



Doing Business in China

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Today we will be covering...

- The scope of the country – facts and figures
- Evaluating the opportunity
- Doing business – some core points
- Importing into the UK
- Exporting
- Setting up in China

Facts and Figures

- China is a socialist state
- Run by the National Peoples Congress (NPC)
- NPC made up of
 - 2 Special administrative regions
 - 5 autonomous regions
 - 4 municipalities
 - 23 provinces

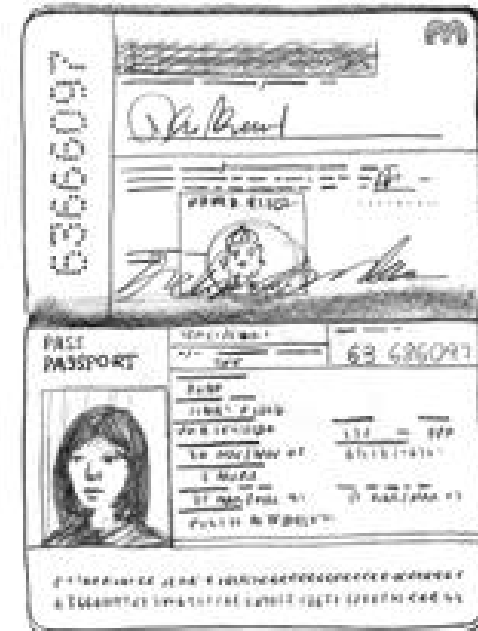


Facts and figures

- Population - 1.33 billion (mid 2007)
- Language – Putonghua (mandarin) – many dialects
- Currency – Renminbi (RMB)
- GDP – \$5,300 (USD)
- Standard hours – 40 hours/week
- Trade unions

Doing Business – some core points

- Do your preparation
- Get out there
- Use advisors and interpreters
- Guanxi
- Negotiations
- Common concerns



Core points – common concerns

- Understanding the cul
- Protection of IPR
- Corruption
- Quality control
- Insolvency



Importing to the UK

- Is it worth it?
- Finding a supplier
- Negotiating the contract
- Financing
- Shipping the goods



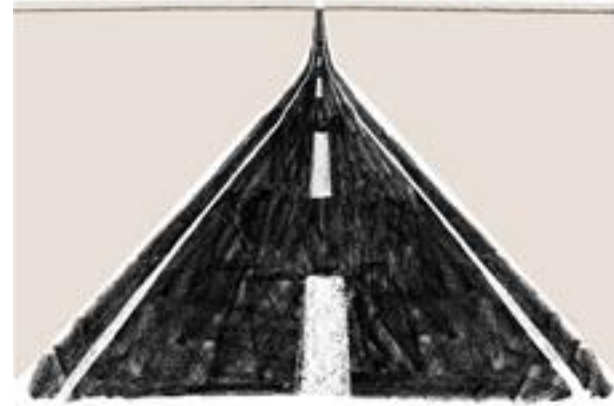
Importing – is it worth it?

- The margin advantage
- Consider shipping costs
- Working capital requirement



Finding a supplier

- Research
- Import agents
- Trade missions
- UKTI
- CBBC



The Negotiation

Things to consider:

- Take your time
- Guanxi
- Terms of contract
- Tricks of the trade
- Counterplay

Financing

- Payment in advance
- Payment on delivery
- Open account trading
- Letters of Credit
- Working capital financing
- Exchange rates and hedging



Shipping

- X-Works
- FOB
- CIF
- Insurance



Exporting

- Import licences
- Terms of trade
- Protecting margins
- Getting help:
 - UKTI
 - CBBC



Setting up in China

- Where to set up
- Control and risk management
- Types of entity
- Tax structure
- Sending people over – expatriate issues

Types of entity

- Equity Joint Venture
- Co-operative Joint Venture
- Wholly foreign-owned enterprise (WOFE)
- Representative office
- Foreign Invested Commercial Enterprise (FICE)

Taxation & accounting

- Enterprise Income Tax - 25%
- Withholding tax – 10% on passive income
- Tax Resident Enterprise
- Prepare accounts in Chinese
- Related party transactions at arms length
- Turnover taxes
 - VAT
 - Business tax
 - Consumption tax

Employee Secondment to China

- Residency
- Employer responsibility
- Late payment fines
- Tax evasion = potential penalties or prison sentence
- Tax advice before employee departs

Key Points

- Do your research
- Use advisors and organisations
- Get over there

Useful references

- www.grant-thornton.co.uk
- United Kingdom Trade and Investment (UKTI)
- China Britain Business Council (CBBC)
- www.chinainfo.org





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