



Case Study

Establishing a Wholly Foreign
Owned Enterprise in China

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The Consultancy Company has extensive experience in the Chinese market, with specialist consultants based in both the UK and in China. We have the insight and knowledge to get companies set up and operating and to establish the right relationships for them with vendors and government officials in order to deliver long term sustained competitive advantage.

The client

The client, a global supplier of aircraft interiors with manufacturing bases in Europe and the US, recognised it was under increasing pressure to reduce costs, improve after sales support in the Asia region and increase profitability. The Consultancy Company was asked to establish a low cost manufacturing operation in China to support all companies making up the client Group.

The challenge

The client specifically wanted to address cost pressures, aviation quality requirements and a lack of coordination and sometimes cooperation between individual companies within the Group. The challenge for The Consultancy Company was to establish a low cost manufacturing facility in China that would supply selected components to all group companies. The client also wished to establish a spares supply and support operation for the Asia region.

Our approach

Our consultants identified all the cities in China where aviation was an encouraged industry and therefore where the client would be entitled to tax concessions for the first five years of profitable operation and also checked that there would be suitable skills and vendors.

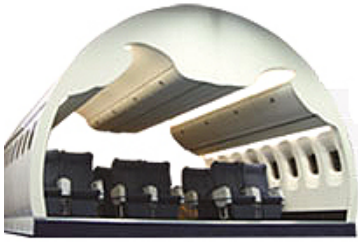
Once the locations were identified visits were organised by The Consultancy Company and meetings arranged with local government officials and the management of the potential location zones. A preferred city was agreed and the process taken forward with the Chinese authorities. The client's desire to co-locate trading and manufacturing activities inside the same zone involved additional meetings and arrangements with customs and zone management to explore the limit of the current regulations and to understand what exceptions if any could be made to accommodate their need.

The Chinese authorities agreed to allow the client company to set up a spares operation on the understanding that within three months work would commence on the larger manufacturing facility and the spares operation would transfer to this new facility when complete.



“Business success in China depends on contacts and efficient networking; essentially building relationships. The best prices and deals often come from a strong recommendation.”

Dave Roberts
China Consultant
The Consultancy
Company



'The Consultancy Company achieved everything we asked of them and we are already seeing the benefits.'

Divisional Managing Director
Client group

Throughout the process of establishing the client as a Wholly Foreign Owned Enterprise (WFOE) our consultants handled all aspects of legal and official paperwork, including meeting with local government and minimising the client workload. All stages of the approval process were managed by us within an agreed timescales, and six months after the first visit to China the project was approved and the legal entity was established.

The Consultancy Company also arranged fit-out of the facility, drew up labour contracts and company regulations that were appropriate for China. Our consultants assisted with recruitment and operational start up activities including identification and selection of the business systems, development of operational procedures, establishing relationships with all local key bureaus and transfer of knowledge from the parent companies to the Chinese subsidiary.

Results

The result was a fully operational spares and after sales support organisation with a business license granted to allow expansion into manufacturing located in the zone of the client's choice with processes developed in conjunction with local authorities to allow the spares to operate as a stand alone unit until integrated into a larger manufacturing unit.

From the initial project the following was achieved:

- A fully established and operational manufacturing and spares company in a bonded zone.
- The goal of improved spares and after sales support levels to clients in the region.
- The UK staff were fully trained on how to interact with a Chinese workforce.
- Major contracts in China for new product were won because of the ability to support locally – many Chinese airlines had started to insist that they would only ask companies with support activities in China to bid on new business.

The end result was a fully established company with five years of preferential tax concessions granted. The staff were skilled and trained and all processes and business systems were established and fully operational.

For an initial discussion about your needs please contact us:

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