

NCO ESTABLISHING AN ARCHITECTURE FIRM IN CHINA

Making Business Possible

OPPORTUNITIES FOR FOREIGN ARCHITECTURE FIRMS

China is seen as a market opportunity for foreign architecture firms as growth in home markets have slowed or become constrained.

Despite the business opportunities in China, entering the Chinese market is no easy task. Domestic (Chinese) architecture firms still dominate the middle and low-end market and have a better understanding of local market needs and knowledge of government policies.

Local firms, however, lack quality control, exposure to international standards, and professional management experience, which is why foreign firms may have competitive advantages in this market.

To enter China, foreign architecture should know their options and be aware of the different cultural, political and business environment they may face. Below are three options for consideration:



Contemporary MOMA in Beijing China - Steven Holl Architects

OPTION 1:

Partner with Chinese Architecture Company

Foreign architecture firms are not required to establish a separate legal entity in China or acquire qualifications in China for its conceptual design work for construction projects to be adopted in China. However, a local Chinese partner must possess the required qualification certificate issued by the relevant Chinese construction authorities to carry out requisite design activities for the project.

OPTION 2:

Establish a Consulting WFOE

To establish a Consulting WFOE, no qualification certificate or collaboration is needed to engage in consulting activities relating to design and project management work. However, the enterprise is excluded from engaging in direct design or project management work. The Consulting WFOE can review third-party drawings and provide conceptual drawings. The Consulting WFOE can enter into contracts under its own name, but such contracts cannot explicitly cover design or project management work. The Consulting WFOE is able to hire employees directly. However, the foreign architecture firm still will be limited in its ability to directly bid and obtain design work on projects in China.

OPTION 3:

Establish Architecture Foreign Invested Enterprise (FIE) or Acquire Equity in Chinese Architecture Company

To establish an Architectural FIE in China, the foreign company will require approval from the Commission of Foreign Trade and Economic Cooperation (COFTEC) and the provincial-level Ministry of Construction (MOC). It will also require a Construction Engineering Design Enterprise Qualification Certificate.

An Approval Certificate is normally obtained in 20 working days from COFTEC and 20 working days from the provincial-level MOC, according to the PRC Administrative Licensing Law. However, in practice, applications are rarely approved within that time period. The anticipated time would likely exceed 40 working days.

BASIC REQUIREMENTS FOR AN ARCHITECTURE FIE

Investor Requirements:

Both the foreign and Chinese investor (in the case of an equity joint venture or cooperative joint venture) must have experience in construction engineering design work in their respective home countries, and provide evidence of two or more engineering design projects that were completed outside China, with at least one of them having been completed in their home country.

Employee Requirements:

At least one-quarter of the certified practitioners of the wholly foreign-owned Architecture FIE must have obtained the qualifications of a Chinese certified architect or certified engineer, as required by the Project Design Qualification Standard. In addition, foreign technical employees with relevant professional design experience must make up at least one-quarter of the total technicians, as required by the Project Design Qualification Standard.

Qualification Requirements:

The Architecture FIE is prohibited from undertaking design activities in China before obtaining the requisite qualification certificate from the provincial level MOC. Its design activities should comply with and should not extend beyond the scope of its qualification certificate.

About NCO China

NCO China offers a wide range of corporate registration, accounting, tax advisory and HR services to companies currently operating or seeking to establish a presence in Asia.

Our experienced team can help clients with their business needs so they can focus on more important matters - their business.

NCO is part of the AFP Group, an Asia-Pacific regional group of companies headquartered in Hong Kong with offices located in key financial centres worldwide.

For more information, please contact us:

China Consult ApS:

Fruebjergvej 3, boks 52
2100 København Ø

Phone: +45 3917 9895

E-mail: hugo@ncochina.com

Website: www.ncochina.com