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Fees and Procedures for Setting up an Information Technology WFOE in Shanghai

Unless otherwise indicated, the WFOE mentioned in this quotation refer to a limited liability company formed and registered in Shanghai, 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 Shanghai, China to carry out business of technical development, technical service, technical consulting in the field of information technology and that nothing special licence or permit other than the business licence is required.

Our fees for handling the formation and registration of a WFOE in Shanghai, China are RMB16,000 which cover the services listed in Section 1(1) of this quotation. Our service fees, however, do not include the payment official registration charges, setting up Internet Banking Facility, legalisation of identity documents of the shareholder/member of the WFOE.

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

The whole process for the registration of a WFOE in Shanghai, China takes 4 to 6 weeks. It should however be noted that most of the procedures are subject to approval 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. Estimated Service Fees and Costs

(1) Registration Service Fees

Our fees for handling the registration of a WFOE in Shanghai, China is RMB16,000. 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 exchange registration;
- (9) Setting up foreign currency capital account.

In any case where the products to be traded by the WFOE requires special permit or licence, we may need to revise 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 department and the official filing fees are estimated to be around RMB1,500, assuming a registered capital of RMB1 million.

(3) Legalisation Costs

Our fees stated above also do not cover the legalization of the identity documents of the shareholder/member of the Shanghai WFOE. Kaizen is able to arrange the legalisation of identity documents for company or individual registered or resided in Hong Kong, Singapore, Taiwan, British Virgin Islands, Cayman Islands and Bermuda and a few other countries. Fees for legalisation will be quoted upon request.

(4) 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 RMB1,000.

(5) Translation Costs

Our service fees stated in Section 1(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.

A summary of the fees stated above is provided in Schedule 1 to this 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 official tax invoice is required, Value-Added Tax with 7.5% will be charged.

3. Basic Structure of a WFOE in Shanghai

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

- One shareholder, one director, one general manager, 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 materials are required for the registration of a WFOE in Shanghai:

- (1) Name of the company to be registered

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

- (2) Particulars of the Shareholder

If the shareholder of the Shanghai WFOE is another company, please provide the particulars of that company, including the principal business activities, business address, contact numbers and name and nationality of its managing director.

- (3) Legalised identification documents of the shareholder

One set 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

An organisation chart and particulars of the ultimate beneficiary owner of the Shanghai 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 national identity card for Chinese national) and 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 Shanghai Company

The total amount of investment of the WFOE, including:

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

(9) Tenancy agreement

A tenancy/lease agreement of the office 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 office 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 its business model, locations of suppliers and customers etc.

(11) Particulars of Preferred Bank

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

5. Procedures for Establishing a Shanghai WFOE

(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 the Shareholder

The investor is also required to arrange to have the identity documents of the shareholder legalized by the Chinese Embassy or Consulate in the country where the shareholder 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 Business Licence

(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 Shanghai Administration for Industry and Commerce. 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 AIC. This is called "Name Pre-registration" 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 for the WFOE from the AIC. The AIC will usually issue the Business Licence within 10 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) Registration Record Filing with MOFCOM

Upon receipt of business license, Kaizen will then arrange the registration record filing with MOFCOM. MOFCOM local branch will usually issue a registration record receipt within 10 working days after receiving all required documentation.

(3) Post Registration Stage

(a) 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.

(b) Foreign Exchange Registration

Application for registration with the Administration Bureau for Foreign Exchange.

(c) Opening of Bank Account

Opening of one capital account, one RMB basic account and/or tax paying account with a bank of your choice in Shanghai, China.

6. Estimated Time Frame

The whole registration process would take around 4 – 6 weeks. The table below shows the estimated time frame for each of the steps for the registration process.

Step	Description	Who is Responsible	Working Days
Preliminary			
1	Legalisation of identity documents of the investor	Investor	Investor's schedule
2	Tenancy 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	10
7	MOFCOM Registration and Record	Kaizen	10
8	Application for approval and carving of company seals	Kaizen	3
9	Opening of RMB basic account	Kaizen	5
10	Perform foreign exchange registration	Kaizen	5
11	Opening of capital account	Kaizen	10
Around 4 - 6 weeks			

7. Certificates and Materials obtained after Registration

After the WFOE is officially registered, it will obtain the following certificates and documents 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 Stuff;

8. Compliance Requirements of a WFOE in Shanghai

After a WFOE is officially registered in Shanghai, 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 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 AIC.

Kaizen is well equipped with experienced personnel and capable of providing all the services that your Shanghai 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. please contact one of our professional accountants for details.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA

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Schedule 1 – Summary of Costs for Information Technology WFOE Registration

A summary of costs related to the registration with the registered capital of no more than RMB1,000,000 in Shanghai, China are listed in the table below:

Item	Description	Amount RMB
1	Service fees for WFOE registration (Note 1)	16,000
2	Official filing/registration fees for WFOE registration (Note 2)	1,500
3	Disbursements	500
4	Service fee for internet banking facility application (Optional)	1,000
5	Translation fees (Optional)	N/A
TOTAL		19,000

Note:

1. If the business to be conducted by the WFOE in Shanghai requires special licence or permit, Kaizen we handle the application and our fees will be quoted upon request.
2. The government fees are estimated based on a registered capital of RMB 1 million. 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 6 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 7.5% would be applicable.