

# Becoming a Sustainable Brand in China

**By Jordi Martin**

**Business Development Manager at Koehler Group**

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**Koehler Group**

Incorporation, Tax, Accounting & Trade Services  
in Hong Kong, Singapore & China

# Koehler Group – About Us

Koehler Group (formerly known as Klako Group) is an international accounting and management consulting firm established in 1979. Koehler Group provides a wide range of market entry consulting, incorporation, tax, accounting and human resource services to organizations interested in entering and expanding throughout Hong Kong, Singapore and China. Koehler Group is managed by an international and local team of over 120 consultants, accountants and legal professionals who work in our ten offices in Hong Kong, Singapore and China.

From our offices in Beijing, Chengdu, Dalian, Guangzhou, Hangzhou, Hong Kong, Shanghai, Shenzhen, Singapore and Tianjin, we offer the following services:

- Incorporations
- Domiciliation & Management
- Legal Compliance & Administration
- Accounting & Payroll
- Tax Compliance
- Trade & Supply Chain Solutions
- Recruitment & HR Services
- Trust & Fiduciary Services

Our typical clients are small-to-medium sized privately owned companies as well multinational corporations. We recognize that each customer has individual requirements and our objective is to provide an efficient and cost effective service tailored to their specific needs. Our goal is to develop a lasting partnership with our customers with a focus on protecting their investments and maximizing their returns from their activities throughout China and Hong Kong.

Our International Desks speak English, German, Spanish, French, Italian, Portuguese, Russian and Japanese.



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# Questions to ask yourself

## Why, What, Who, Where, & When

### 1. **Why** am I really going to China?

- Have you done a market research study?
- Have you made a business plan setting your goals and strategies for market penetration?

### 2. **What** am I actually going to be doing in China– what is my business strategy?

- Sourcing, Sales, Service

### 3. **Who** am I going to employ to manage my China business?

- Start with a distributor or agent?
- Will I have a department responsible in my home jurisdiction?
- Will I second an expatriate to Asia?
- Will I localize my business and only hire local employees?
- Will I have a mix of cultures, the philosophy of the company and the culture of the local market?

### 4. **Where** is my business in China going to be in the short and long-term?

- Where is my short-term strategy focused on?
- Where do I want my business to be in 5-10 years time?

### 5. **When** am I planning my entry?

- Laws and regulations change daily – your business plan needs to be updated regularly!



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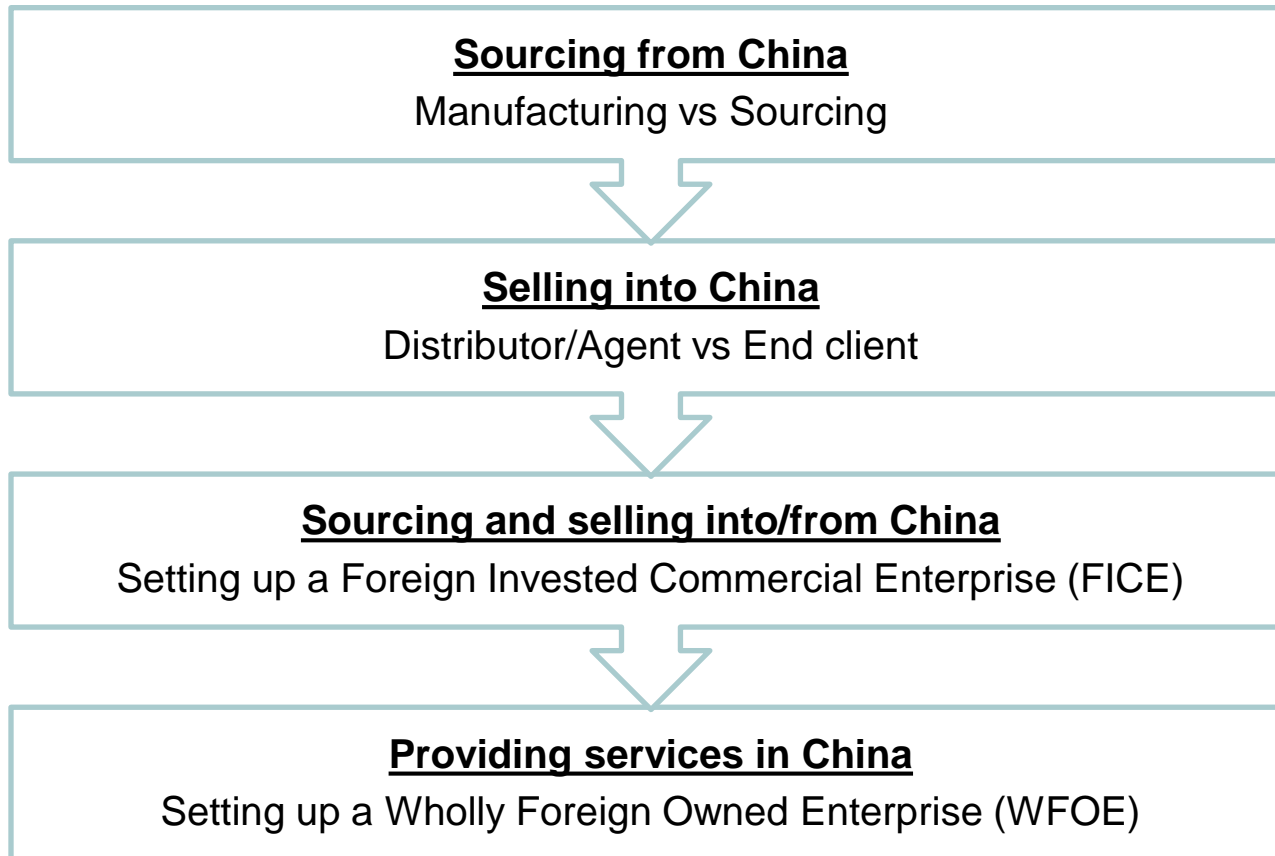
# Why I am really going to China?



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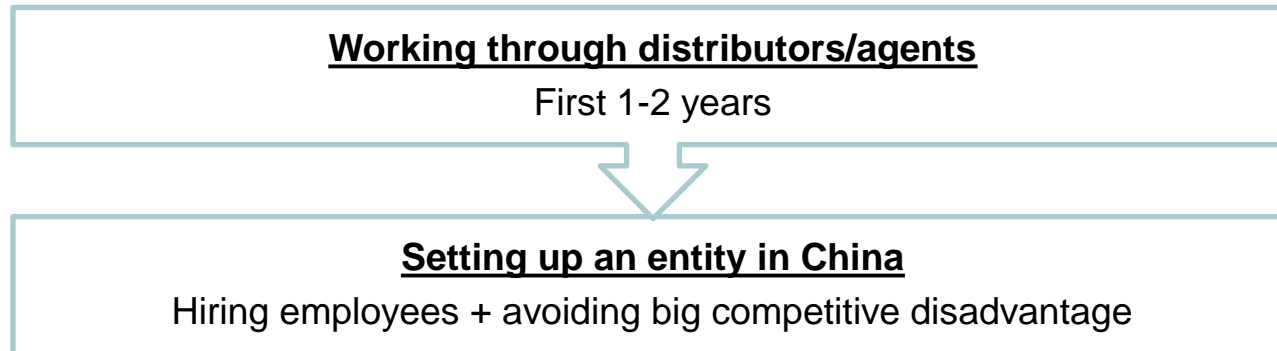
# What am I actually going to be doing in China?



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# Who am I going to employ to manage my China business?



## HR Challenges in China

- Local vs foreign employees
- Individual Income Tax (IIT)\*
- Thorough HR policy

National range of SIL contribution rates*		
	Employer (%)	Employee (%)
Pension	12-22	8
Medical Insurance	5-12	2
Unemployment	0,2-2	<1
Maternity	0,5-1	0
Work-related injury	0,5-2	0
TOTAL	40-44%	



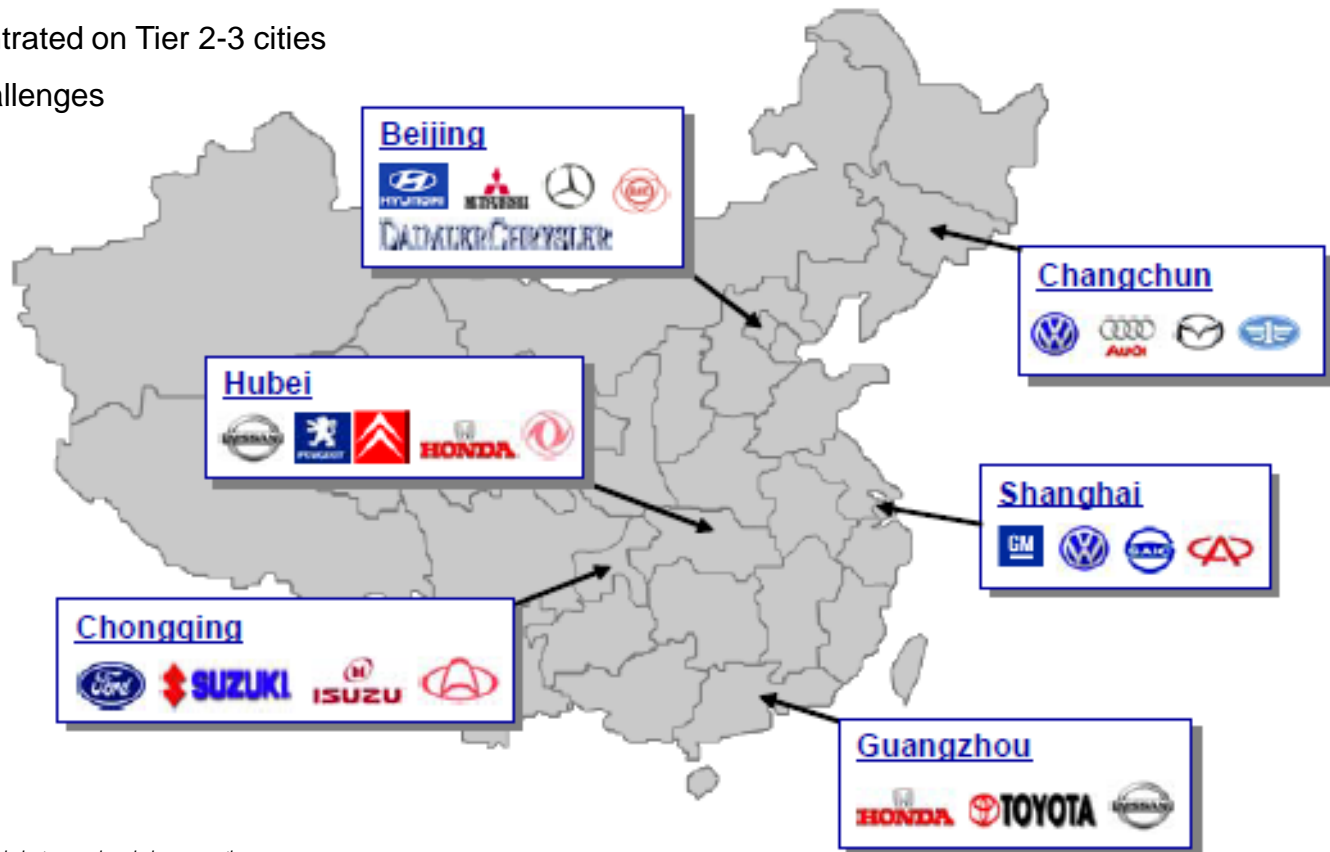
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# Where is my business going to be in China in the short and long term?

## Tier 1 vs Tier 2 and Tier 3 cities

- Around 40% of industry is located in four coastal provinces
- Sales growth concentrated on Tier 2-3 cities
- Opportunities vs Challenges



*The past, present and future of China's automotive industry: a value chain perspective.*  
Edinburgh Research Explorer, International Journal of Technological Learning



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# When am I planning my entry?

## **Registered Capital vs Total Investment**

- *WFOE Registered Capital*: RMB1,000,000 (USD140,000)
- Capital is tax free
- Capital can be used to finance operations: rent, salaries, sourcing
- Business license tied to registered capital: It is absolutely essential not to use it up!

Total Investment (USD)	Registered Capital
Up to 3 million	At least 70%
3 to 10 million	At least 50%
10 to 30 million	At least 40%
More than 30 million	At least 20%

## **Amendments to PRC Company Law (1st March 2014)**

- Minimum investment requirement is abolished\*\*\*
- Statutory schedule for capital contribution is abolished
- Minimum initial contribution of 20% abolished
- No minimum ratio of cash contribution
- No capital verification

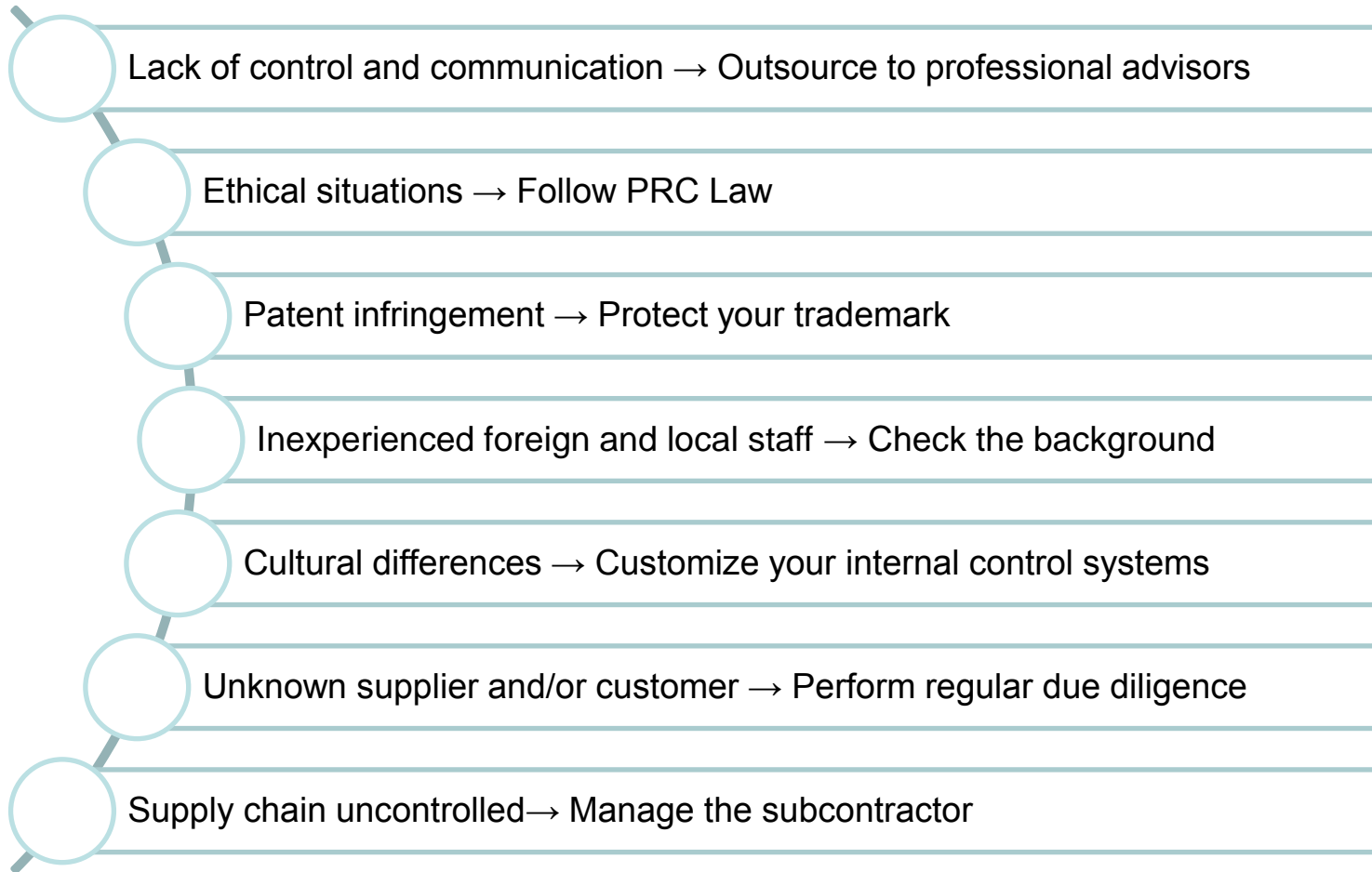


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# Checklist



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# Koehler Group – Our Team

Our founder, Mr. Klaus Koehler, has lived in Hong Kong since 1970. After many years of international trading activities with Hong Kong and China, he established Klako Group Holdings and its associated entities in 1979. Since then, Mr. Koehler has built up an experienced international team of accountants, legal and professional consultants (European, American, Chinese).

The members of our team are multilingual and combine many years of expertise in accounting, tax, manufacturing, international trade, consulting, recruitment, etc. Our cultural and professional diversity gives us the flexibility and knowledge required to understand our clients' needs and offer integrated service packages. Sharing our understanding and knowledge of both the West and China is one of our major principles for success.

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