

LOCATION

China is situated in eastern Asia on the western shore of the Pacific Ocean, with its coastline extending for about 18,000 kilometers, and its vast sea surface is studded with more than 5,000 islands, of which Taiwan and Hainan are the largest. China's population as of 2008 is 1.3 billion, and with the world's population at approximately 6.7 billion, China represents 20% of the world's population.

Since the early 1990s, the government has allowed foreign investors to manufacture and sell a wide range of goods on the domestic market, eliminated time restrictions and authorized the establishment of Wholly Owned Foreign Enterprises. In 1991, China granted more preferential tax treatment for Wholly Owned Foreign Enterprises and contractual ventures and for foreign companies, which invested in selected economic zones or in projects encouraged by the state, such as energy, communications and transportation.

KEY ENTITIES

There are various entities that can be established but the key structures are:

- **Representative Office ("RO")**

A RO is an office that carries market contacts and research which is set up to represent the foreign parent company. It is the easiest and least costly method for foreign enterprises to establish an initial presence in China. A RO is not recognized as a separate legal entity, cannot issue any invoices and gain income by itself, and all of its expenses are fully funded by the parent company. However, a RO can open bank accounts and employ staff to maintain liaison with customers and suppliers.

- **Wholly Owned Foreign Enterprises ("WFOE")**

The WFOE is a Limited liability company wholly owned by the foreign investor(s). It is the most popular choice for foreign companies doing business in China in international trading, manufacturing, consulting and management services, software development and other profit making activities. Many foreign investors find this structure attractive because of the full control which comes with 100% ownership.

A meeting can be arranged to discuss which structure is most appropriate to meet your needs and further information will be provided.

LAW & TAX**1. Representative Office**

In General, a RO is subject to foreign enterprise income tax (FEIT) and Business tax (BT) under the PR China FEIT law and the PR China Provisional Regulations of BT.

Although a RO is not to conduct business, it attracts tax on:

- Chief Representative and local staff's Individual Income Tax (IIT);
- Business Tax base on monthly operational expenses (BT);
- Income Tax base on annual operational expenses (IT).

IIT above depends on salary amount while BT & IT roughly amounts to 10% of annual operational expenses.

2. Wholly Owned Foreign Entities

The WFOE is governed by Law on Foreign-capital Enterprises of the People's Republic of China, Law of the People's Republic of China on Wholly Owned Foreign Enterprises; Company Law of the People's Republic of China (revised 2005).

**CORPORATE
REQUIREMENTS****1. Representative Office**

- Minimum one director and full details must be filed with the Administration for Industry and Commerce. The director can be of any nationality and may be resident anywhere. Corporate director is not allowed;
- Minimum one shareholder is required whose details are filed on the local Administration for Industry and Commerce. Corporate shareholders are permitted. The shareholders can be of any nationality except China and be resident anywhere except China;
- A legal representative needs to be appointed;
- Company Secretary is not required;
- Registered office must be maintained in P R China.

2. Wholly Owned Foreign Entities

- A Chief Representative (a resident or non-resident) must be appointed;
- An office premise rental agreement. The business address must be located in commercial buildings approved by the government;
- A bank reference letter;
- Notarization of statutory documents of the parent company.

BANKING

The People's Bank of China (PBOC) is China's central bank, which formulates and implements monetary policy. The PBOC maintains the banking sector's payment, clearing and settlement systems, and manages official foreign exchange and gold reserves. It oversees the State Administration of Foreign Exchange (SAFE) for setting foreign-exchange policies.

China Banking Regulatory Commission (CBRC) was officially launched on 28 April 2003, to take over the supervisory role of the PBOC. The goal of the landmark reform is to improve the efficiency of bank supervision and to help the PBOC to further focus on the macro economy and currency policy.

The CBRC is responsible for the regulation and supervision of banks, asset management companies, trust and investment companies as well as other deposit-taking financial institutions. Its mission is to maintain a safe and sound banking system in China. We can provide assistance in opening bank accounts in China or Hong Kong.

Normally, a Hong Kong company will be set up to hold the Registered Office or Wholly Owned Foreign Entity because it is easier to arrange notarization of documents which is essential for its establishment. We can assist in setting up the Hong Kong company.

OUR SERVICES

To summarize, from our Hong Kong office we provide a one-stop shop service commencing with but not limited to the formation of the company, providing virtual office services, accounting & tax compliance, company secretarial and administration, bank account signatory and management, trade documentation and payroll services. We can also assist in establishing a physical office in Hong Kong or China.

OUR FEES

To establish a RO: Approximately USD2,800 (excluding translation of documents)

To establish a WOFE: Approximately USD3,800 (excluding translation of documents)

Legal advice on the structure of business, incorporating companies and preparing shareholder agreements: Fee quote will be provided upon request

Accounting and tax filing: Fee quote will be provided upon request