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Fees and Procedures for Setting up a Service WFOE in Beijing

Unless otherwise indicated, the WFOE mentioned in this quotation refer to a limited liability company formed and registered in Beijing, China in accordance with the China Company Law and the related regulations and wholly owned by one or more foreign companies or individuals. A WFOE in the form of a limited liability company is by far the most popular investment vehicles in China amongst foreign investors.

Summary

This quotation applies to situations where a foreign investor intends to set up a company in Beijing, China to carry out business of a service nature, including management, consultancy and business services and that nothing special licence or permit other than the business licence is required.

Our fees for handling the formation and registration of a service WFOE in Beijing, China are RMB15,000 and our fees cover the services listed in Section 1(1) of this quotation. Our service fees, however, do not include the payment of official registration charges and legalisation of identity documents of the shareholder/member of the WFOE.

The materials required include legalised identity documents of the shareholder/member, a lease agreement of the office space to be used by the WFOE and others. A list of the materials is detailed in Section 4 of the quotation.

The whole process for the registration of a WFOE in Beijing, China takes 8 to 12 weeks. It should however be noted that most of the procedures are subject to approval granted by the government departments and therefore some of the procedures may take longer than expected.

If the business activity to be conducted by the WFOE requires special licence or permit, we may need to adjust our fees and the time required may need to be extended accordingly.

1. Registration Cost

(1) Our Service Fees

Our fees for handling the registration of a WFOE (the principal business activities of which includes general management consultancy or other activities of a service nature) in Beijing, China is RMB15,000. In particular, our fees cover the following services:

- (1) Preparation of registration application documents;
- (2) Performing name availability search;
- (3) Application for approval of name;
- (4) Application for business licence;
- (5) Application for MOFCOM registration;
- (6) Carving of company chops and personal chop of the legal representative;
- (7) Setting up basic RMB bank account;
- (8) Handling foreign direct investment registration;
- (9) Setting up foreign currency capital account.

If the business activity to be conducted by the WFOE requires special licence or permit, we may need to adjust our fees accordingly.

(2) Official Filing Fees

The fees quoted in Section 1 (1) above do not cover official filing fees to be paid to different government departments and the official filing fees are estimated to be around RMB2,500, assuming no special license or permit is required.

(3) Office On-site Inspection

There are cases that the Beijing Administration of Industry and Commerce (BAIC) may conduct an on-site inspection of the premise to be used as the business address by the new WFOE. If the BAIC does require an on-site inspection, we can act for the client to attend the inspection for a fee of RMB2,000.

(4) Legalisation Fees

Our fees stated above also do not cover the legalization of the identity documents of the shareholder/member of the WFOE. If the shareholder/member is a company in Hong Kong, Singapore and Taiwan, we could also assist to arrange the legalization of the incorporation documents. Fees for legalisation will be quoted upon request.

(5) Internet Banking Facility

Our service fees stated in Section 1 (1) cover the setting up of a bank account for the new WFOE, however, it does not cover the application of internet banking facility. Should you decide to engage us for the above service, we will charge a fee of RMB2,000.

(6) Translation Costs

Our service fees stated in Section 5.1 do not cover translation costs for translating the documents prepared by you from English to Chinese or translation of registration documents from Chinese to English. If so required, we will charge an extra amount of RMB300 per page of A4 size paper for the translation services. In case the translation is done by client directly, we will charge RMB60-180 per page of A4 size paper as proof reading service fees.

A summary of the fees and costs is provided in Schedule 1 to the quotation.

2. Payment Terms and Methods

Upon receipt of your order, we will issue an invoice to you for your settlement. We require full payment in advance.

If China or Taiwan official tax invoice is required, Value-Added Tax or Business Tax at the prevailing rate in the respective jurisdiction will be charged.

3. Basic Structure of a WFOE in Beijing

The minimum requirements of a WFOE in Beijing, China are as follows:

- One shareholder, one director, one general manger, one legal representative and one supervisor
- Shareholder can be natural person or corporation and no restrictions on nationality
- Director must be a natural person with no restriction on nationality
- General manager must be a natural person with no restriction on nationality
- Legal representative must be a natural person with no restriction on nationality
- Legal representative shall be served by chairman of the board (if board of directors is set up), or executive director (if it is sole director), or general manager
- Natural person shareholder can be appointed as director
- Supervisor must be a natural person with no restriction on nationality, however, director or general manager cannot serve as supervisor at the same time.

4. Required Documents and Materials

The following documents and materials needed to be prepared by the applicant before submitting an application for registration:

(1) Name of the company to be registered

The name of company to be registered in Beijing must follow the format “Business Name + (Beijing) + Principal Business Activity + Limited” or “Business Name + + Principal Business Activity + (Beijing) + Limited” For example, “Kaizen (Beijing) Service Limited” or Kaizen Services (Beijing) Limited.

(2) Particulars of the Shareholder/Member

If the shareholder of the Beijing WFOE is another company, please provide the particulars of that company, including the principal business activities, business address and contact numbers etc.

(3) Legalised identification documents of the shareholder

One sets of legalised identity documents of the foreign shareholder/members of the proposed WFOE. If the shareholder is a corporation, the identity documents required to be legalised are its incorporation documents. In the case the shareholder is an individual, the identity document required to be legalised is his/her passport (for foreigner) or mainland travel permit (for Hong Kong, Macau and Taiwan resident). The investor’s identity or incorporation document shall be legalised by the Chinese Embassy or Consulate in the country where the investor is resided or registered.

(4) Organisational Chart and Beneficiary Owner

If the shareholder of the Beijing WFOE is another company, please provide an organisation chart and particulars of the ultimate beneficiary owner of the Beijing WFOE.

(5) Legal Representative

A photocopy of the identification document (i.e. passport for foreigner or identity card for Chinese national) and full residential address of the legal representative.

(6) Supervisor and General Manager

A photocopy of the identification document (i.e. passport for foreigner or identity card for Chinese national) a full residential address of the supervisor and the general manager.

(7) Director(s)

A photocopy of the identification document (i.e. passport for foreigner or identity card for Chinese national) and full residential address in respect of each director.

(8) Amount of Investment/Registered Capital of the China Company

The total amount of investment in the WFOE, including:

- (a) the registered capital.;
- (b) method and time limit of contribution of capital.

(9) Tenancy agreement

A tenancy/lease agreement of the WFOE premise to be used by the proposed WFOE. Please note the agreement shall be registered with local estate leasing administration authority and the agreement shall clearly indicate the premise is for WFOE use only and the lease term shall not be less than 12 months;

(10) Scope of Business

A summary of the scope of business and the scale of business of the proposed WFOE, including the business model, locations of suppliers and customers etc.

(11) Particulars of Preferred Banker

Please provide the name of preferred bank and the designated branch at which the bank accounts of the WFOE is to be established.

5. Procedures for Establishing a WFOE in Beijing

(1) Preliminary

(a) Lease of office Space

Firstly, the investor will have to enter into a tenancy agreement in relation to the office space to be used by the WFOE for a term of not less than 12 months. The office must be located in a commercial building. If the office is located in residential building, special approval from the residents' committee is required.

(b) Legalisation of Identity Documents of Shareholder/Member

The investor is also required to arrange to have the identity documents of the shareholder legalised by the Chinese Embassy in the country where the shareholder/member is registered/resided.

(c) Other Documentation

The investor at the same time needs to prepare other documents, such as photocopies of the passport / identity card / mainland travel permit of the director, supervisor, legal representative and (general) manager.

(2) Application for Registration of WFOE

(a) Name Search and Reservation

The registration process of a WFOE starts with name availability search. Kaizen will perform a name availability search with the Beijing Administration for Market Regulation. If the search indicates that the preferred company name is available for registration, Kaizen then apply for the reservation of the preferred name with the BAMR (北京市市场监督管理局). This is called "Name Pre-registration" (名称预先核准) in China.

(b) Registration for Business License

Upon receipt of the approval for reservation of the preferred name of the WFOE, Kaizen will then apply for Business Licence (营业执照) for the WFOE from the BAMR. The BAMR will usually issue the Business Licence within 5 working days after receiving all the required documentation. Once the business license is issued, the WFOE is deemed to be a legal person duly organised and existing under PRC law and will have full operational rights to operate its business in China within the scope of its Business Licence.

(c) Carving of Company Seal and Chops

Application for Approval for making of Office Stamp (Office Seal) from the Public Security Bureau and arrange the carving the company seal and chops.

(d) Registration Record Filing with MOFCOM

Upon receipt of business license (营业执照), Kaizen will then arrange the registration record filing with MOFCOM. MOFCOM local branch will usually issue a registration record receipt within 3 working days after receiving all required documentation.

(3) Post Registration Stage

(a) Foreign Direct Investment Registration

Application for registration with the Administration Bureau for Foreign Exchange.

(b) Opening Bank Accounts

Opening one capital account and one RMB basic account with a bank of your choice in Beijing, China on behalf of you.

6. Estimated Time Frame

It is estimated that the whole registration process would take around 8 to 12 weeks, subject to the schedule of the investor and also the approval by the various registration authorities in Beijing. The table below shows the estimated time frame for each of the steps for the registration.

Step	Description	Who is Responsible	Working Days
Preliminary			
1	Legalization of Incorporation Documents	Investor	Investor's schedule
2	Tenancy (Lease) Agreement (for the office to be used by the WFOE)	Investor	Investor's schedule
3	Other documents	Investor	Investor's schedule
Application for Registration			
4	Name availability search	Kaizen	1
5	Application for approval and reservation of the proposed company name	Kaizen	3-5
6	Application for business license	Kaizen	5-7
7	Application for approval and carving of company seals	Kaizen	3
8	Project Registration and Record	Kaizen	3
Other Registration Procedures			
9	Opening of RMB basic account	Kaizen	10-15
10	Performing foreign direct investment registration	Kaizen	7-10
11	Opening of capital account	Kaizen	7-10
Around 8 - 12 Weeks			

7. Certificates and Materials obtained after Registration

After the WFOE is officially registered, it will obtain the following certificates, corporate documents and seals to prove its legal existence and to carry out its daily operation.

- (1) Business Licence (Original, Duplicate)
- (2) WFOE Registration Record Receipt
- (3) Articles of Association
- (4) Company Seal, Financial Seal, Legal Representative Seal (optional), and Contractual Seal (optional)
- (5) Bank Account Opening Permit and Other Bank Stuffs

8. Annual Compliance Requirements in China

Immediately after a WFOE is officially registered in Beijing, it is required to comply with various monthly, quarterly and annually filing and reporting requirements. These filing requirements include monthly tax filing, filing of annual audit report, which has to be issued and signed off by a local CPA firm, filing of annual tax reporting to the Beijing State Administration of Tax Bureau and filing of annual report to the business licensing bureau etc. In any case if any of these annual compliances are not handled in a timely manner, the WFOE may subject to penalties or at the risk of getting their license suspended or cancelled by the BAMR.

Kaizen is well equipped with experienced personnel and capable of providing all the services that your Beijing WFOE may need, including but not limited to monthly book-keeping, preparation of tax computation and filing of various tax returns and also performing annual tax clearance and etc.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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Schedule 1 – Summary of Costs for Registration of a Service WFOE in Beijing

A summary of costs related to the registration of a service type WFOE with no requirements of special license in Beijing, China are listed in the table below:

Item	Description	Amount (RMB)
1	Service fees for Company Registration (Note 1)	15,000
2	Official filing fees for WFOE Registration (Note 2)	2,500
3	Disbursements	500
4	Office address on-site inspection ((Optional)	2,000
5	Service fees internet banking facility application (Optional)	2,000
6	Legalization Fees	TBA
7	Translation fees (Optional)	TBA
	TOTAL	22,000

Note:

1. If the business to be conducted by the WFOE in Beijing requires special licence or permit, Kaizen will handle the application and our fees will be quoted upon request.
2. The government fees are estimated on the premises that no speical license or permit is required. We will collect it before the commencement of services and any shortfall will be billed after completion of registration of the WFOE.
3. Item 4 to 7 will only be incurred if we are being engaged for such services.
4. If Chinese tax invoice is required, a Value Added Tax and Surcharges of 5% would be applicable.