

So you're sitting on a great business idea but aren't sure how to get started, here is some advice that could help, writes Mark Andrews

How to get started

>>START SMALL

Before you go all out with the hassle and expense of registering a business it might be good to test your product on the market. A good starting point, small markets such as the Jiashan market or bazaars like Zocou, which is run by Noenne Neergaard and Cristina Rueda. These provide a testing ground and outlet for micro businesses. "Many trailing spouses want to have a business but don't want to invest a lot of money in China," says Rueda. The fairs allow small start ups to test the waters and also gain traction by finding possible retail clients.

Zocou is now taking this concept online giving entrepreneurs a forum to communicate with one another and will be launching a sales platform soon. They plan to offer workshops on photographing products and how to use Google Analytics to help companies optimize sales. "One of our goals is to create workshops which would add value to the small business owner," explains Rueda.

But it is not advisable to try and do everything yourself but to get help – and thanks to blogger Clara Muriel-Ruano who has started *Foreign Entrepreneurs in China*, this is just a click away. "Do it yourself simply doesn't work when doing business in China," explains Muriel-Ruano, "You need help in order to focus on the core business". With a background in working for a government agency that helps entrepreneurs trade and invest here, she realized that there were a lot of people who would find the experiences of the people she was speaking to extremely useful.

Many small businesses emphasize the importance of support from fellow entrepreneurs, and hopefully Zocou will soon provide a new means of creating dialogue. *Foreign Entrepreneurs in China*, though, provides both detailed articles on the ins and outs of setting up shop, and conducting business here, along with nuggets of advice garnered from fellow



businesspeople.

WHERE TO FIND AFFORDABLE OFFICE SPACE

In China it is possible to operate a business out of the spare room of your apartment. Many, though, have a need for a dedicated space. The problem is, easy to find office or business space can often be far too big

and out of the price range of a small start up. Studio No.5 on Jiashan Road houses a collection of small businesses and offers desks for 1 500 RMB per month as well as offices starting from 3 000 RMB. In addition there is a studio which can be hired for 100 RMB/hour for activities such as meetings and seminars.

Small manufacturing spaces will be

available soon. AsiaPaperTech and ecoBibi are building eight environmentally friendly incubator factories as part of their new factory complex in Kunshan. "Throughout the years, I have met many people with fantastic ideas who never went forward as small spaces were not readily available to them," explains Brigitte Elie of ecoBibi.

Some entrepreneurs have become consultants and can now provide help to new start ups. FINCHworks an offshoot of FINCH Designs has helped many companies in the textiles and fashion area. "We consult with other companies and provide whatever help they need in terms of graphics, branding or sourcing," explains co-founder Itee Soni. "So if someone has an idea but doesn't want to deal with all the manufacturing and sourcing of the fabric we can collaborate with them, as long as we don't have to sell or market it," adds fellow founder Heather Kaye.

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REGISTERING YOUR BUSINESS

There comes a time when a business will need to think about going down the registration road. While there are a number of different options such as joint ventures,

ultimately the most control is afforded by becoming a wholly foreign owned enterprise (WFOE).

Lina Wang of InvestorsOK, an agency dealing with registration, thinks that while it is possible to operate using a company registered in Hong Kong, it is only really advisable for a consulting or trading company. "You need to be sure you are choosing the type of entity that meets your business needs, not just in the short term but also in the medium and long term. You also need to be sure that your license covers the type of activity you plan to undertake," says Muriel-Ruano.

The first step to becoming a WFOE is to actually be a registered company outside China, usually in your home country. Everyone with experience emphasizes the need to choose an agent or lawyer carefully, as getting the process wrong can lead to all types of future business problems. Wang points out that you and the agent will need to co-operate for many months and so good communications are paramount.

A premises needs to be leased to become the registered address of your company.

Your advisors will guide you through the process but you will need to be able to provide notarized documents relating to your company overseas. These along with your articles of association containing company structure, registered capital and address need to be submitted to the Chinese government for approval. The documents need to show the accurate scope of the business and will be accompanied by a Chinese business plan.

The whole process can take anywhere up to six months. For FINCH the cost including work permits and residence permits along with agency and government fees amounted to USD 6000. Capital has to be brought in – the amount is decided through negotiation between the agency and government but is meant to support the company for two years. 20% of the capital must be brought in within three months of successful registration and the remainder in the next two years. The money, in reality, can be used for any purpose you want within China.

Annual costs amount to about 20 000 RMB to cover monthly accounts and an annual audit.

STEP-BY-STEP

Procedures you will need to take into account when opening a business.

No.	Procedure	Time to complete
1	Obtain a notice of pre-approval of the company name	1 day
2	Open a preliminary bank account; deposit fund in the account and obtain the certificate of deposit	1 day
3	Obtain capital verification report from an auditing firm	2 days
4	Obtain registration certification "business license of enterprise legal person" with SAIC or local equivalent	5 days
5	Obtain the approval to make a company seal from the police department	1 day
6	Make a company seal	1 day
7	Obtain the organization code certificate issued by the Quality and Technology Supervision Bureau	5 days
8	Register for both state and local tax with the tax bureau	7 days
9	Register with the local statistics bureau	1 day
10	Open a formal bank account of the company and transfer the registered capital to the account	1 day, simultaneous with previous procedure
11	Apply for the authorization to print or purchase financial invoices/receipts	10 days
12	Purchase uniform invoices	1 day
13	File for recruitment registration with local career service center	1 day
14	Register with Social Welfare Insurance Center	1 day

Source: The World Bank

DIRECTORY OF CONTACTS

Help and support

www.zocou.com
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