



HONGDA
CHINA COMPANIES MADE EASY

The Foreign Company's Guide To Business In Shenzhen

An introductory guide to the southern Chinese city of Shenzhen and its business climate,
the Qianhai New District and the types of companies foreigners can set up within the city,
by Hongda Business Services



Contents

Foreword	2-3
Chapter 1. Introducing Shenzhen	3-10
A Brief History Of A City Without A history	4
Shenzhen Facts And Figures	5
Life in Shenzhen	6-10
Chapter 2. Shenzhen's Business Climate	11-22
Location	11
Free Trade Zones	12-14
Policies Within The Free Trade Zones	14-16
Shenzhen And Its Relationship With Hong Kong	17
Chapter 3. Types Of Companies One Can Set Up in Shenzhen	23-26
China WFOE	23-24
Representative Office	24-25
Shenzhen Joint Venture	25-26
Chapter 4. The Qianhai New District	27-35
'The' Place To Do Business In Shenzhen	27-28
Qianhai Policies	29-32
Registration Process For Foreign Companies	32-34
Registering Trademarks & IPR in China	35
Chapter 5. Staff And Labour Requirements in China	36-37
Chapter 6. Accounting in China	38-39
Conclusion	39-40
A Note On This Ebook	40
Useful Resources	
About Hongda Business Services	

FOREWORD



Hongda Business Services have been assisting foreign companies to take their first steps into setting up a business in Shenzhen and helping them run it in a compliant and streamlined manner since 2007.

For anyone that has ever looked at starting a business in mainland China, the heavyweights of Beijing and Shanghai to the north and the southern cities of Guangzhou, and perhaps more well-known in business circles, Hong Kong, have traditionally attracted the most amount of foreign attention and business in recent times, that is, until Shenzhen came along.

Having only been established in late 1979, the youthful city of Shenzhen has emerged as one of southern China's major economic hubs, giving entrepreneurs from all over the world a taste of what the 'New China' has to offer.

The Central Government's ongoing dedication to lowering barriers of entry for foreign enterprises has helped to spur sustainable growth, and has gone a long way to helping attract huge amounts of foreign investment that have positioned Shenzhen as one of the most sought after places to do business in China.

However, doing business on the Chinese mainland is definitely not as straightforward as one would expect in the West. China comes with its own set of corporate laws and bureaucratic procedures that need to be negotiated with care.

Shenzhen is growing at a phenomenal rate with new free trade zones currently in development within its borders. English resources on these zones and their benefits for foreign enterprises, however, are not always readily available.

This ebook has been created as a go-to resource for foreign enterprises looking to start a business in Shenzhen. In the following pages we will explore the city of Shenzhen and its current business climate, and touch on the type of companies one can register here as well as take a closer look at the Qianhai New District.

We trust that anyone looking to find out more about starting a business in Shenzhen will find this ebook extremely useful, and that it will serve as the starting platform for future business success in the years to come!



CHAPTER 1.

INTRODUCING SHENZHEN



A Brief History Of A City Without A History

From its humble beginnings as a small fishing village located in southern China's Guangdong province a short 35 years ago, Shenzhen and its close proximity to Hong Kong positioned it to star as China's first foray into experimenting with the idea of market capitalism, and the establishment of a special economic zone by the architect of modern day China, Deng Xiaoping.

The city was set to roll in far-reaching market-economy reforms and open up its doors to the rest of the world, placing greater emphasis on economy than the ideologies of Mao Zedong's era. The city that once was home to a mere 30000, has seen its ranks significantly bolstered over the years by millions of migrant workers that have driven its economy to new heights and ushered China into the new age



The 'migrant city' of Shenzhen has fittingly adopted the Chinese saying of “来了,就是深圳人” (laile, jiushi shenzhenren) that translates as “Once you're here, you are a Shenzheners”. The saying does an excellent job of describing the welcoming 'hospitality of the south' for anyone that makes their way here, and it is especially true for the millions of factory workers that now call it home for most of the year.

In a very, very short space of time, Shenzhen has taken the unique opportunity of writing its own history and laying the foundation for a prosperous future. It has successfully managed to establish itself as one of the fastest growing cities in the world, and is certainly one of the most pleasant cities to live and work in China.

Shenzhen Facts And Figures



- » Shenzhen's population is around 15 million people
- » It makes part of the Pearl Delta River Mega City built-up area, covering an area of 1,991.64 square kilometres (769 sq mi) including urban and rural areas
- » Shenzhen is comprised of 6 administrative districts and 4 management new districts
- » 1.22 percent of its population are aged 65 or above
- » It is home to the biggest electronics market of its kind in Asia, Huaqiangbei
- » Shenzhen currently has 26 buildings at over 200 meters tall
- » On a daily basis, around 600,000 deals, valued at US\$807 million, trade on the SZSE (Shenzhen Stock Exchange)
- » In 2014, Shenzhen's GDP totaled \$260.48 billion, putting it on par with a mid-sized province by terms of total GDP.
- » Its total economic output is higher than that of Portugal, the Republic of Ireland, and Vietnam.
- » Shenzhen's economic output is ranked fourth among the 659 Chinese cities (behind Beijing, Shanghai and Guangzhou)
- » The city boasts an advanced transport network that cover the sea, land and skies. Shenzhen Bao'an International Airport is one of the three largest airport hubs serving the Pearl River Delta urbanised area in southern China
- » Shenzhen Metro currently has 5 lines, 118 stations, and 177 kilometres of total trackage in operation, with the total planned length set to be spread out over 20 lines and 720 km

Life in Shenzhen



Compared to all of the other ‘big’ cities in mainland China (bar perhaps Shanghai), Shenzhen is widely regarded as one of the more ‘welcoming’ cities. Foreigners looking to head to Shenzhen will find it as accommodating as it comes in China.

The city itself oozes international appeal and is home to a healthy expat community that is growing by the day. Although the language barrier may sometimes influence the speed at which things are done, the bottom line is that it is definitely possible to live and work here comfortably without even a basic knowledge of Mandarin (especially for those who prefer to frequent one of the many foreign bars and restaurants in the city).

English is definitely becoming more prevalent within the city, where a large majority of the expats work as English teachers. Teachers and volunteers regularly participate in [activities to help correct English signs within the city](#), helping to raise the level of English here and make it a more international city.

Most of the city’s inhabitants are only too willing to attempt to strike up a conversation in their best English with foreigners they meet on the streets, ensuring that newcomers always feel welcome, and there is almost always somebody close at hand to help should one need assistance. This, and Shenzhen’s close proximity to Hong Kong, is definitely helping to make the transition a lot easier for those fearful of becoming lost in translation.

In addition to this, there are many bilingual service providers that have established themselves throughout the city to help foreigners navigate a range of issues on their arrival such as finding an apartment, processing work visas, taking a trip to the hospital or even negotiating business deals. They are playing a big part in helping support the growing expat community and it is only going to get better as time wears on.

The majority of the expat community is spread out amongst the 3 districts of Luohu, Futian and Nanshan.

Luohu

This is the financial and trading centre of Shenzhen, and it is also the oldest district of the trio. Whether you like shopping, being in the outdoors or simply relaxing, Luohu is definitely the place to be. Spend an entire day navigating its huge array of mega shopping complexes, catch some sun while scaling a mountain, or kick back at one of its famous spas. Luohu also shares a border checkpoint with Hong Kong, making it a very convenient place to live if one wishes to travel to Hong Kong frequently.



Futian



This is the seat of the municipal government and the central business district located in the very heart of Shenzhen. The district boasts an impressive amount of high-rise apartment buildings and offices, and is home to the biggest electronic market of its kind in Asia, Huaqiangbei. Futian features a healthy number of shopping centres, restaurants and bars (Coco Park being the preferred choice for many foreign visitors) that will ensure one is never left wanting once the weekend rolls around.

Nanshan

This is the centre for high-tech industries and home to some of the biggest local and international tech companies in China. For those looking to live a little closer to home, the option of Shekou in Nanshan District is about as close as you are going to get to a fully functioning foreign community, complete with international schools, some of the tastiest foreign food in the city and weekly events/parties hosted by ‘foreign locals’.

Comparatively speaking, the living expenses in Shenzhen are on par with what you’d come to expect from an international city. Even though it is a lot cheaper to rent an apartment here than in neighbouring Hong Kong, prices have risen significantly over the last decade. This being said, it is still possible to find places that are greater value for money outside of the above mentioned districts, namely in Longhua, Baoan, Longgang and Yantian. Everything from shopping to dining can be kept within acceptable means. There are tons of local restaurants serving cheap, tasty food, with Dongmen and the Luohu train station offering a much cheaper alternative than brand name outlets.



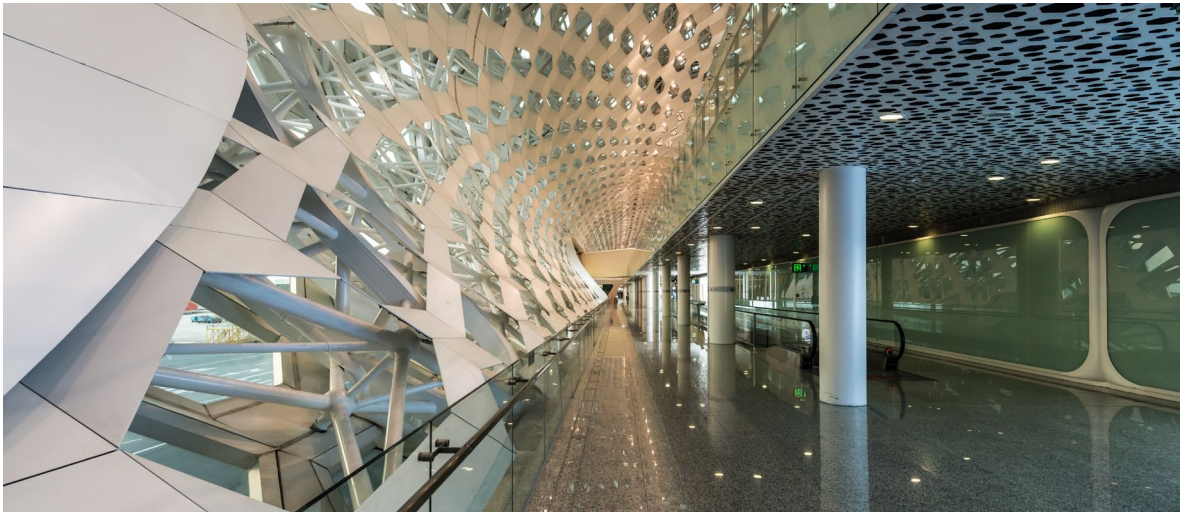
Those looking to get around the city are met with a highly developed public transport network that gets one from A to B affordably, with fares [varying from 2 RMB to 11 RMB according to the distance travelled](#). Buses and the MTR cover most of the city (3 new MTR lines are under construction), with taxis and private drivers available for those with a little bit more cash to spend. Like most international cities, traffic is somewhat of an issue in Shenzhen at peak times, especially with all of the MTR construction still underway, so it often pays to take the cheaper route if you are looking to get somewhere with time to spare. This being said, it is still significantly better than Shanghai or Beijing.

There are a number of tourist attractions for those looking to soak in the sights and sounds of Shenzhen, with a little of everything for just about anyone. Those on a cultural journey can visit Nanshan's Splendid China or one of the many theaters that regularly host famous local and international acts. Those longing for the great outdoors will find the city dubbed "City of Parks" to their liking. The urban greenbelt coverage in developed areas is 45.04 percent, with [683 beautifully designed parks](#) to choose from and local mountain trails located within the city, as well as the beach resorts in Dapeng District a short hour or so car ride out of the city centre, Shenzhen is truly a city for nature enthusiasts. For some good old family fun there is the Happy Valley Theme Park, Windows of the World and OCT East Theme Park, as well as a ton of shopping malls with game arcades and movie theaters.



The nightlife is definitely something to behold as the droves of office workers clock off and the city comes to life. Experience the local night markets, Chinese-style flash mobs, street bbq joints and supermarketesque bars selling only the finest imported beers. There are also a host of clubs and bars with varying themes and styles of music that will keep the most seasoned of revellers entertained until the wee hours.

Weather-wise the city experiences hot, humid rainy conditions for a good part of the year, with the monsoon season beginning as early as April and lasting till early October. The changes in weather from sunny blue skies one minute, to torrential downpours the next is something that locals discuss with almost as much interest as they do their next meal. Winters here are usually quite dry and colder than some of its tropical neighbours, but temperatures are mostly moderate throughout the year (average temperature of 22 C/72 F). The humidity in summer can always be managed as AC can be found everywhere, which makes living and working here an absolute 'breeze'.



Shenzhen's Bao'an International Airport is the hub that connects travellers with the mass of mainland China (domestic flights from Shenzhen are cheaper than from Hong Kong), and there are daily flights to many of the most popular Asian destinations such as Thailand, Malaysia, Korea and Singapore. The lack of long-haul air connections outside of Asia, however, is still something of an issue for international travellers, but can be easily accessed directly from Hong Kong through a Sky Limo service from Huanggang and Nanshan checkpoints, or a ferry in Shekou. This does give those that live and work here the option of exploring the rest of what China has to offer cheaply, and provides them with the perfect starting point from which to embark on a journey to the rest of Asia.

The city of Shenzhen is certainly one that has caught the attention of the world. Foreigners looking to come and settle here will definitely appreciate the saying "Once you're here, you are a Shenzhener", as its migrant status already makes it a home away from home for millions. It strikes the perfect balance between skyscrapers and nature, boasting a breathtaking skyline with ultra modern architectural design that is nestled comfortably amongst the city's numerous public parks and surrounded by neighbouring mountains. Shenzhen, the city without a history, waiting to make those who venture here a part of its growing legacy.



CHAPTER 2.

SHENZHEN'S BUSINESS CLIMATE



Now that you know a little bit more about the origins of Shenzhen, what kind of a city it is and what makes it such a special place to live in, it is about time that we move on to the ‘business’ at hand. In this chapter we will take a closer look at why Shenzhen’s location makes it such a great place for foreigners to start a business, the free trade zones and their policies, its major industries and how its growing relationship with Hong Kong is helping to further strengthen its position as the place to do business in China.

Location

At the beginning of 2015, China’s PRD overtook Tokyo to become the world’s largest urban area in both size and population, [according to a report from the World Bank](#). Shenzhen is just one of the sprawling megacities in this region that shares its borders with some of Guangdong’s major manufacturing giants: Guangzhou, Zhuhai, Foshan and Dongguan. Collectively, these cities are the epitome of the “Made In China” trademark, as just about everything you could possibly think of can be sourced from any one of them. With its position in the middle of these surrounding key cities, Shenzhen really is a hotbed for anyone looking to move over and set up a company and/or a factory manufacturing just about any product.

The Shenzhen Special Economic Zone is a free trade zone (FTZ) where [specialized economic regulations and policies are exercised](#). The Special Economic Zone was expanded in 2010 to include Baoan and Longgang Districts in an effort to further accelerate its development. Currently, Shenzhen's FTZ consists of four development zones:

- **Shatoujiao FTZ**
- **Futian FTZ**
- **Yantian Port FTZ**
- **Yantian Port Bonded Logistic Park**

Shatoujiao FTZ

This is the oldest FTZ having been established on December 25, 1987. It covers an area of industrial land area of 0.27 square kilometers, with a residential land area of 0.15 square kilometers. It is 1 kilometer from the largest international container port in South China, Yantian Port.

Futian FTZ

The Futian FTZ was established on May 28, 1991 and is the largest of the 4 zones, occupying a space of 1.35 square kilometres, with 0.33 square kilometres allocated to residential living space. It is the only FTZ in China that has direct access to non-mainland territory, namely Hong Kong, via Lok Ma Chau Bridge, which makes travelling and exporting goods that much more convenient. The major industries in Futian FTZ include biotechnology, computer software and food processing.





Yantian Port FTZ

The Yantian Port FTZ was established on September 27, 1996. It is divided into a north and a south part that covers 0.85 square kilometers. The northern part has ongoing projects to level the mountains and fill up some parts of the sea to make more space available for facilities and investing enterprises in the years to come, and the southern part contains insulating facilities that were qualified by The Customs General Administration in 1999. In May 2015, Yantian Port said it plans to issue RMB2.2bn (US\$354 million) worth of bonds on the Shenzhen Stock Exchange.

Yantian Port Bonded Logistic Park

The Yantian Port Bonded Logistics Park was established on December 30, 2005 and covers an area of 0.96 square kilometers. The zone is situated near to Yantian Port and industries encouraged in the park include printing/publishing/packaging, raw material processing, shipping/warehousing/logistics, and trading and distribution. Chinese companies that store their goods in the park are eligible to claim an Export VAT refund.

The four free trade zones in Shenzhen have attracted a remarkable number of investors [from 25 countries and regions from all over the world](#), a lot of which are world-renowned multinational enterprises.

It is worth mentioning that another area in Shenzhen joined the Guangdong Free Trade Zone which officially launched on 21 April 2015. The zone covers three areas totalling 116.2 square kilometers, of which the Shekou Special Industrial Zone (SIZ) is a part of. This zone is comprised of both the Qianhai New District and Shekou, with a total planned area of 28.2 square kilometres. This new FTZ will be dedicated to develop international financial cooperation, and establish it as a global service trade base and an international hub port.

Policies Within The Free Trade Zones

Company Registration

Foreign and domestic enterprises and/or other economic organizations and foreign individuals are allowed to invest and establish trading, warehousing, export processing and exhibition enterprises within the free trade zones, as well as any other enterprises and organizations approved for incorporation. We will explain which types of companies foreign nationals can set up within the free trade zones in Chapter 3.

Customs Administration

[The Bonded system](#) is adopted in the free trade zones. Under the system of processing trade administration, Customs allows enterprises in China to defer payment of tariffs and import-related taxes on all materials and parts imported, whether they are purchased with foreign exchange or supplied by foreign customers. The amount of imported materials and parts actually used in the making of the finished products for export is exempt from tariffs and import-related taxes.



Foreign Exchange Administration

Free settlement of exchanges is carried out for companies' foreign exchange income. Foreign exchange can be either deposited in financial institutions within the zone, or be sold to the appointed foreign exchange banks in the zone.

Both Chinese-funded and foreign-funded enterprises in the zone can open their foreign accounts in accordance with regulations.

There is no need to handle the verification and cancellation procedures which are requested by the Foreign Exchange Administration of China for exchange collection of exports and payment of imports.

Chinese-funded and foreign-funded enterprises share a unified exchange administration over their current accounts.



Taxation

The machinery, equipment, construction materials, office articles and supervision equipment transported from abroad to the free trade zone for self-use by the administrative organs, enterprises in the zone, and imported processing materials, raw materials, parts and components, fuels, packing materials, and transit goods stored in warehouse are all exempt from paying customs duties, import linked value-added tax and consumption tax. Transactions within the zone and exports are exempt from paying VAT.

Export Processing

A margin scheme is not required for the importing of processing materials for self-use by enterprises in the zone.

Enterprises in the zone can freely process the exported goods, except those restricted by the state's export quota. Meanwhile, enterprises within the zone may entrust factories outside the zone to process their exported products after approval.

The machinery, equipment, construction materials, office articles and supervision equipment transported from abroad to the free trade zone for self-use by the enterprises in the zone, and imported processing materials, raw material, parts and components, fuels, packing materials are exempt from paying customs duties, import linked value-added tax and consumption tax (Automobiles excluded).

Manufacturing companies whose materials are imported may sell their products to the domestic market after their application has been approved and paying duties and VAT has been imposed.

Warehousing

Warehousing enterprises in the zone can store any goods needed by domestic and international markets, with forbidden imported good listed by the government the exception. There are no compulsory regulations on the period of storage of the transit goods and warehousing goods. Paying a customs supervision fee is not required.



Exhibition

Imported goods exhibited in the zone are regarded as bonded goods under the supervision of customs. No deposit has to be paid for import duties and there is no deadline for the exhibition. Exhibited goods only need to be registered with customs. Bonded vehicles exhibition is permitted in the Futian FTZ.

All of these policies lend themselves to providing foreign investors with a great platform for doing business in Shenzhen, and the establishment of newer free trade zones are paving the road for even greater business development in the city.

Shenzhen And Its Relationship With Hong Kong



Hong Kong has long been Asia's premier place to do business, and its ties to neighbouring Shenzhen is helping to create even more investment opportunities for foreign investment, especially in up and coming technology companies. To date, Shenzhen and Hong Kong are connected via six land crossing points, and there are talks of establishing deeper economic ties by linking the stock markets of both cities. The proposed stock connect aims to show that the mainland capital market is continuing to open up to the outside world, and will provide unprecedented access to mainland investors and capital. No timeline for the connect has been set though, and industry [insiders expect it to be delayed until 2016](#) after initial reports that it would happen in 2015.

Furthermore, the establishment of the Qianhai New District is seen as another major step forward for further integration and free trade between the two giants of the south. The Qianhai New District will play a leading role in strengthening ties between Shenzhen and Hong Kong in the future, and we will cover its significance in Chapter 4.

Shenzhen really is the place to be for business in China at the moment. We compiled an infographic that highlights some interesting facts and figures that show just how far this youthful city has come in terms of business over its short history:

The history of a city **without a history**

Located on a southern tip of the Chinese mainland and on the eastern bank of the Pearl River lies a fishing village turned metropolis that is leading the way forward for innovation in China, a city without a history that is now making history, Shenzhen.

Established in 1980 by the now famous statesmen Deng Xiaoping, Shenzhen has grown exponentially over the past 35 years and has been a touchstone for China's reform and opening-up policy since then. Shenzhen is one of the fastest growing cities in the world and its rise is nothing short of amazing.

Here we will take a look at some interesting numbers and facts that showcase Shenzhen's rise to the top in just 35 years, and to show exactly why this IS the place to start a business in China:



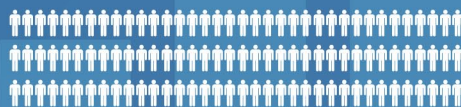
One of China's first and most successful **Special Economic Zones (SEZ)**

Shenzhen then



30,000
people

Shenzhen now



15,000,000
people

Average of **34 years**



Youngest population of China's top-tier cities



20000+

Number of foreigners living
and working in Shenzhen

Major industries
HIGH-TECH
LOGISTICS
FINANCE



Ranked fourth
among 659
Chinese cities
for economic output

3rd

busiest container
port in the world



Its import and export volumes
have been first for the last
nine consecutive years.



115

Number of storeys in **Ping An Finance Centre (600m)**,
the 4th tallest building in the world



Earlier in May, Shenzhen was named
**as the most competitive city for business
in China**, overtaking Hong Kong
for the first time in a decade



Successful startups include
**PetCube, Palette, WearVigo,
OnePlus, Notch and Makeblock.**

Home of **Huawei, Tencent, TP-LINK, ZTE**
Dubbed China's 'Silicon
Valley' due to its high concentration
of technology companies.



In the technology heartland
of the city, Nanshan,
the per-capita GDP last year
was **308,700 yuan (\$49,730)**,
higher than the whole of Hong Kong.

\$30 billion

Amount of foreign investment
from foreign-owned companies
and joint ventures



100

Number of new companies that register
in the free-trade zone of Qianhai each working day

Sources:

<http://www.cicfconf.org/shenzhen>
<http://english.sz.gov.cn/gi/>
<http://www.bloomberg.com/news/articles/2015-05-11/the-little-village-that-could-shenzhen-set-to-surpass-hong-kong>
https://en.wikipedia.org/wiki/Ping_An_Finance_Centre
<https://en.wikipedia.org/wiki/Shenzhen>
http://www.sznews.com/news/content/2015-02/20/content_11220002.htm
<http://www.scmp.com/news/hong-kong/economy/article/1797971/shenzhen-knocks-down-hong-kong-take-top-spot-chinas-ranking>



CHAPTER 3.

TYPES OF COMPANIES ONE CAN SET UP IN SHENZHEN



Foreigners looking to set up a company in Shenzhen can do so through one of the following business vehicles:

WFOE

Representative Office

Shenzhen Joint Venture (Equity and Cooperative)

WFOE

A Wholly Foreign-Owned Enterprise (WFOE) is one of the most common business vehicles that foreigners can opt to set up in mainland China. The WFOE is a limited liability company that is owned exclusively by a foreign individual or corporate entity and is capitalized with foreign funds. This does away with the need to involve a mainland Chinese investor as is typical when establishing a JV. There are 3 types of WFOEs that can be registered within China, namely a manufacturing WFOE, Consulting WFOE and a Trading WFOE (FICE). While all three of these structures share the same legal identity, they differ in setup procedures and costs. There is no minimum required amount of registered capital to be contributed upon setting up a WFOE, which makes this one of the more preferred platforms for foreigners to conduct business. Some of a WFOE's other advantages include:

- Foreign owners have total management control within the laws of the PRC
- The shareholder liability is limited to the initial investment
- Easier to establish than a JV
- Able to receive and remit RMB to the investor company overseas
- Increased protection of trademarks and patents

[Click here for a brief overview of a WFOE and its registration steps!](#)



Representative Office

A Wholly Foreign-Owned Enterprise (WFOE) is one of the most common business vehicles that foreigners can opt to set up in mainland China. The WFOE is a limited liability company that is owned exclusively by a foreign individual or corporate entity and is capitalized with foreign funds. This does away with the need to involve a mainland Chinese investor as is typical when establishing a JV. There are 3 types of WFOEs that can be registered within China, namely a manufacturing WFOE, Consulting WFOE and a Trading WFOE (FICE). While all three of these structures share the same legal identity, they differ in setup procedures and costs. There is no minimum required amount of registered capital to be contributed upon setting up a WFOE, which makes this one of the more preferred platforms for foreigners to conduct business. Some of a WFOE's other advantages include:

- Establish a local presence in China
- No minimum registered capital is required
- Share technology and industry knowledge with local contacts and vice versa
- Coordinate activities such as sourcing and brand promotion from within China
- Fewer difficulties regarding tax in comparison to a WFOE and JV

[Click here for a brief overview of a Representative Office and its registration requirements!](#)

Joint Venture

A joint venture is a business vehicle that requires the participation of two companies to form a new business entity that shares investment, operation expenses, management responsibilities, profits and losses. The formation of a JV is necessary for certain industries that are still closed to foreign companies on the grounds of protecting China's heritage and national security. Some of these industries include construction, automobile and chemical companies. JVs are encouraged by local authorities to grant local companies access to advanced technology and management expertise, whilst allowing foreign investors to benefit from low labour and production costs, and the potential of capturing a larger portion of Chinese market share. The government recognizes two types of Joint Ventures:

Equity Joint Venture

An equity joint venture (EJV) is recognized as the second most common manner in which foreign companies enter the Chinese market, and the preferred manner in which to cooperate as far as the Chinese government and local businesses are concerned. This provides foreign and Chinese companies with a platform on which to cooperate on projects within China and with limited liability, where the foreign and Chinese partners contribute to the equity in the venture in alignment with their shareholdings. Whilst there is no minimum investment for the Chinese investor required, a minimum investment amount of 25% of the capital must be contributed by the foreign investor, which increases depending on the total amount of registered capital investment of the EJV up to 70% for companies with less than USD 3 million in registered capital. Equity may come in the form of cash, buildings, equipment, materials, intellectual property rights, and land-use rights but can't include labour.

Cooperative Joint Venture

A cooperative joint venture (CJV) allows parties involved to act as separate legal entities and bear their liabilities independently rather than doing so as a single entity. It comes in both limited and unlimited forms. Unlike with an EJV, the limited liability form of a CJV does not require foreign investors to invest a minimum amount of capital and therefore can remain as a minor shareholder. In the unlimited form of a CJV foreign investors may contribute equity in the form of labour or services. The foreign investor is allowed to withdraw their registered capital or a portion thereof from the CJV during the duration of the contract, as control of the partnership is not dependant on equity stakes. There is no limited term of duration of a CJV, and may be renewed on account of consent by both participating parties.

[Click here for a brief overview of Joint Ventures and their benefits and drawbacks!](#)



That concludes a brief introduction all of the different types of companies that foreigners can set up within Shenzhen. Each of these business vehicles have their own unique set of strengths and weaknesses, business registration procedures, legal requirements etc. If you'd like to get a more complete look at how they compare against each other **click below to download our China Company Comparison Table.**

**HONGDA**
CHINA COMPANIES MADE EASY

Do business in China **like a pro!**

GET MY FREE EBOOK





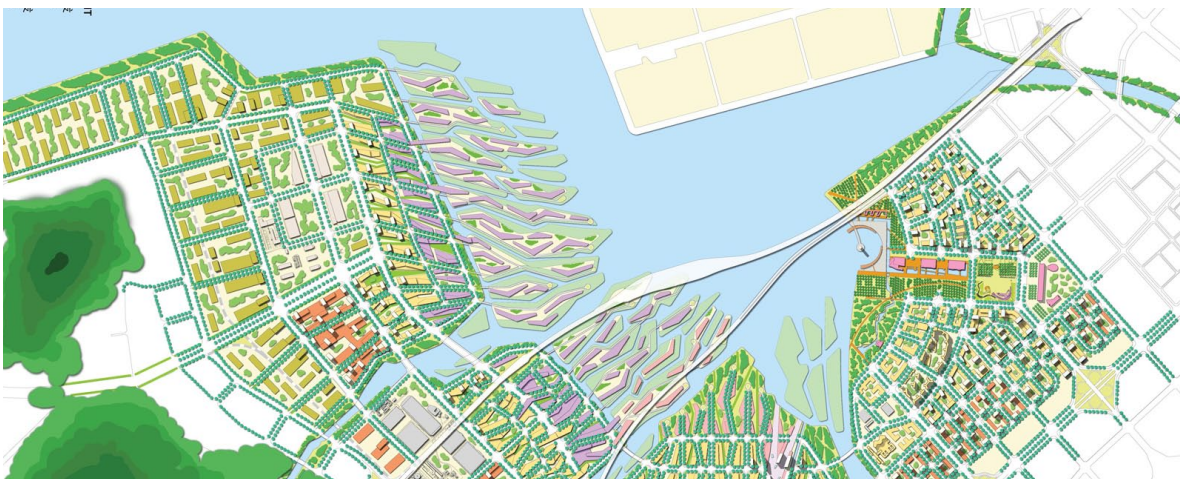
CHAPTER 4.

THE QIANHAI NEW DISTRICT



‘The’ Place To Do Business In Shenzhen

The Qianhai Shenzhen–Hong Kong Modern Service Industry Cooperation Zone, or simply The Qianhai New District, is a commercial development in Shenzhen (which is included in the Guangdong Pilot Free Trade Zone) that is set to become a regional centre of the modern service industry. The Qianhai New District is located at the west of Shekou Peninsula covering an area of approximately 15 square kilometres, with [construction of the entire zone set to be completed by 2020.](#)



The establishment of Qianhai is to create a modern service industry zone, one that aims to create 800,000 jobs and provide shelter for 300,000 residents in the coming years. Its strategic positioning in the innovative metropolis of Shenzhen will help facilitate further integration and cooperation between Shenzhen and Hong Kong, building the foundation for a transparent business environment that will strive to follow international business practices that are already in place in neighbouring Hong Kong.

All of the major transport routes connecting the economic powerhouses of the Pearl River Delta will pass through Qianhai, putting it within striking distance of some of the world's largest economies, and within a 30 minute commute of Hong Kong. The Qianhai New District is also the home of The Qianhai Bay Bonded Port Area, an area uniquely placed to benefit from the special functions of a free trade port zone and the preferential policies of The Qianhai New District itself.

The Qianhai New District undertakes four functions:

- ☑ An area that will aim to facilitate innovation in the modern service industry
- ☑ An area that will aim to become a hub of modern services and modern service development
- ☑ A pilot area for closer cooperation between mainland China and Hong Kong
- ☑ A facilitator in the industrial reform and sustainable economic development of the Pearl River Delta

It is the base for building a solid platform of cooperation that features future leading industries in **finance, e-commerce, modern logistics, information services, technology and other professional services such as consulting and management**. Furthermore, it is dedicated to the simultaneous promotion of sustainable industrial and urban development, attracting talent, information, capital and other key factors to promote harmonious growth between people, society, enterprises and the environment.

The thing that makes The Qianhai New District 'the' new place to do business in Shenzhen is its revolutionary pilot policies. The policy framework consists of six articles and 22 sections that are even more distinctive and greater in number than those of other special economic zones in China.

Qianhai Policies

Financial Policies

- ❖ Qianhai shall experiment with the expansion of offshore RMB fund flow-back channels. Qianhai will support the development of Hong Kong as an offshore RMB settlement centre and establish a cross-border RMB innovation zone in order to facilitate the development of RMB financial services. Qianhai shall support the issuance of RMB loans from local banking institutions to international projects, and from Hong Kong-based banking institutions to Qianhai projects under the stipulations of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA).
- ❖ Qianhai shall be supported in its efforts to establish an equity investment parent fund in Qianhai.
- ❖ Hasten the internationalisation of Qianhai's financial market by opening up to Hong Kong under the stipulations of CEPA.
- ❖ Qianhai supports the development of innovative financial instruments, and financial products that support the development of the real economy.
- ❖ Hong Kong and international banking institutions shall be encouraged to establish their headquarters in Qianhai in order to quicken to pace of the internationalisation of Qianhai's financial industry.



By the end of September, [roughly 26,000 financial institutions and related service organizations had been registered in the zone](#), accounting for a staggering 51.7 percent of the total number of enterprises registered. Among them, 19 are banks, 52 are securities companies and 14 are insurance firms.

All of this will help to create an unprecedented experimental cross-border RMB business innovation zone with the ultimate goal of ushering in greater investment and facilitating trade.

Taxation Policies

Preferential Corporate Income Tax Policies for the following industries:

Technology Service Enterprises

- » Hi-tech enterprises, integrated circuit enterprises and software and IC enterprises are exempt from corporate income tax (CIT) for two years starting from their first profitable year and taxed at a half-rate for the following three years.
- » Technology transfers are granted a preferential tax reduction.

Environmentally Friendly Enterprises

- » Investments in energy- and water-conservation equipment are tax deductible.
- » Enterprises engaging in environmental protection projects such as energy- and water-conservation are exempt from CIT for the first two years and taxed at a half-rate for the following three years.

Technical Innovation Enterprises

- » R&D investments in new technologies, products and processing are tax deductible.
- » Animation enterprises are exempt from CIT for the first two years of operations and taxed at a half-rate for the following three years.

Financial Services Industry

- » Preferential policies are provided to promote the development of securities and investment funds.
- » Preferential CIT policies are provided to Qualified Foreign Institutional Investors (QFII).
- » Venture Capital (VC) enterprises that make equity contributions to small and medium-sized enterprises (SMEs) for over two years are eligible for tax reductions.

Eligible companies registered in Qianhai are subject to a 15% preferential corporate income tax rate. Hong Kong, on the other hand, has a corporate income tax rate of 16.5%

Preferential Individual Income Tax Policies

- ❶ Foreign talent in encouraged industries are eligible to receive financial subsidies if the amount of IIT income paid by the foreign talent on his/her salary exceeds 15 percent of his/her total taxable salary income.

Taxpayers are able to complete their tax declarations in 10 minutes thanks to simplifying of tax declaration procedures within the zone.



Legal Policies

Preferential Corporate Income Tax Policies for the following industries:

- ❖ Qianhai shall support Hong Kong arbitration agencies' establishment of affiliated agencies in Qianhai.
- ❖ Qianhai shall support the joint operation of mainland and Hong Kong law firms under CEPA and its supplementary agreements.

Qianhai will learn the laws of Hong Kong's modern service industry to set up one to two local guidelines per year, gradually forming a legal framework in line with international standards as well as those of Hong Kong.

Human Resources

- ❖ Qianhai's human resource management mechanism shall be innovated and relevant policies and measures shall be formulated to attract a professional, international workforce, including but not limited to professionals from Hong Kong, Macau, and Taiwan, as well as Chinese professionals who are currently working or studying abroad or those who have returned to China.
- ❖ Professionals with certification from Hong Kong shall be permitted to provide professional services, the boundary of which is confined to Qianhai and to the enterprises and residents of Qianhai. The specific policies, measures, and regulations of such services shall be formulated by relevant regulatory departments.



- ④ Professionals from Hong Kong with the certificates of Certified Public Accountant of China shall be permitted to serve as partners of mainland Chinese accounting firms. The pilot trial procedures will be formulated by Shenzhen and will be implemented in Qianhai upon the approval of the Ministry of Finance.

A Qianhai Talent Service Centre has been established within the zone to provide a platform for talent services and the communication and exchange of information, and to help build and perfect a mechanism that facilitates the assembling of future leaders across the modern service industry.

Education And Health Care Policies

- ④ Hong Kong education service providers are permitted to set up international schools invested by Hong Kong investors in Qianhai upon approval.
- ④ Hong Kong health care service providers are permitted to establish hospitals invested by Hong Kong investors in Qianhai.

Telecommunications Policies

- ④ Hong Kong and Macau telecom operators are permitted to establish telecom joint ventures with mainland Chinese operators in Qianhai under the stipulations of CEPA.
- ④ Qianhai will establish a dedicated telecommunications channel in order to provide a better and faster channel for telecom businesses as well as other firms in Qianhai.

Registration Process For Foreign Companies

Foreign individuals or companies that are interested in registering a company within The Qianhai New District can choose between the forming of a WFOE, or that of a JV. The documents required for each one are as follows:

WFOE

- ④ WFOE application form and resolution by Foreign investor's chairman, signed and stamped
- ④ List of directors' names
- ④ Letter of authorisation (4X – This letter is authorisation for the WFOE to be set up by the foreign investor)

- ❖ Passport copies of investor, and management of China company
- ❖ Feasibility study (a study in Chinese that includes the first year business plan and budget, as well as the company seal)
- ❖ Copies of the business license of the foreign investor company (2X stamped)
- ❖ Copies of articles of incorporation of foreign investor company (2X stamped)
- ❖ 2X Certificate of Status (original)(U.S. and Canada) or a notarized copy of the Corporate Register for the investor or similar document (original)(Civil Law jurisdictions)
- ❖ CV of China legal representative (investor) and 6 passport photos
- ❖ Investor company's business activity report (Includes business description, brochures, images, and contact information such as website)
- ❖ An original copy of lease agreement for your business premises in China (2X stamped), certificates of real estate ownership (2X stamped), and landlord's ID (2X stamped)
- ❖ Bank reference letter from investing company's bank, and bank statement showing 6 month's balance - demonstrates the good standing and financial stability of the investor (2X Originals and Chinese translation)
- ❖ Approval paper for corporate formation (Copy)
- ❖ Notice of enterprise's name confirmation appraised by the Industry & Commerce Administrative Bureau (Hongda will help to apply for this, and can assist in the choice of Chinese company name)
- ❖ 2 passport photos of the investor
- ❖ Proof of investor capital (Usually 100,000 CNY, but this depends on WFOE type)
- ❖ Corporate certificate of approval receipt (Copy)



Joint Venture (Equity or Cooperative)

Foreign partner:

- ❖ Certificate of Incorporations or Equivalent document (X2, certified by Chinese embassy/consulate of your home country)
- ❖ Bank Reference Letters from investor's bank (X2)

- Passport copies of the parent company's director, the China company's legal representative and the China company's supervisor
- The China legal representative must provide 6 photos (2 inches) and a brief resume
- Brief introduction of the foreign investor(s) that must include their name, address and telephone number
- Details of the registered capital
- Details of the business scope
- 5 proposed Chinese names of the China JV
- Office address and leasing contracts (X2)
- Certificate of real estate ownership (X2)
- ID of the landlord - An individual/company - (X2)
- Letter of Authorization



Chinese partner:

- The IDs of the Chinese and foreign investors (X2 copies)
- Local company's business license (X2 stamped copies)
- CPA firm's capital verification report (X2 stamped copies)
- Last year audit report of local company (X2 stamped copies)
- Name list of the Board of Directors of the JV
- Local company's Article of Association (X2 copies)

The registration process for foreign companies in Qianhai is as follows:

- ☑ **Apply for the company name**
- ☑ **Apply for 'Approval Certificate For Foreign-Invested Enterprise'**
- ☑ **Sign 'Address-Hosting Agreement of Qianhai Business Secretary Company'**
- ☑ **Reservation**
- ☑ **Submission of application**
- ☑ **Receive business licence**
- ☑ **Settlement of exchange**

Registering Trademarks & IPR in China



With the amount of 'bad news' coming out of China with regards to IPR theft and trademark infringement in recent years, it is of the utmost importance that foreign companies with trademarks or other IPR registered elsewhere register them separately in China too. Trademarks in China are awarded on a first come, first serve basis, regardless of whether or not a company might be able to prove ownership over that China trademark. Foreign companies should not make the mistake of assuming that a registered trademark in their country of origin is protected here. China runs a trademark system where the first organization to file their claim to a trademark is granted its rights, which may leave foreign companies in a spot of bother upon entering the Chinese market.

[Click here to learn how to protect your company's intellectual property!](#)



CHAPTER 5.

STAFF AND LABOUR REQUIREMENTS IN CHINA



Chinese Labor Law is complicated and it is localized so it is vital that employers familiarize themselves with local labor laws before hiring to protect the lawful rights and interests of both parties involved. Shenzhen has its own set of localized labor laws and employment contract regulations that have been drafted to help smooth industrial relations in the special economic zone that can be observed in brief detail below:

A labor contract shall include the following clauses:

- 1. Production (work) assignments;**
- 2. Term of the labor contract;**
- 3. Labor protection and working conditions;**
- 4. Labor disciplines;**
- 5. Labor remunerations, and method and time of payment;**
- 6. Social insurance and welfare and benefits;**
- 7. Conditions for the termination of the labor contract; and**
- 8. Liabilities for breach of contract.**

In addition to the required clauses as specified in the preceding Paragraph, a labor contract may contain other clauses agreed upon by the parties through consultation.

Rights and Obligations of Employer Units and Laborers

Employer units shall enjoy the following rights according to law:

1. to make rules and regulations;
2. to employ and manage laborers;
3. to participate in collective consultations;
4. the other rights stipulated by law, regulations.

Employer units shall perform the following obligations according to law:

1. to respect laborers, to maintain laborers' personal dignity;
2. to pay for labor remuneration in full on time;
3. to guarantee laborers' rest and vacation;
4. to implement the rules on labor safety and hygiene;
5. to participate in social insurance;
6. the other obligations stipulated by law, regulations.

Laborers shall enjoy the following rights according to law:

1. to have an equal opportunity of employment and to have a choice of occupation;
2. to obtain labor remuneration;
3. to take a rest and to have a vacation;
4. to have the protection for labor safety and hygiene;
5. to have training in occupational skills;
6. to join and organize labor unions;
7. to participate in collective consultations;
8. to ask for settlement of labor disputes;
9. the other rights stipulated by law, regulations.

Laborers shall perform the following obligations according to law:

- 1. to work diligently, to complete the task of labor;**
- 2. to abide by the rules and regulations made by employer units;**
- 3. to implement the rules on labor safety and hygiene;**
- 4. to observe occupational ethics;**
- 5. to express appeals and to maintain rights and interests through lawful channels;**
- 6. the obligations stipulated by law, regulations.**



CHAPTER 6. ACCOUNTING IN CHINA



Accounting is an important part of the successful (and lawful) running of any business, and China is no exception. Every foreign-invested company in China is required to prepare their financial reports throughout the year for tax and auditing purposes. Accounting in China has a very brief history, with measures only being taken to integrate China's accounting system with the International Financial Reporting Standards (IFRS) in the year 2000. Fast forward to 2014 and the New PRC GAAP (Generally Accepted Accounting Practices) have been revised and amended, and is expected to be adopted by all medium and large-sized enterprises across mainland China within the next few years.

Some quick facts about accounting in China

- ☑ The fiscal year in China is from 1 January to 31 December
- ☑ To date, China has achieved a 90–95% convergence rate with the IFRS
- ☑ Accounting reports in China all need to be denominated in RMB
- ☑ Certain accounting/tax filing laws may differ from city to city, or even from district to district
- ☑ Companies wishing to repatriate profits or send funds abroad must have undergone the annual audit and paid tax before doing so
- ☑ The annual filing report must be submitted within 4 months of the year-end for foreign

State regulators in China accounting circles include:

1. **Ministry of Finance:** Sets accounting standards and supervises compliance.
2. **State Administration of Taxation (SAT):** Financial reports (monthly or quarterly, and annually) need to be submitted to the SAT.
3. **State Administration of Industry and Commerce (SAIC):** Financial reports companies are required to be submitted to the SAIC upon annual inspection.
4. **State Administration of Foreign Exchange (SAFE):** A report on foreign exchange needs to be submitted to SAFE upon annual inspection.

CONCLUSION



We sincerely hope that this guide to business in Shenzhen has helped to give you a clearer idea of the wonderful city that we operate in, the types of companies one can set up here and their benefits, the free trade zones, and specifically Qianhai and its preferential policies for foreign companies and investors.

This young city is continuing to push the boundaries of business in a highly competitive world that is constantly evolving. It is our firm belief that the Shenzhen Special Economic Zone and its many free trade zones, and particularly the establishment of Qianhai, presents foreign companies with a solid platform to set up a business that will benefit from its revolutionary policies, and bring those that set up here great business success in the near future!

If you feel that starting a business in Shenzhen or in The Qianhai New District is something that is of interest for your company, please click the button below to request a free consultation from Hongda Business Services where our experts will discuss your company's situation and needs with you, and outline how we can proceed to help you register a company in Shenzhen:

A Note On This Ebook

Please note that the information in this ebook, whilst as accurate as Hongda Business Services can make it, is not meant as official and legal advice. It is a general guide only. We advise readers to seek legal advice before opening a company in Shenzhen.

This ebook was created in December 2015. As you know, laws and procedures are subject to change, and so please check to see if there are any changes that you need to be aware of before undertaking company registration in Shenzhen.

USEFUL RESOURCES



Shenzhen

[Shenzhen Travel](#)

[Shenzhen Wiki](#)

[Shenzhen Government](#)

Business in Shenzhen/China

[Regulations of the Shenzhen Special Economic Zone on the Promotion of the Harmonious Labor Relationship \[Effective\]](#)

[Regulation of Shenzhen Special Economic Zone on Labor Contract](#)

[Labor Law of the People's Republic of China](#)

[China Trademarks](#)

[China Accounting](#)

About Hongda Business Services



Hongda Business Services has been assisting foreign companies with setting up and managing businesses in Hong Kong since 2007, as well as in Mainland China's PRD region which borders Hong Kong and includes the megacities Guangzhou and Shenzhen. We are based in Luohu, the commercial centre of Shenzhen, one of China's fastest growing and wealthiest cities.

Hongda is a stone's throw away from the Hong Kong - China border. We also have a branch office in the regional capital, Guangzhou. Our locations in Guangdong offer your business unparalleled access to the PRD manufacturing hub, Hong Kong, and Southeast Asia.

Our local China experts, some of whom have more than 15 years experience in dealing with foreign companies doing business in China and Hong Kong, are fluent in English and Chinese and specialise in the disciplines you need to set up and successfully run a business in Shenzhen. Our services that may interest businesses who wish to start operating in Shenzhen include: Shenzhen company setup, China accounting and taxes, annual accounting auditing, trademark filing, HR and staffing assistance, and more...

By working with us you will:

- Have the peace of mind that no financial mistakes will occur
- Be able to communicate in English with experts who understand the issues you face, and know the solutions to them
- Gain extra time spent on dealing with business administration to spend on getting better business results in China
- Feel secure that you're cooperating with a team of experts who are intimately familiar with corporate laws in China and their frequent changes
- Benefit from simple cost-effective business consultancy services with none of the risk of hiring full-time local staff to undertake them
- Be guaranteed success with your company setup in Shenzhen, with Hongda's 100% success rate
- Gain access to business visas and work permits with a clear and easy process and expert support

We're proud to be cooperating with hundreds of foreign companies, ranging from international giant Lenovo, through to a myriad of SMEs plying their trade in China and Hong Kong.

Please feel free to contact our team should you have any questions about company registration in Shenzhen or the running thereof!

Click here to speak with us.