

Launching a Business in China: *Where to Start to Avoid Risks*



How to Open a Business in China: 3 Legal Paths for Foreigners

1. Representative Office (RO)



- **For whom:** market reconnaissance, marketing, coordination
- **Allowed:** to research, meet, support clients
- **Not allowed:** to sell, issue invoices, hire directly
- **Legal status:** not a legal entity, a division of the parent company

Suitable for the first step - **entering the Chinese market without risks**

2. WFOE (Wholly Foreign-Owned Enterprise)



- **For whom:** full-scale business - manufacturing, services, e-commerce, export
- **Pros:** 100% control, profit, own staff, bank accounts
- **Status:** full-fledged creation of a legal entity in the PRC
- **Timeline:** 7–15 days

The most in-demand form - **registering a WFOE = long-term presence**

3. Joint Venture (JV)



- **For whom:** access to regulated industries (telecom, education, finance)
- **Feature:** only when operationally necessary - not by default
- **Important:** the form 中外合资企业 as mandatory was abolished in 2020.

Used rarely - only when impossible otherwise

WFOE = A Standard LLC in China with Foreign Capital

Why is WFOE the best choice?

- ✓ 100% control - decisions, finances, team
- ✓ Full-fledged status - can sell, export, take loans
- ✓ Scalability - from an office in Hangzhou to a factory in Guangdong
- ✓ Trust - perceived as a "local" player, not a "temporary guest"



Ideal for strategic entry into the Chinese market - when it's important not just to "try" but to build a sustainable business

How Company Registration in China (WFOE) Proceeds



1. Preparation

- Charter, resolution on establishment, confirmation of source of capital
- Office lease agreement
- Data of beneficial owners (UBO)
- All documents - in Chinese
- For individuals: passport + certified translation



2. Submission

- Through the One-Stop Service at SAMR
- Unified platform: registration, tax, and possibly even bank - in one package



3. Completion

- Receipt of the Business License
- Entry in the National State Register System (www.gsxt.gov.cn)
- Opening of RMB/USD account → start of operations

Timeline: 7–15 working days (without special licenses)

Joint Venture (JV) in China

For cases where it's otherwise impossible!

- ✓ Access to places where a WFOE is not allowed (Restrictions in the Negative List)
- ✓ Accelerating market entry through a partner's ready-made infrastructure (entry of a foreign strategic investor into a successfully operating local business)
- ✓ Increasing trust among regulators and clients (access to licenses, dealer networks, public procurement)

Important:

since 2020, JV is not mandatory, but a strategic choice






Representative Office (RO) in China - an official "bridge," but not a business

! Not a legal entity. Not a company. Not a WFOE. Simply an "overseas office."

What is possible?

- ✓ Market research and competitor analysis
- ✓ Organizing meetings, exhibitions, presentations
- ✓ Coordinating logistics, supporting clients

What is not possible?

-  Entering into transactions, issuing invoices, receiving profit
-  Owning real estate, warehouses, equipment
-  Opening an RMB account - only NTEA (Non-Trade Foreign Exchange Account)

When to choose an RO?



At the stage of entering the Chinese market – study, connections, testing



When a point of presence in China is needed – but without the right to conduct business

Exception:

foreign aviation representative offices, which can engage in activities related to selling air tickets and supporting international flights

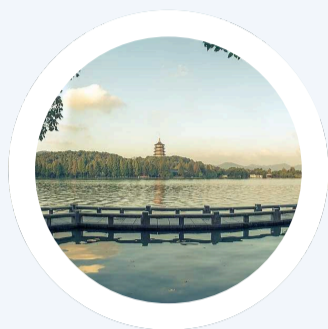


Choosing a City in China for Company Registration



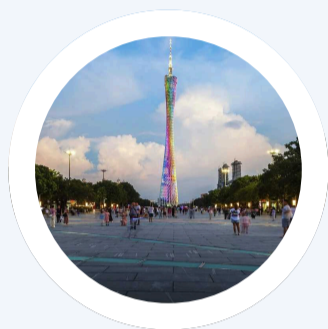
Shanghai

global prestige and access to international B2B networks (Fortune 500 HQ + Yangshan Port)



Hangzhou + Yiwu

the Alibaba digital ecosystem + the physical base of the "wholesale capital of the world" → e-commerce 2.0



Guangzhou

the export hub to ASEAN/Middle East via Canton Fair and Nansha Port



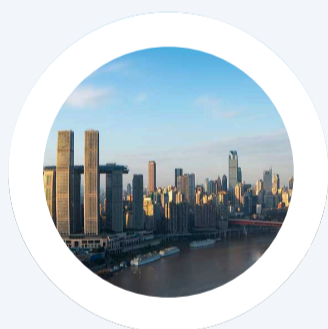
Shenzhen (Nanshan)

"smart" high-tech manufacturing with subsidies and direct port access



Beijing

deep technologies: R&D, biotech, quantum computing + government support (but no manufacturing)



Chongqing

the logistics gateway to Eurasia: low costs + rail to the EU (New Silk Road)



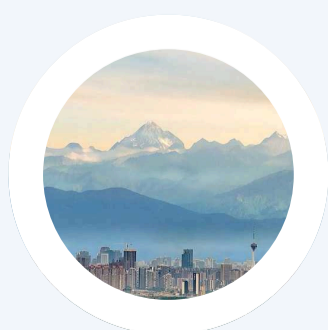
Tianjin

the hub for chemicals and automotive components for Northeast Asia and Siberia



Suzhou

high-end manufacturing with 30–40% savings vs. Shanghai, 25 min drive to it



Chengdu

the growing tech center of Western China: talent, air connectivity, low development cost

Documentation Package for Opening a Business in China (WFOE)



Identity documents

passports (with translation) for individuals or legalized constituent documents of a foreign company



Articles of Association

detailing management, types of activities, profit distribution, and powers



Legal address

a real office: virtual addresses are not accepted (risk of on-site inspection)



Registered capital

determine the amount, contribution within 5 years

7 Stages of Registering a WFOE Company in China

1. Preparation of documents

- Passports with certified translation or legalized constituent documents
- Articles of Association (in Chinese, with specified types of activities)
- Legal address (real office, not virtual)
- Confirmation of capital (approval of the amount, contribution within 5 years)

2. Submission to SAMR (State Administration for Market Regulation)

- Verification of name and address uniqueness
- Cross-checking with state registries

3. Verification

- Formal analysis + possible on-site office inspection (especially for WFOE/JV)

4. Obtaining the business license (registration certificate)

- Entry into the Unified State Register
- Timeline: 7–15 working days (standard)
- For regulated sectors + time for industry-specific licenses

5. Tax registration

- Obtaining TIN
- Selection of tax regime

6. Opening a corporate bank account

- Business license required
- Beneficial owner verification → ~1 week

7. Additional registrations

- Social insurance/pension fund (when hiring employees)
- Foreign trade permit (for export/import)
- Industry-specific licenses (medicine, finance, education, etc.)

3 Key Blocks of Daily/Annual Obligations

1. Finance and Taxes

- Bookkeeping according to CAS (in Chinese)
- Annual audit — mandatory for WFOE (audit report → to tax authorities)
- Submission of tax declarations on schedule (VAT, profit, etc.)



Delay → **finances, penalties, account blocking**

2. Personnel and HR

- Labor contract according to the Labor Code of the PRC for each employee
- Monthly contributions to funds
- Visa renewal (Z/R) for foreign employees



3. Legal Support

- Maintaining a real office - timely renewal of lease
- Renewal of industry-specific licenses (foreign trade, ICP, medicine, etc.)
- Annual inspection (Annual Inspection) with SAMR — confirmation of company activity



Recommendation: Local accountant + lawyer = stability and compliance

CONTACTS

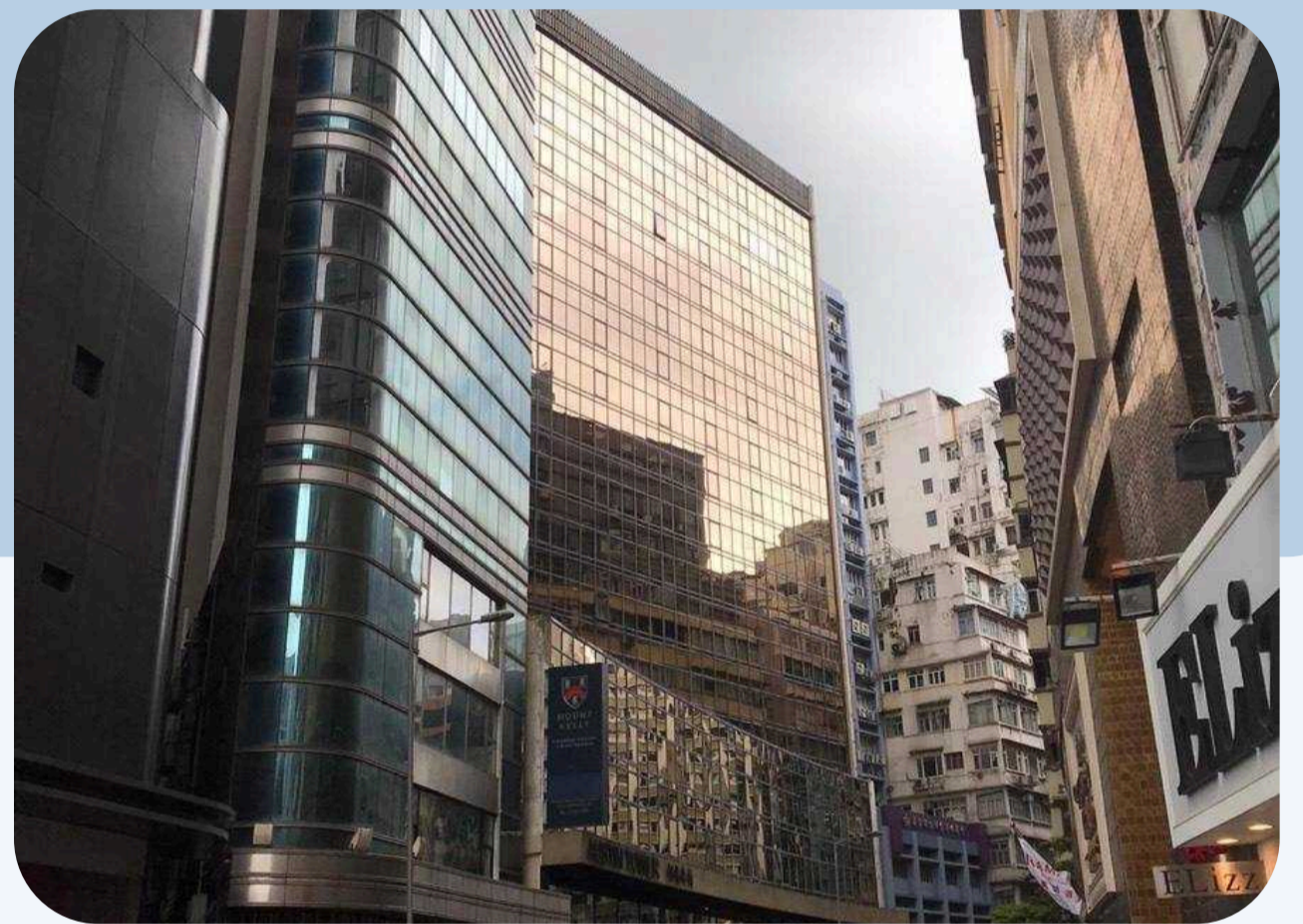
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