinese companies have a management culture that is very different from the one seen in most western enterprises.
- To get the full return on investment.
- A WFOE is subject to less control from the Chinese authorities than a Joint Venture, as no Chinese party is involved.

Nowadays, most foreign investors prefer to establish a WFOE in order to maintain full control of their investment. This trend has become prevalent after the application process for establishing a WFOE has been made easier.

The application procedure is relative simple if the WFOE is engaged in trade (export, import) and consultancy. If the business area is banking, insurance, education or transportation, the application procedure is more complicated, and it is more difficult to obtain a business license.

## **Procedure for establishing a WFOE**

The documents to be submitted to the Chinese authorities when setting up a WFOE depend to a large extent on the area of business and the requirements of the local authorities in the province where the WFOE is to be established. In general, the following documents are required when applying for a business license:

- Application forms signed by the proposed legal representative for the new enterprise.
- An overview and description of the services or products to be imported /exported.
- A Feasibility Study Report, which describes the plans and goals for the enterprise.
- Manufacturing enterprises must submit an Environmental Appraisal Report that describes the expected environmental impact of the project. This report has recently become very important with greater emphasis on the description of the environmental impact of the project.
- Incorporation Certificate of the parent company.
- A list with the names of the new enterprise's board members, directors and owners, including their CVs, copies of their passports and documentation supporting their appointment.
- If the WFOE is established by two or more foreign investors, the Shareholders' Agreement between the foreign owners of the WFOE must be submitted.
- Articles of Association of the new enterprise.
- A credit reference letter issued by the foreign investor's bank.
- Access to business premises must be documented by either a rental or purchase contract.
- An approval letter from the district government in the district, where the WFOE will be established and registered.

All documents must be translated into Chinese and signed by the persons authorised to sign on behalf of the parent company.

When all required documents are submitted to the Chinese authorities, the authorities have 90 days to process the application. However, the processing time is often faster.

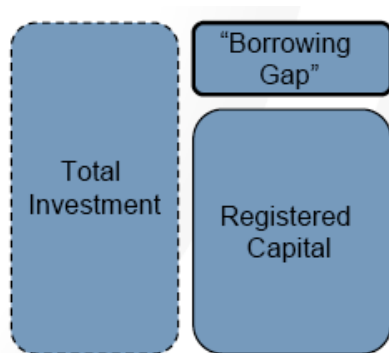
After the business license is issued, the newly established enterprise must strictly adhere to the subsequent deadlines of the post registration procedure. If these individual deadlines are not met, the enterprise may be required to complete the procedures all over again. For example the enterprise must within 30 days register with the State Administration for Industry and Commerce (SAIC). Hereafter, the enterprise must register with the tax authorities and foreign currency administration (SAFE). Finally, the enterprise must obtain approval to handle foreign exchange and open a bank account to pay in the enterprise's invested capital.

Please refer to attachment 1 for an overview of the procedure for establishing a WFOE.

### **Minimum capital requirements for a WFOE**

As it is important to have a well-documented business scope, it is equally important to properly identify the required registered capital for the investment.

Like most countries, China sets minimum capital requirements for establishing an enterprise. The total investment in a foreign owned enterprise consists of the Registered Capital and a "Borrowing Gap". Both are initially deposited in a capital bank account. The loan is granted either by the parent company or a bank.



The following minimum requirements apply to the registered capital:

Total Investment (TI) (USD)	Registered Capital
≅ 3 mil	≅ 70% of TI
> 3 mil ≅ 4,2 mil	≅ 2,1 mil
> 4,2 mil ≅ 10 mil	≅ 50% of TI
> 10 mil ≅ 12,5 mil	≅ 5 mil
> 12,5 mil ≅ 30 mil	≅ 40% of TI
> 30 mil ≅ 36 mil	≅ 12 mil
> 36 mil	≅ 33.3% of TI

The initial deposit must be in an amount equal to at least 15% of the total registered capital. This amount must be deposited within 90 days after the business license is issued. The remaining 85% can be paid in several rates, but must be paid in full within 2 years after the business license is issued.

Minimum capital requirements are imposed to ensure that newly established WFOEs possess sufficient capital for the establishment and implementation of the business plan indicated in the business license. The Chinese authorities may in certain cases impose capital requirements above the minimum thresholds if the authorities believe that the minimums requirements are not sufficient to cover the cost of implementing the business plan.

A WFOE should have a well-documented budget for its current and future plans, since it can be administratively burdensome to increase the registered capital amount. The procedure to increase the registered capital takes at least 3 months to complete, and it is both costly and time consuming.

### **Foreign Invested Partnership (FIP)**

Beginning 1 March, 2010, foreign investors were provided another vehicle to enter the Chinese market: the Foreign Invested Partnership (FIP).

According to the Chinese government, the purpose of introducing this new vehicle is to attract foreign investment in and thereby promote the development of a modern service industry and other industries, especially those related to advanced technologies and management.

A FIP may consist of two or more foreign investors, or foreign investors together with Chinese individuals, legal persons or other entities. Foreign investors can also join an existing domestic partnership by making new contributions or acquiring partnership interest.

A FIP can be in the form of either a general partnership or a limited partnership. A general partnership is formed by general partners who bear unlimited joint and several liability for the debts of the partnership. A limited partnership is formed by a combination of general partners and limited partners where the limited partners bear liability for the partnership's debts to the extent of their capital contributions.

Compared to setting up a Joint Venture or a WFOE, establishing or investing in a FIP is a very flexible way to invest in China.

Partners may make capital contributions to FIPs in foreign currencies or RMBs legally obtained in China. Though the measures governing the FIP do not address the subject clearly, it is expected that non-cash contribution; i.e., goods, land-use rights, intellectual property rights or other property rights permissible for domestic partnerships will also be recognized as valid capital contributions to a FIP.

There are no minimum requirements to contribution of partnership capital or a contribution deadline which means that the partners can freely agree on capital contribution in the partnership agreement.

The FIP differs from Joint Ventures and WFOEs in another very important way: In general, a FIP may be established without the approval of the Chinese Ministry of Commerce (MOFCOM) or its local counterparts. A FIP can be registered with SAIC directly. MOFCOM or its local counterparts need only be informed of the registration.

Finally, being exempt from income tax at the enterprise level, FIPs enjoy favourable Chinese tax treatment,

### **Procedure for establishing a FIP**

The following documents must be submitted to the Enterprise Registration Authority when registering a FIP:

- Application form authorised by all partners
- Partnership agreement executed by all partners
- Incorporation certificates or, for individuals, identity cards (passports) of all partners
- Certificate stating primary business domicile
- Power of attorney executed by all partners for appointing a representative or proxy
- A confirmation letter signed by all partners on the committed or paid-in capital contributions by each partner

- A statement executed by all partners concerning the compliance with industry policies for foreign investment This is an unusual requirement, peculiar to FIPs, and is intended to make up for the fact that the bureau of commerce will not have reviewed the application
- Credit reference letter issued by the financial institution which has a business relationship with the foreign partner
- Agent appointment letter executed by each foreign partner
- Approval letter, if the business of a FIP is subject to prior approvals or its business scope involves a business that requires approvals

Since this method of investment has only been available for a few months, so far only one FIP has been registered with the Chinese authorities. It is therefore not yet possible to provide an estimate of how long it takes to set up a FIP.

### **Representative Office (RO)**

Since the 1980's, opening a Representative Office has been a quick and practical way to enter the Chinese market. Therefore, many foreign investors have used the RO as the first step into the Chinese market.

To crack down on fraudulent applications and abuse of ROs, the Chinese authorities have recently imposed stricter requirements with respect to the granting of registration certificates and approvals of amendments to ROs of foreign enterprises. The authorities have restricted the number of representatives (expatriates), who are allowed to hold work visas, to four per RO. Furthermore, the supervision of RO business activities and annual reporting requirements to authorities have been tightened. Offenders will also receive harsher sanctions.

A RO is subject to significant restrictions regarding its business activities. A RO is not allowed to engage in business activities directly connected with, for instance, sales, marketing or production. Such activities can only be carried out by a FIE, e.g. a Joint Venture, FIP or WFOE. Indirect business activities such as product information, liaison services, market surveys and research are within the legal scope of the RO.

Pros RO:

- No minimum capital requirement.
- Can be quickly established (usually within 1-2 months).
- ROs give foreign investors and their family resident permit in China.

Cons RO:

- A RO is not allowed to generate any kind of income.
- A RO cannot issue invoices.
- A RO cannot sign business contracts.
- A RO may not hire local employees directly. Hiring must take place through an authorized state-owned HR company.
- Only a maximum of 4 representatives are allowed, including the Chief Representative.
- Only offshore companies, which have existed for no less than two years, can establish a RO. For offshore companies established in Hong Kong, Macau or Taiwan the “two years requirement” is not applicable.
- The offshore company behind the RO is always fully responsible for the RO, and liable for all the RO’s activities in China.
- The RO is subject to a tax of 10.94 % on its costs; i.e. tax must be paid on salary, rental, travel expenses, telephone bills etc. related to the RO.

## **Procedure for establishing a RO**

The business scope of a RO must be clearly defined.

A number of documents must accompany the application for a Registration Certificate. The required documentation can vary from province to province, but in general, the following documents must be submitted:

- Letter of application to the authorities in charge of approval.
- The offshore company's incorporation certificate, indicating that the offshore company has existed for no less than two years.
- A list with the names of the board members, directors, owners, including CVs, copies of their passports and documentation that verify their appointments.
- Articles of Association of the offshore company.
- A capital credit certificate issued by a financial institution that has a business relationship with the offshore company.
- Access to business premises in China must be documented by either a rental or purchase contract.
- Application forms signed by the persons authorized to sign on behalf of the offshore company.

All documents must be translated to Chinese and signed by the designated chief representative of the parent company. The parent company's incorporation certificate and the credit reference letter issued by the foreign investor's bank must be notarized and approved by the Chinese embassy or consulate in the parent company's home country.

A RO must apply for registration with the Chinese tax authorities within 30 days after the registration certificate is issued.

Within 3 months of the RO's establishment, the relevant authorities will inspect the RO to verify the RO's existence. At the same time, the

authorities also check the RO's registration certificate, stamps, tax registration certificate, etc.

The registration certificate for a RO is only valid for one year. A declaration from the authorities in the country where the offshore company is registered, indicating that the offshore company still exists, must be submitted when renewing the registration certificate of the RO. The registration certificate may be renewed an unlimited number of times if the requirements are satisfied.

As a consequence of the Chinese authorities' stricter focus on enforcement of the regulations governing ROs, including payment of taxes and the business activities permitted to be carried out by a RO, many foreign investors now prefer to establish a FIE when they enter China rather than setting up a RO.

Another reason is that it is difficult to change a RO to a FIE. The RO and the new FIE cannot legally be registered at the same address. Consequently, the RO must be closed down before a new FIE (WFOE, Joint Venture or FIP) can be established and the address can be used for the new FIE.

It takes approximately 6-8 months to close down a RO. During this period, relevant documentation, e.g. tax and audit reports for the whole period of the existence of the RO must be collected and submitted to the relevant authority. Also an individual income tax check of the chief representative, for at least the last 3 years, is required. The parent company behind the RO will be liable for any discrepancies or missing documents.

See attachment 2 for an overview of the procedure for establishing a RO.

## **Establishment through Hong Kong**

Most foreign investors, who establish an enterprise in China, have direct ownership of the Chinese enterprise. Under certain circumstances, it may, however, be an advantage to establish a foreign holding company in order to lower the tax and administrative burden.

Organizational changes or changes in the ownership of a Chinese affiliate can be made more easily through a Hong Kong holding company due to the more lenient Hong Kong regulations.

In addition, the tax agreement between China and Hong Kong can be advantageous. If a company registered in Hong Kong owns at least 25% of the enterprise established in China, the Chinese enterprise will only pay 5% withholding tax. In comparison, a Chinese enterprise not owned by a Hong Kong holding company is subject to 10% withholding tax.

It is relatively easy, inexpensive and fast (10 working days) to establish a Hong Kong holding company. It is, however, important to note that a Hong Kong holding company cannot legally be set up for tax purposes alone.

## **Frequently Asked Questions**

- 1. Is it possible to sell foreign produced commodities in the Chinese market?*

Yes, it is possible.

When China concluded its negotiations with the World Trade Organization (WTO) in 2001, one of the main commitments undertaken by China was to open up the domestic market for unlimited import and trade of foreign produced commodities in all major product categories. This commitment took effect from

the second half of 2005 making it possible to sell most foreign produced commodities on the Chinese market. In order to do business in China, however, you still need to set up and operate from a Joint Venture, WFOE or FIP.

2. *Is it possible to have more than one RO in China?*

It is possible to open several ROs, but most foreign enterprises choose to set up only one RO in either Beijing or Shanghai, where staff can oversee their China operations. If more than one RO is set up, each RO must be registered individually in the city where it is located.

3. *Do I need to carry out business activities continually in order to uphold my business license?*

According to Chinese law, a FIE must have ongoing business activities once the business license has been granted. Otherwise, the business license may be withdrawn.

4. *Can I set up a FIE with the purpose of offering various (consulting) services in the Chinese market?*

With reference to the general remarks on the business scope issue, the Chinese approval agencies will refuse to approve a FIE if the business scope set out in the application documents is too abstract.

In order to get your business approved, you will need to narrow down and specify the (consulting) services you are planning to provide. If the (consulting) services are of different natures, you may need to establish separate FIEs.

It is worth mentioning that foreign service providers are still facing many restrictions in the Chinese market, although China is now liberalising gradually under its WTO-commitments.

5. *What are the requirements to the name of a WFOE?*

The name of a WFOE shall be composed of four parts: the place of registration, the name of the company, the line of business it is engaged in and the organization form. For example, a Beijing-registered WFOE providing consulting services should be named in the following way:

Beijing [business name] Consulting Co. Ltd.

or

[business name] Consulting (Beijing) Co. Ltd.

If a WFOE wants to use “China” instead of the place of registration (i.e. Beijing) or no location at all, it must fulfil certain additional requirements. First, it is a condition that the name of the parent company of the WFOE is included in the name. Second, it must have a minimum registered capital of RMB 50,000,000.

6. *Is it possible to change the name of the enterprise after it has been registered?*

Yes, but approval from the competent authority is required, and the application procedure is costly and time consuming (about 3 months).

7. *Is it possible to change the owner, director, or board members of an enterprise that has already been established?*

Yes, but approval from the competent authority is required, and the application procedure is costly and time consuming (about 3 months).

8. *Is it true that all official documents must be signed with a black pen?*

Yes, documents and contracts are annulled if this requirement is not met.

9. *Must all documents submitted to the Chinese authorities be made out in Chinese?*

Generally speaking, all documents must either be written or translated into Chinese. In case of discrepancies between the Chinese document and the document written in English or another foreign language, the Chinese document takes prevalence – even if the foreign language document is the original document. It is strongly advised to seek professional assistance with collecting and filling out forms.

# Useful links

## Help and advice when establishing a FIE in China

- [www.capitallaw.cc](http://www.capitallaw.cc)  
Capital Associates' website.
- [www.ncochina.com](http://www.ncochina.com)  
NCO China's website.

## Government and organizations

- <http://english.gov.cn/index.htm>  
The official website of the Chinese central government.
- [www.ebeijing.gov.cn](http://www.ebeijing.gov.cn)  
Official website of the Beijing Municipal Government.
- [www.shanghai.gov.cn](http://www.shanghai.gov.cn)  
Official website of the Shanghai Municipal People's Government.
- [www.china.org.cn](http://www.china.org.cn)  
Government portal site to China that offers broad access to news about China.
- [www.fdi.gov.cn](http://www.fdi.gov.cn)  
Website of the Chinese Ministry of Commerce directed to foreign investors. The site comprises government news and information about investment directions, economy, statistics and law.
- <http://english.mofcom.gov.cn/>  
Official website of the Chinese Ministry of Commerce.

- [www.chinainvest.com.cn](http://www.chinainvest.com.cn)  
China International Electronic Commerce Centre's website. Contains investment news and information about investment projects in China.
- [www.tdctrade.com](http://www.tdctrade.com)  
Hong Kong Trade Development Council's website. Provides information about CEPA.
- [www.tid.gov.hk/english/cepa/](http://www.tid.gov.hk/english/cepa/)  
Website of Hong Kong Trade and Industry Department. Provides full text documents on all CEPA agreements and annexes.
- [www.adb.org](http://www.adb.org)  
Website of the Asian Development Bank.

### **Other sources of information about China**

- [www.transparency.org](http://www.transparency.org)  
Website of Transparency International, a coalition against corruption.
- [www.hoover.org/publications/clm](http://www.hoover.org/publications/clm)  
Website of the Hoover Institution of Stanford University. Provides information about China's leadership politics and its foreign and domestic policies.
- [www.chinaeconomicreview.com](http://www.chinaeconomicreview.com)  
China Economic Review is a monthly magazine published in Hong Kong covering business, finance and economics in China.
- [www.worldbank.org/transitionnewsletter](http://www.worldbank.org/transitionnewsletter)  
World Bank newsletters on developing economies.

- [www.cia.gov/library/publications/the-world-factbook/](http://www.cia.gov/library/publications/the-world-factbook/)  
U.S. CIA World fact book.
- [www.expatsinchina.com](http://www.expatsinchina.com)  
A guide for foreigners living in China.

## **Logistics**

- [www.maps-of-china.com](http://www.maps-of-china.com)  
Maps of Chinese cities, provinces and regions in the principal areas of China.
- [www.primecargo.com](http://www.primecargo.com)  
Website of the international transportation and freight forwarding company Primecargo.
- [www.dsv.com](http://www.dsv.com)  
A transportation company that offers end-to-end transport and logistics solutions.

## **News in English**

- [www.chinadaily.cn](http://www.chinadaily.cn)  
Website of China Daily, the Chinese government's official mouthpiece.
- [www.scmp.com](http://www.scmp.com)  
Website of South China Morning Post, which is a little less censored than China Daily.
- [www.shanghaidaily.com](http://www.shanghaidaily.com)  
Website of the local Shanghai newspaper
- <http://english.peopledaily.com.cn>.

## **Chambers of commerce**

- [www.amcham-china.org.cn](http://www.amcham-china.org.cn)  
The American Chamber of Commerce in China.
- [www.europeanchamber.com.cn](http://www.europeanchamber.com.cn)  
The European Chamber of Commerce in China.
- [www.pek.britcham.org](http://www.pek.britcham.org)  
The British Chamber of Commerce in China.
- [www.ccifc.org/](http://www.ccifc.org/)  
The French Chamber of Commerce in China.
- [www.dccc.com.cn](http://www.dccc.com.cn)  
The Danish Chamber of Commerce in China.
- [www.swedishchamber.com.cn](http://www.swedishchamber.com.cn)  
The Swedish Chamber of Commerce in China.

## Abbreviations

AIC	Administration of Industry and Commerce
AMEA	Anti-Monopoly Law Enforcement Agency
ASBE	Accounting Standards for Business Enterprises
BLTB	Beijing Local Tax Bureau
CAS	Chinese Accounting Standards
CBRC	China Banking Regulatory Commission
CCPIT	China Council for the Promotion of International Trade
CEPA	Closer Economic Partnership Arrangement
CIETAC	China International Economic and Trade Arbitration Commission
CJV	Contractual or Cooperative Joint Venture
CO (CEPA)	Certificate of Hong Kong Origin (CEPA)
COFCOM	Commission of Commerce
CPA	Certified Public Accountant
CSRC	China Securities Regulatory Commission
DTT	Double Taxation Treaty
EJV	Equity Joint Venture
EPZ	Export Processing Zones
FESCO	Foreign Enterprise Service Corporation
FIE	Foreign Investment Entity
FIP	Foreign Invested Partnership
FR	Factory Registration with TID (CEPA)
HKTDC	Hong Kong Trade Development Council
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
LoI	Letter of Intent
MII	Ministry of Information Industries
MOFCOM	Ministry of Commerce
MOLSS	Ministry of Labour and Social Security
NDRC	National Development and Reform Commission
NPC	National People's Congress

PBOC	People's Bank of China
PRC	People's Republic of China
RMB	Renminbi
RO	Representative Office
ROOs	Rules of Origin (CEPA)
SAFE	State Administration of Foreign Exchange
SAIC	State Administration for Industry and Commerce
SAR	Special Administrative Region (Hong Kong and Macau)
SAT	State Administration for Taxation
SIPO	State Intellectual Property Office of the PRC
TID	Hong Kong Trade and Industry Department
TRIPs	Trade-Related Aspects of Intellectual Property Rights (agreement under WTO)
WFOE	Wholly Foreign Owned Enterprise
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

## References

We have found inspiration for the handbook on the websites listed under “Useful links”. In addition, various materials from events and presentations together with “Danmarks Nationalbank, Quarterly Review 1, 2009” have been used.

Last, but not least, we have drawn on the long experience of Capital Associates and NCO China in advising clients.

# Contact information

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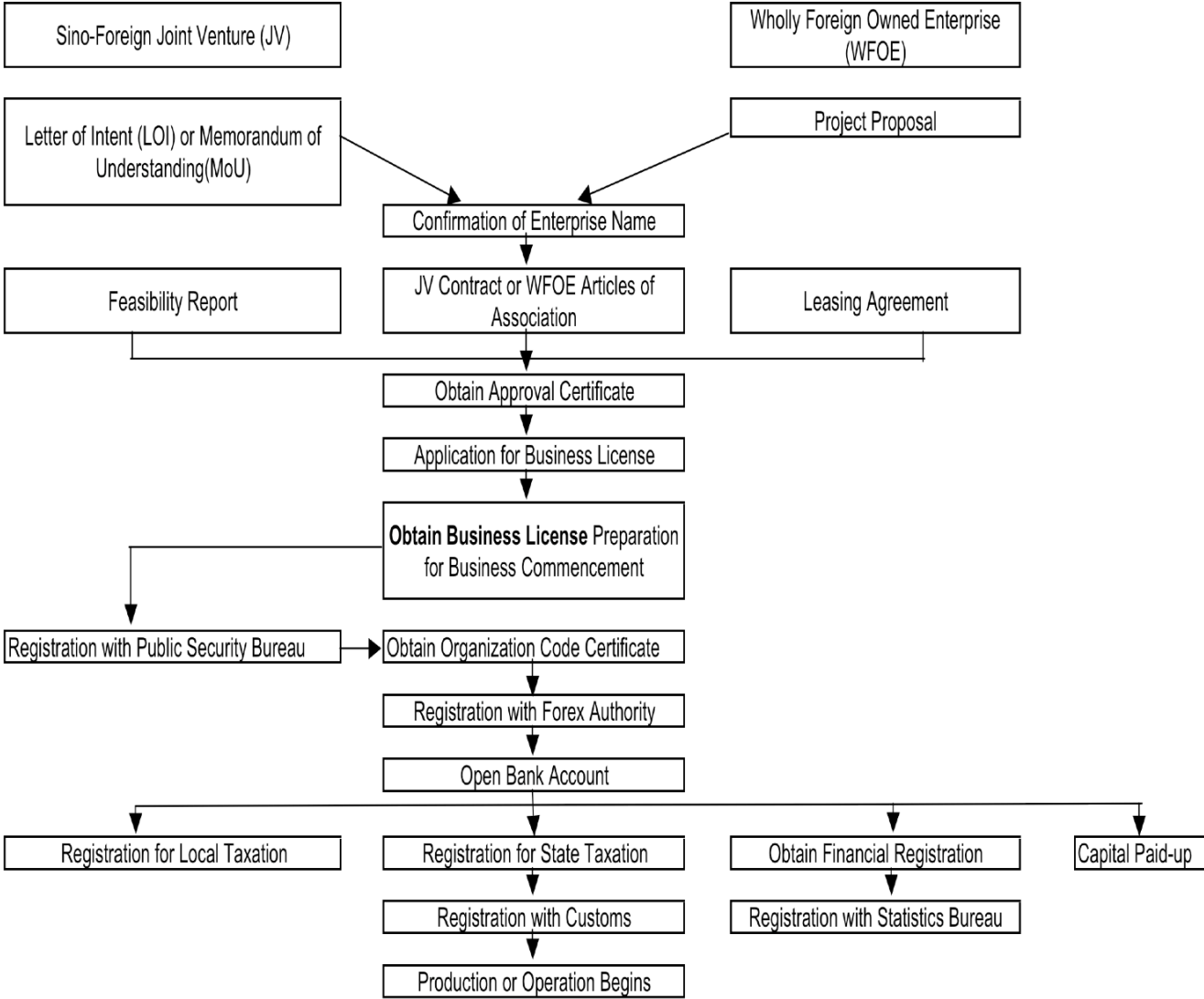
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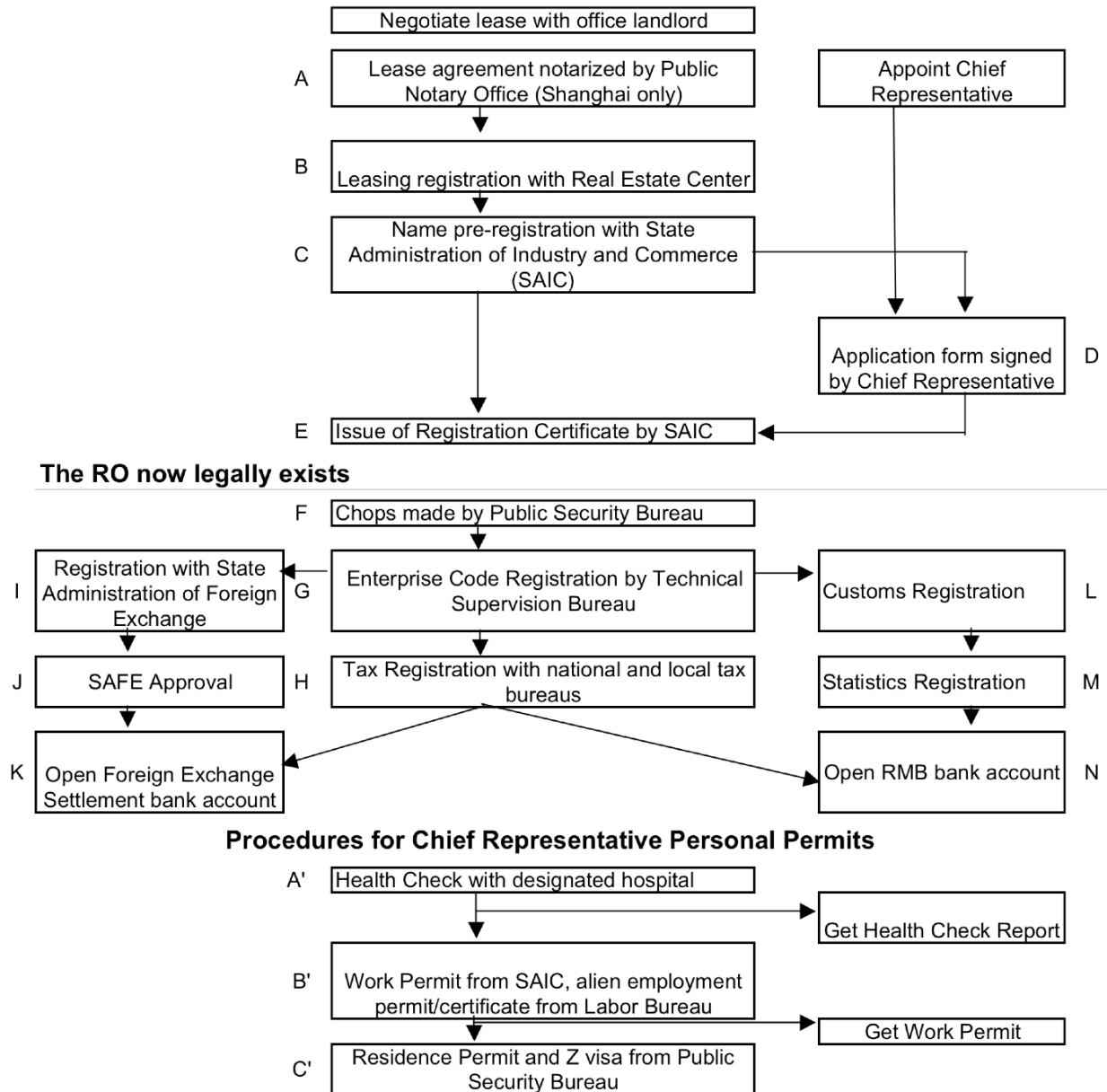
NCO China is an affiliate of AFP Group, with offices in  
Hong Kong - Taipei - Singapore - New Delhi – Zurich



# Appendix 1: Overview of establishment procedures for WFOE or Joint Venture



## Appendix 2: Overview of establishment procedures for Representative Offices



Notes-there are some regional variations to this process

1. Shenzhen-SAFE registration/approval not required
2. Guangzhou-lease agreement does not need to be notarized; customs registration usually not required; foreign exchange account not required
3. Beijing-only commercial buildings can be used as registration address; some minor differences to registration of leasing agreement