

Doing Business in China

Legal perspective on imported food business
in China, China Coaching Event, Helsinki

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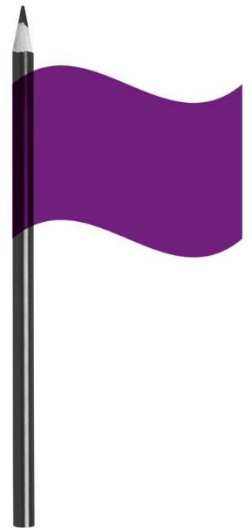
Common business models to sell products in China

- Wholly Foreign-owned Enterprises (“WFOE”) (100% owned subsidiary)
- Joint Ventures (“JV”) (with Chinese partners)
- IPR Protection
- Distribution Agreements/Contractual Arrangements
- E-Commerce
- Discussions on the “Best Model”



WFOEs

- Separate legal entity in China 100% owned by foreign investor
- Typically takes ~4-6 months to set up
- No mandatory minimum capital requirements but need to cover cash flow
- Need to have a lease for the registered address



WFOEs (continued)

- Advantages
 - 100% control
 - Chinese customers and suppliers may prefer to deal with a local entity
 - Able to issue local invoices
- Disadvantages
 - Set up time and deregistration time
 - Set up and running costs



JVs

- Separate legal entity in China jointly owned by foreign investor and Chinese party
- Typically takes 6+ months to set up
- The JV partners to agree on their respective contributions to the JV
- Enter into a JVC setting out rights and obligations of the JV partners



JVs (continued)

- Advantages
 - Leverage the local know-how and connections of the Chinese partners
 - Aligned interests between the JV partners / sharing of risk of failure
- Disadvantages
 - Disputes – messy separation
 - Set up time and deregistration time
 - Set up and running costs



Protect and Register Your Intellectual Property Rights!



Distribution Agreements/Contractual Arrangements

- Appoint a Chinese distributor through contracts
- Do your due diligence!
- Governing law/dispute resolution
- “Foreign style” vs “Chinese style” documentation
- Foreign exchange issues



E-Commerce

- Direct shipment model
- International platforms (“cross-border e-commerce”)
 - Tmall Global
 - JD Worldwide
 - Amazon
 - Kaola (NetEase)
 - Suning
 - Vipshop
 - Redbook
- Domestic platforms (“domestic e-commerce”)
 - Tmall
 - JD.com
 - Yihaodian
 - Fresh Hippo
 - Suning
 - Jumei
 - XiaoHongShu



E-Commerce (continued)

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E-Commerce (continued)



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What is the “best” model?



Questions?



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