

Setting up a Legal Entity in China

Understanding the fundamentals of the process and how different investment and business categories affect company operations is essential for any foreign enterprise interested in conducting business in China. As the Chinese economy continues undergo rapid change, so do the regulations and processes of establishing a legal entity in China. The following information reflects the process at the time of publication.

Nature of the Investment

A company entering China has four basic options to choose from when deciding the type of investment it is willing to commit to within the market: Representative Offices, Wholly Owned Foreign Enterprises (WOFE), Joint Ventures, and Cooperative Companies. Cooperative Companies are partnerships with a local company. In these arrangements, the amount of risk and profit shared by each party is not determined by capital investment but rather a ratio agreed upon at the outset of the partnership.



Nature of the Business

The following categories are by no means exhaustive, but represent the most common forms of foreign invested enterprises operating in China today. Other categories of business include Purchasing Centers, Research and Development Centers, investment (Holding) Companies and Regional Headquarters.

Minimum Registered Capital:

Service Company

Minimum registered capital is **US \$140,000**

Manufacturing Company

Minimum registered capital is **US \$140,000**

International Trading WOFE

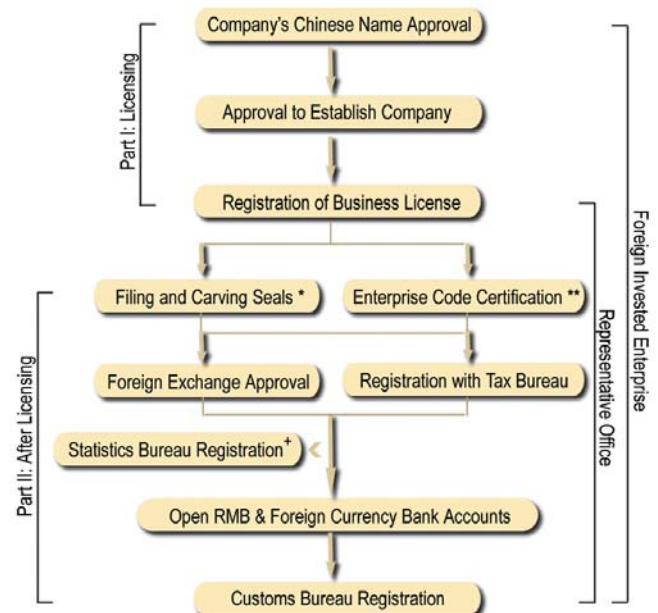
To set up a trading WOFE, the company has to register in a Free Trade Zone (FTZ). The minimum capital requirement is **US \$70,000**

Commercial Enterprise

Minimum capital investment requirement will be between **US \$40,000 to \$70,000**

Basic Registration Steps

Below is the typical process for setting both foreign invested enterprises and representative Offices. The government offices involved in this process include the Ministry of Commerce, Administrative Bureau for Industry and Commerce, State Administration of Foreign Currency, Taxation Bureau, the Customs Office, and the Statistics Bureau.



* Official company stamps required for many business and banking transactions in China

** Equivalent to a personal identification number for the licensed company.

† This process can be completed at any stage following foreign exchange approval and registration with the tax bureau.