

# contact us

Shanghai Headquarters

✉ [contact@sjgrand.cn](mailto:contact@sjgrand.cn)

☎ +86 21 6341 1177

📍 Suite 1807, Haitong Securities  
Tower, 689 Guangdong Road  
Shanghai 200001, China

🌐 [www.sjgrand.cn](http://www.sjgrand.cn)

[in](#) S.J. Grand Financial and Tax Advisory

[t](#) @SJGrandHQ

[f](#) @sjgrandofficial



👤 Wechat Account

S.J. GRAND

Accounting  
Tax  
Finance



**BUSINESS SET UP IN CHINA**



## 5 Recommendations BEFORE Setting Up Your Business in China

### 1. Have A Clear Business Plan And Accurate Cash

Do your homework, in detail, on all aspects of the business environment in China that are likely to impact your business. Important aspects to analyze include:

- local laws
- local taxes
- local competitors
- local partners

Carry out a detailed cost analysis on the costs that will be incurred before sales revenue begins and define the capital injection amount accordingly.

### 2. Never Underestimate The Importance Of Due Diligence In China

Whether you are investing in a local company (or foreign), supplier, distributor, employees and partners, due diligence should be an indispensable part of your initial screening process.

### 4. Select Highly Qualified And Trustworthy Management

The benefits of employing expatriates are greater operational control and transparency. Expatriate packages are often very costly in terms of salary, relocation costs, insurance charges, etc. More and more companies are offering local contracts to their foreign employees and more and more foreigners are working this way. Regardless of managements nationality, they need to show a proven ability to work with both Chinese and western culture. Technical, managerial and field experience are still invaluable qualities that should be sought in managers.

### 3. Be Prepared To Dedicate Sufficient Financial Resources To The Project

Relying too much on refinancing within China may be a mistake. Foreign exchange control in China is limiting loans from Mother Company overseas. Local and foreign banks are quite reluctant to lend to new companies without a high level of securities. From the origin, allow generous financing to be available for the project, yet be aware of potential of cash traps due to foreign exchange

### 5. Dedicate Plenty Of Time To Support The Local Team

Distance, time differences, and novelty of problems will require the Mother Company to dedicate plenty of time and provide constant support to the local team. The majority of this time will be needed during the implementation period. Initial support is one of the major factors for a successful business set up. So be generous in foreseeing it.

## 5 Recommendations AFTER Setting Up Your Business in China

### 1. Watch Consistency Between Results And Cash Flow

Good results should entail a positive cash flow. If this is not the case, double check assets in the balance sheet (stock and receivables, in particular). Control your cash (bank reconciliations, authorizations (e-Banking) and expense claims, etc.). Pay attention to receivables as the credit management culture is not well developed yet.

### 4. Watch Staff Change

Inconsistency in staff changes may be a red-flag for the company.

### 2. Be Generous In Your Staff Allocation, Both In Quantity And Quality

There is a common misperception that China with a population of 1.3 billion provides access to limitless pool of workers. Currently staff turnover rates are extremely high in China. Retaining long-term quality managers is challenging. Have the right HR team in place that understands motivating factors for the local employees.

### 5. Do Not Loosen Support

The China subsidiary is far from the headquarters. To ensure loyalty and efficiency, the Mother company should provide generous support, resolve issues quickly, and achievement reconnaissance at Group Level.

### 3. Do Not Relax Control

Enforce and maintain a drastic quality control. The quality culture is improving but, it is not yet common within manufacturing operations in China. Formulate intellectual property strategies. Assume that your IP may be compromised at some point in the future. You will probably be surprised by the local accounting culture; it is more oriented to tax reporting than to managerial reporting. Maintain a strict vigilance on accounting procedures. The allocation of revenues and expenses to the right period is a recurrent issue; which leads to wrong management information. Set in place internal control procedures right away for items, such as expenses, purchases, client's receivables, and inventory.