

Outline of the procedure for setting up a Wholly Foreign Owned Enterprise in China

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Stage 1 Preliminary application

1. Formulate the basic parameters of the project, e.g. objectives, scope of business and scale of operation, optimum location, registered capital and sources of funds, schedule of capital contributions term of the WFOE, premises required, staffing etc.;
2. Notification to the examination and approval authorities to apply for the establishment of a foreign invested enterprise, in this case a WFOE;
3. Environmental impact self-evaluation form;
4. Office site selection form;
5. Application for pre-approval of business name;
6. Letter of authorisation to make application for business name;
7. UK bank reference;
8. Certificate of incorporation of parent company.

The forms required for Stage 1 are relatively simple and routine. All forms must be submitted in Chinese and English. At the end of Stage 1 the examination and approval authorities will issue an approval letter allowing the project to proceed to Stage 2. They will also issue an approval notice for the business name.

Stage 2 Application for government approval of the WFOE by the examination and approval authorities

9. Preparation of feasibility study for the project (20-30 pages);
10. Preparation of articles of association;
11. List of equipment and materials to be imported (where appropriate);
12. List of names of WFOE board members and letters of appointment;
13. Names of WFOE General Manager and Deputy General Manager and letters of appointment.

After examination of the above documents, if everything is in order, a certificate of approval will be issued.

Stage 3 Application for the business licence

14. Application for the establishment and registration of a foreign invested enterprise;
15. Form for registration of the company "legal representative". Please note that this is the officer of the company who can legally bind the company; it is not the company lawyer;
16. Copies of passports of board members, General Manager and Deputy General Manager.

Once the business licence has been issued, the company is officially established. It can then open a bank account and pay in its registered capital. It must also register with various government departments.

In most cases approval for the WFOE can be obtained from the examination and approval authority in the city where the WFOE is located. Different cities have different policies. Before establishing a local presence, local policies affecting the WFOE should be analysed and thoroughly understood.

The key documents in the process are the feasibility study and the articles of association. Business Development International has a checklist of what must be included in a feasibility study for a WFOE. The articles of association form the fundamental document for the management and operation of the WFOE and we are well-acquainted with what should be included to ensure the smooth running of the project.

Timescale

We estimate that this project will require the following:

| Activity | Days |
|--|-------------|
| Phase 1 | |
| Discuss and determine WFOE parameters, review activity to date, preparation of feasibility study | 6 |
| Preparation of articles of association and other documentation | 3 |
| Total Phase 1 | 9 |
| Phase 2 | |
| Register enterprise name with authorities Submission of documents to authorities by BDI Beijing (inc visit to location) | 4 |
| Liaison & negotiation with examination and approval authorities and registration of the company with the relevant authorities | 3 |
| Total Phase 2 | 7 |

Owing to the nature of Chinese bureaucracy, it is difficult to estimate the total time that will be required before the business licence will be issued. We estimate that it should be issued within 3/4 months from the date of the initial application but could be earlier.

Government fees and charges for the establishment of a WFOE will amount to USD 2,000 approximately.

Please note that the proposal as outlined above is for a straightforward project. If your project is complex or requires negotiation with the examination and approval authorities, the timescale may be extended. We would keep you informed of progress and would consult you and get your approval before we undertook any additional work outside the scope of this proposal.