



CHINA BRIEFING

The Practical Application of China Business

Setting Up Joint Ventures in China

(Third Edition)

Assessing the Need for a Chinese Partner
JVs vs. WFOEs
China's JV Implementation Laws
Equity and Co-operative Joint Ventures
Legal and Financial Due Diligence
Memorandums of Understanding
Key Points in JV Negotiations
Encouraged Industry Applications
JV Contracts and the Articles of Association
Human Resources and Acquiring Staff
Tax and Audit Requirements
Repatriating Profits
Converting a JV to a WFOE
Liquidating a JV

中国

DEZAN SHIRA & ASSOCIATES

Produced in association with Dezan Shira & Associates



CHINA BRIEFING

The Practical Application of China Business



Setting Up Joint Ventures in China (Third Edition)

Published by: **Asia Briefing Ltd.**

All rights reserved. No part of this book may be reproduced, stored in retrieval systems or transmitted in any forms or means, electronic, mechanical, photocopying or otherwise without prior written permission of the publisher. Although our editors, analysts, researchers and other contributors try to make the information as accurate as possible, we accept no responsibility for any financial loss or inconvenience sustained by anyone using this guidebook. The information contained herein, including any expression of opinion, analysis, charting or tables, and statistics has been obtained from or is based upon sources believed to be reliable but is not guaranteed as to accuracy or completeness.

© 2011 **Asia Briefing Ltd.**

Unit 1618, 16/F, Miramar Tower,
132 Nathan Road, Tsimshatsui
Kowloon
HONG KONG
ISBN 978-988-15251-2-3

China Briefing: www.china-briefing.com

“China Briefing” and logo are registered trademarks of Asia Briefing Ltd.

Asia Briefing Ltd. is a Dezan Shira Group company.

Dezan Shira & Associates: www.dezshira.com



ASIA BRIEFING

www.asiabriefingmedia.com

ABOUT CHINA BRIEFING'S CHINA BUSINESS GUIDES

Thank you for buying this book. China Briefing's publications are designed to fill a niche in the provision of information about business law and tax in China. When we decided, several years ago, to commence this series, we did so in the knowledge that much that was available about China was either expensive, or completely contradictory. Plus much of it did not really adequately address the real issues faced by businessmen – the practical knowledge that must be part of any business dealings in developing countries. China Briefing is designed to change that perspective and provide detailed information and the regulatory background to business in China – but with a firm eye also on the details of making money and remaining in compliance.

Accordingly, we have made this guide informative, easy to read and inexpensive. To do so we have engaged not a team of journalists or academics – but the services of a respected professional services firm to assist us. The articles and materials within have been researched and written by China based Chinese and international lawyers, accountants and auditors, familiar with the issues that foreign invested enterprises face in China – as they service them in China as clients. These professionals have come from the nationally established practice, Dezan Shira & Associates, and we are grateful for their support. Without them this book would not have been possible, and we wholeheartedly recommend their services should you require sensible and pragmatic advice as contained within this book.

At China Briefing, our motto is “The practical application of China business” and we hope that within this volume and our other publications you feel we have achieved this, and helped point you in the right direction when it comes to understanding and researching this vast and complicated business environment.

Asia Briefing Publications
Hong Kong

CONTENTS

CHAPTER 1	6
<u>Devising your China investment strategy</u>	
Pre-investment considerations	
Options concerning foreign investment vehicles	
JVs vs WFOEs – working out what’s best for you	
JV regulatory issues and implementation rules	
Encouraged industry applications	
CHAPTER 2	27
<u>Structuring your JV</u>	
Structuring Joint Ventures – general issues	
Specific JV structural issues	
Technology transfer agreements	
Legal and financial due diligence	
The Memorandum of Understanding	
Contractual JVs and Equity JVs	
JV contracts and articles of association (including English language basic drafts)	
The application process	
Intellectual property	
CHAPTER 3	71
<u>Development zones</u>	
CHAPTER 4	74
<u>Human resources</u>	
Inheriting staff	
Employing Chinese staff	
Employing expatriate staff	
Good recruitment practice	
General conditions and salaries	
The Labor Law	
CHAPTER 5	81
<u>China’s business taxes</u>	
Withholding tax	
Value-added tax	
Business taxes	
Consumption Tax	
Audit	
Profit repatriation	
CHAPTER 6	101
<u>JV conversions and closures</u>	
Converting Joint Ventures to WFOEs	
Liquidating Joint Ventures	
Glossary of terms.....	107



Setting Up Joint Ventures in China

(Third Edition)

Do you want to do business in China? If you are already in this vast country and want to know more, or if you have never tried your hand at this fascinating market, then this book is for you.

This Guide is a practical overview for the international businessman to understand the rules, regulations and management issues regarding establishing Joint Ventures in China. It is written very much from practical experience. We will help you to understand the implications of what can initially appear to be a complicated and contradictory subject. This book tells you the basics of what you need to know, and points you at the structures you should use as well as some of the pitfalls to look out for.

Published by: Asia Briefing Ltd

All rights reserved.

© 2011 Asia Briefing Ltd.
Unit 1618, 16/F, Miramar Tower,
132 Nathan Road, Tsimshatsui
Kowloon
HONG KONG
ISBN: 978-988-15251-2-3

China Briefing: www.china-briefing.com

“China Briefing” and logo are registered trademarks of Asia Briefing Ltd.

Asia Briefing Ltd. is a Dezan Shira Group company.

Asia Briefing Resources: www.asiabriefingmedia.com

Dezan Shira & Associates: www.dezshira.com

ISBN 978-988-15251-2-3



9 789881 525123

 **ASIA BRIEFING**