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China WFOE Registration Guide (1) – Main Features of a Wholly Foreign Owned Enterprise

1. General Information

(1) Language

The official language is Chinese.

(2) Currency

The official currency is Renminbi (RMB) which is officially pegged to a basket of major currencies. The transaction price of RMB against US dollar depends on the foreign exchange market.

(3) Exchange Control

Yes.

(4) Legal System

Chinese law.

2. Major Features

(1) Type of Company Commonly used by foreign investors

Limited Liability Company (LLC), a Company type generally referred to as a Wholly Foreign Owned Enterprise (WFOE). The Wholly Foreign Owned Enterprise (WFOE, also known as Wholly Owned Foreign Enterprises, WOFEs) is a Limited liability company wholly owned by the foreign investor(s). In China, WFOEs were originally conceived for encouraged manufacturing activities that were either export orientated or introduced advanced technology. However, with China's entry into the WTO, these conditions were gradually abolished and the WFOE is increasingly being used for service providers such as a variety of consulting and management services, software development and trading as well.

(2) Governing Laws

- (a) Company Law of the People's Republic of China;
- (b) Foreign Investment Law of the People's Republic of China (This Law comes into force on January 1, 2020.);
- (c) Regulations on the Implementation of the Foreign Investment Law of the People's Republic of China (This Law comes into force on January 1, 2020.).

(3) Restrictions on Trading

Wholly Foreign Owned Enterprises could only engage in those business activities (business scope section) stated in the Articles of Association. Any amendments to the business scope require further application and approval. The scope of business of the company shall be stipulated in the articles of association and registered in accordance with the law. A company may amend its articles of association and change its business scope, but it shall go through the registration of alteration. The business scope of the company shall be subject to approval in accordance with laws and administrative regulations.

(4) Power of Company

Wholly Foreign Owned Enterprises shall, upon approval by the registration authority, obtain a business license and obtain the status of a legal person. Its lawful rights and interests shall be protected by Chinese law.

(5) Language of Legislation and Corporate Documents

Legislation in Chinese. Corporate documents could only be prepared in Chinese.

(6) Name Approval Required

Pre-approval is required for use of a name. It is possible to reserve a name of a proposed WFOE by as long as six months. It is essential to check that there is no similar or identical name on the register, which would prevent the company being incorporated.

(7) Disclosure of Beneficial Ownership to Authorities

Yes.

(8) Subscribed and paid-up registered capital

For the WFOE, there is no minimum registered capital requirement except as otherwise stipulated by laws and administrative regulations. The registered capital shall be the capital contribution subscribed by all shareholders. Shareholders shall pay their respective capital contributions in full and on schedule as stipulated in the articles of association.

See Also: [Foreign Invested Enterprises Total Investment and Registered Capital](#)

(9) Shareholders

A minimum of one shareholder is required whose details are filed on the local Administration for Market Regulation. Corporate shareholders are permitted. The shareholders can be of any nationality except Chinese and be resident anywhere except China and meetings can take place anywhere.

(10) Director/Board of Directors

A wholly Foreign Owned Enterprise requires a minimum of one director and full details of these must be filed with the Administration for Market Regulation. The director(s) is(are) appointed by the shareholder(s) of the WFOE. If there is only one director appointed, then the sole director is the executive director of the WFOE. The director can be of any nationality and be resident anywhere. A director may be of any nationality and may reside anywhere. A legal person may not act as a director. Board meetings can be held anywhere.

If the investor(s) decide(s) to set up a board of directors for the new WFOE, then the minimum number of directors are 3 and the maximum are 13. A person who holds the office of director could not at the same time act as Supervisor.

(11) Supervisor/Board of Supervisors

A WFOE is required by the Company Law of the People's Republic of China to appoint at least one Supervisor. The supervisor can be of any nationality and be resident anywhere. Directors and senior management personnel shall not concurrently serve as Supervisors.

(12) Company Secretary

Not required.

(13) Registered Office/Business Address

A company must maintain a business address in China where the correspondence from Chinese Government can be served and business is carried out. The registered address must be for commercial use. In some areas, virtual offices usually cannot be used as registered address.

(14) Annual Reporting

According to the provisions of the Company Law of the People's Republic of China, a company shall prepare financial and accounting reports at the end of each accounting year and shall be audited by an accounting firm in accordance with the law. Audited financial statements are not available to the public or foreign authorities, except for those of listed companies. After the establishment of the company, Kaizen can provide a full range of compliances service, such as accounting, tax declaration, audit, etc.

(15) Terms and Termination

In China, there is no clear limit on the period of operation. The common period is 15 to 30 years, and in some regions, companies can apply for long-term operation.

The WFOE may be terminated under certain conditions. For example, the inability of the WFOE to operate due to heavy losses, or in the occurrence of an event of force majeure, 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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