

China Company Registration Package #SZFICE01 - Shenzhen Trading Company Registration and Bank Account Opening

When a foreign investor (both corporations and individuals) intend to carry out trading business, including wholesale/distribution and importing and exporting, he needs to set up a trading company, in the form of limited liability company (or company limited by shares where a minimum of two shareholders is required) with the scope of business stated in the Business Licence.

This package covers all basic registration procedures required to bring in such a company into existence. There are several other procedures needed to be performed, such as capital verification, application for Normal Taxpayer Qualification and Foreign Trade Operator Registration, are specifically excluded from the package described below as those procedures are considered to be on-going maintenance compliance.

In addition, the package stated below is for company with a scope of business including only wholesale/distribution and importing and exporting of general commodities. Trading of certain products may require extra licence and therefore extra fees could be expected.

1 Features of Foreign Invested Commercial Enterprises

- (1) Type of company commonly used by foreign investors
A Foreign Invested Commercial Enterprise (FICE) is a limited liability company engaged in the business of retailing/wholesaling, import and export of certain kind of commodities in China.
- (2) Restrictions on Trading
A FICE could only engage in those business activities (Scope of Business) stated in the Articles of Association and Business License.
- (3) Name approval required
Pre-approval is required for use of a name. It is possible to reserve a name of a proposed FICE for as long as six months.
- (4) Registered capital and contribution
In the case of a FICE in Shenzhen Special Economic Zone, the minimum registered capital required is RMB500,000 (around USD75,000), while the minimum amount outside the Zone is RMB1,000,000(around USD150,000).

In accordance with the relevant regulation, the investor has two alternatives as to the timing for contribution of registered capital. The investor can choose to contribute the capital in one installment within 6 months after the date of incorporation; alternatively, the investor could choose to contribute the capital in two installments within a period of 2 years, where the first installment must be more than 15% of the registered capital and contributed within 3 months and the second installment being the balance contributed within 2 years after the date of incorporation.

The amount of registered capital so contributed/deposited should be audited by a firm of certified public accountants. This is so called capital contribution verification.

- (5) Shareholders/Members
A minimum of one shareholder/member 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 Chinese and meetings can take place anywhere.
- (6) Director/Board of Directors
A FICE requires a minimum of one director and full details of these must be filed with the **Administration for Industry and Commerce**. The sole director is the executive director or managing director. The director can be of any nationality and be resident anywhere.

Corporate director is not allowed. There is no requirement for board meetings to be held within China.

- (7) Legal representative
A FICE is required to appoint a Legal Representative and full details of that person must be filed with the local **Administration for Industry and Commerce. The Legal Representative could be of any nationality and does not have to be a resident in China.**
- (8) Supervisor/Board of Supervisors
A FICE is required by the Company Law to appoint at least one Supervisor. The supervisor can be of any nationality and be resident anywhere.
- (9) 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 Chinese government has very stringent rules as to the business address. In accordance with relevant regulations, the office of the FICE must be located in a commercial building and that the lease term of the office must be at least for a term of 12 months.
- (10) Tax filings
A FICE is required to update its books on a regular basis, file Value Added Tax Return on a monthly basis, file individual income tax return for its employees on a monthly basis, file Corporate Income Tax Return on a quarterly basis and file annual corporate income tax return after the fiscal year end.
- (11) Annual reporting
A FICE is required to prepare audited accounts under the company laws. Also, a copy of the audited financial statements is to be furnished with tax authority for tax report purpose. The audited financial statements are not available to the public or to the foreign authorities except those of a listed company. We can provide complete supporting services after incorporation, such as book-keeping, auditing and tax filings for both the FICE and its employees.

2 Procedures for Establishing a FICE in Shenzhen, China

The whole process for the registration of a company in Shenzhen, China could be divided into three stages, namely preliminary, registration and post-registration stage. Each of the stages is described below.

2.1 Preliminary Stage

- (1) 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 FICE for a term of not less than 12 months. The office must be located in a commercial building.
- (2) Legalisation of Identity Documents of the 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. If the shareholder/member is a corporation, the identity documents required to be legalised are its incorporation documents. In the case the shareholder/member is an individual, the identity document required to be legalised is his/her passport (for foreigner) or identity card and home return permit (for Hong Kong resident).
- (3) Banker's Reference Letter
Also, the investor needs to arrange with its banker to issue a banker's reference letter. The banker's reference letter is one of the documents to be submitted for the purpose of registration.
- (4) Other Documentation
The investor at the same time needs to prepare other documents, such as photocopy of passports/Hong Kong Identity card/Home Returning Card of the directors, supervisor, legal Representative and General Manager.

2.2 Application for Registration of the FICE

- (1) Name Search and Reservation
The registration process of a FICE starts with name availability search. We suggest

that you create 3 to 4 names (in Chinese) in case that the preferred one is gone. We will then perform a name availability search with the local industry and commerce administration bureau and confirm with you their availability. The reservation is valid for a term of 6 months and further reservation is possible.

The name of the FICE should follow the format:
Administration Region + Business Name + Industry + Limited or
Business Name + Industry + (Administration Region) + Limited

For example: ABC Trading (Shenzhen) Limited

- (2) Examination and Approval
Once the name is cleared and reserved, the next step is to get the approval of the investment project from the local bureau of the Ministry of Foreign Trade. This step involves the submission of all application documents, as listed in Section 4 of this quotation, to the Government for examination and approval.

As for the timing of approval, Approval Authorities are required to make its decision within 45 days from receipt of all the documentation. In practice, the Approval Certificate and documents are normally issued within two weeks after submission of all necessary documents.

- (3) Registration for Business License
Within 30 days after obtaining the approval certificate, the foreign investor will need to register and apply for a business licence for the FICE from the local AIC. As part of this step, the foreign investor will need to submit similar documentation to the approval documentation for AIC filing purposes.

2.3 Post Registration Stage

Once after the FICE is officially registered, it also needs to apply for various certificates from or apply for registration with the following government departments:

- (1) 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;
- (2) Opening of bank accounts
Opening of capital account, RMB basic account and tax paying account with a bank of your choice in China; if the tax authority does not require a separate account for payment of tax, then a total of two accounts will be opened.
- (3) Tax Registrations
Apply for registration with both the State Tax Bureau and Local Tax Bureau and obtain the State and Local Tax Registration Certificate;
- (4) Application of "Enterprise Code"
Apply for registration with Quality Inspection and Control Bureau and obtain the Enterprise Code and Card;
- (5) Apply for registration with Foreign Exchange Control Bureau
Application for registration with the Foreign Exchange Bureau and obtain Foreign Exchange Registration Certificate;
- (6) Finance Registration
Application for registration with the Finance Bureau and obtain the Finance Registration Certificate
- (7) Customs Registration
Application for registration with the local Customs Department and obtain the Customs Registration Certificate.

3 Estimated Time Frame

It is estimated that the whole registration process would take around 2-3 months weeks. The table below shows the estimated time frame for each of the steps of the registration process.

Step	Description	Performed by	Working days
Preliminary Stage			
1	Legalisation of incorporation documents	Investor	Investor's

			schedule
2	Tenancy (Lease) agreement (for the office to be used by the FICE)	Investor	Investor's schedule
3	Application for banker's reference letter	Investor	Investor's schedule
4	Preparation of other documents<	Investor	Investor's schedule
Application for Registration			
5	Performing name available search	Kaizen	1
6	Application for approval of use and reservation of proposed company name	Kaizen	1
7	Application for project approval	Kaizen	30
8	Application for FICE business licence	Kaizen	5
Post Registration Procedures			
9	Application for approval and carving of company seals	Kaizen	2
10	Application for approval and issuance of Enterprise code and certificate	Kaizen	3
11	Application for registration with Local Tax Bureau and State Tax Bureau (Shenzhen)	Kaizen	1
12	Application for registration with Finance Bureau	Kaizen	1
13	Application for opening of bank accounts with a bank of your choice	Kaizen	10
14	Application for registration with local Customs Department	Kaizen	3
15	Application for registration with Finance Bureau	Kaizen	1

4 Required Documents and Materials for the Purpose of Registering a Trading Company in Shenzhen

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

- (1) Two sets of legalised identity documents of the investor
2 copies of the investor's identity or incorporation evidence (i.e. passport for individual foreign investor and Certificate of Incorporation and/or Registration Certificate for corporate foreign investor) duly legalised by the Chinese Embassy.
- (2) Two sets of original tenancy agreement
Two copies of Tenancy Agreement with a term of no less than 12 months of the office to be used by the FICE.
- (3) One set of legalised bankers' reference letter
A credit standing certificate (a banker's reference letter) of the FICE investor issued within 6 months, which shall indicate the name of the investor, the credit standing and/or the balance of the account (the deposit shall equal to the registered capital of the FICE);
- (4) A copy of the latest audited financial statements
The latest audited finance statements of the corporate investor provided that it has been set up for more than 1 year.
- (5) Particular of the investor/shareholder
(a) The name, address and/or place of registration of the investor;
(b) The name, nationality and position of the legal representative (or the name and nationality of the managing director) of the investor;
- (6) Particulars of the proposed FICE
(a) The proposed name of the FICE
(b) A summary of the proposed scope of the business, the types of products and the scale of business;

- (c) A detailed list of import and export merchandise, a summary of the proposed business scope and the scale of business. Please note special approval is needed if the goods to be imported or exported are restricted by Chinese government and our fees will be increased accordingly;
- (d) The total amount of investment in the FICE, including:
- (e) The amount of registered capital
- (f) The proposed term of operation for the FICE. The standard term is generally 15-30 years;
- (g) The name and address of your favourite opening bank for the FICE. Please be noted that the original passport of the legal representative of the FICE shall be presented to the bank for verification purpose.

5 Registration Costs and Payment Terms

5.1 Registration Costs

- (1) Registration service fees
On the basis that (a) we prepare most of the documentation, (b) the corporate structure of the investor is straightforward (if there are two or more investors in the FICE, this is likely to add considerably to documentation, timetable and costs), (c) the application process proceeds smoothly, and no additional permit is required, our costs are **HKD15,600** (tax exclusive). The Business Tax of 5.5% would be applicable if Chinese tax receipt (Fapiao) is required.
- (2) Translation costs
Our service charge stated in Section 4.1 does not cover translation costs for translating the documents prepared by you from English to Chinese or translation of registration documents from Chinese to English. The cost for translation is around HKD150 per page of A4 size. We will arrange the translation on your behalf and the translation cost will be billed separately with supporting official tax receipt issued by third party translating company.
- (3) Legalisation costs
Our fees quoted above do not cover the legalisation of the identity documents of the shareholder/member. As required by the regulations, the identity documents of the shareholder/member are required to be legalised by the Chinese Embassy in the country where the shareholder/member is registered/resided.

However, if the company applying to set up the FICE is a Hong Kong company, then we can assist you to arrange the legalisation. The total documents legalisation fees are estimated to be **HKD6,000**. If the shareholder/member is a BVI or Samoa or Belize or Cayman Islands company, we could also assist to arrange the legalisation.
- (4) Official filing fees
Our service fees stated in Section 4.1 above also does not cover any official registration filing fees which are calculated based on the registered capital of the FICE. For a FICE with a registered capital of RMB1,000,000 (around USD145,000), the official registration filing fees are around HKD2,500. The official registration filing fees will be billed with supporting official receipts issued by the relevant business registration authority.
- (5) Internet banking facility and social security account
Our service charge stated in Section 4.1 also do not cover the application of internet banking service and opening of social insurance account for the employees of the FICE. Should you decide to engage us for the above services, we will charge HKD600 (tax exclusive) for each service item respectively.

5.2 Summary of Registration Costs

A summary of costs related to the registration of the proposed FICE in Shenzhen is listed in the table below:

Item	Description	Amount (HKD)
1	Legalisation of identity documents	6,000
2	Registration service fees	15,600
3	Official registration filing fees	2,500
4	Internet banking facility and social security account	600

5	Disbursements	200
	Total	24,900

5.3 Payment Terms

Our service fees are to be billed and settled in three instalments as stipulated below and out-of-pocket expenses are required to be paid in advance.

- (1) First instalment
The first instalment of 70% of our service fees is to be paid upon signing of engagement letter. Legalisation costs should also be included in the first instalment if we are being engaged to handle the legalisation.
- (2) Balance Payment
The balance of our service fees together the official registration and filing fees are to be paid within one week after the whole registration process, that is, the registration procedures listed in Section 2, is completed.

6 Miscellaneous - Capital Verification, Normal Taxpayer Qualification and Foreign Trade Operator Registration

Right after the company is officially registered, it could start its operation, such as hiring of people and purchase of fixed assets and furniture and fixtures. However, there are several additional compliance/registrations need to be done before the company could commence its trading business.

- (1) Capital Verification
Upon contribution and remittance of the registered capital, the FICE shall engage an accounting firm registered in China to perform an audit of the status of remittance and issue an auditors' report to verify that the capital is contributed in accordance with Articles of Association and Company Law. The capital verification report shall be submitted to the industrial and commercial administration authority and tax authority for filing and the Business License of the FICE shall be changed accordingly.

As Capital verification is not considered to be part of the registration process and therefore is not included as such in this quotation. However, we shall be pleased to assist you to arrange the verification of contribution of capital.

- (2) Normal Taxpayer Qualification
Please note that the registration procedures listed in section 2 of this quotation covers only the general procedures required for the purpose of registration of a foreign invested company in China. In this case that the company is to be engaged in international trading business, that is, importing and exporting and distribution business, it is required to application to be qualified as a Normal Taxpayer.

The procedure could be handled by the internal staff of the company when the company commences its business and therefore is not included as necessary registration procedures listed in Section 2 of this quotation. However, it would be our pleasure to assist you to handle these registration if you so wish. Our service and fee are set out in Schedule 3 to this quotation.

- (3) Foreign Trade Operator Registration
Though the company is registered as a trading company and is empowered to carry out international trading business, it could not carry out importing and exporting activities before it performs Foreign Trade Operator Registration. The registration enables the company to perform Custom clearance as and when it exports and imports.

This procedure/registration could be handled by the internal staff of the company when the company commences its business and therefore are not included as necessary registration procedures listed in Section 2 of this quotation. However, it would be our pleasure to assist you to handle these registration if you so wish.

7 Getting Started

Once you have a decision to start to set up your presence in China and decide to engage Kaizen to do that for you, then:

- (1) we will sign an engagement letter with you;
- (2) you start preparing the documents listed in Section 5;
- (3) we prepare the registration application forms;
- (4) we deliver the registration documents to you for your signatures;
- (5) you return the duly signed registration application documents to us together with the documents listed in Section 5;
- (6) we submit the documents to the government departments concerned for application for various certificates and registration as stated in Section 3;

Important Note: The Chinese Government changes the requirements in respect of company formation/registration from time to time and any of those changes would have an impact on the procedures and time frame of registration and therefore the fees stated here are for reference only.