

## The People's Republic of China

General		
Type of Company	WFOE	JV
Political Stability	Good	
Common or Civil Law	Civil	
Disclosure of Beneficial Owner	Yes	
Migration of Domicile Permitted	No	
Tax on Offshore Profits	Yes	
Language of Name	Chinese	
Corporate Requirements		
Minimum Number of Shareholders	One	Two
Minimum Number of Directors	One	
Bearer Shares Allowed	No	
Corporate Directors / Managers Permitted	No	
Company Secretary Required	No	
Minimum Registered Capital	Depends on business nature	
Local Requirements		
Registered Office/Agent	Yes	
Company Secretary	No	
Local Directors	No	
Local Meetings	No	
Government Register of Directors / Managers	Yes	
Government Register of Shareholders /Members	Yes	
Annual Requirements		
Annual Review	Yes	
Submit Accounts	Yes	
Recurring Government Costs		
Minimum Annual Tax/Licence Fee	N/A	
Annual Return Filing Fee	N/A	

## GENERAL INFORMATION

### Introduction

China is situated in East Asia covering an area of approximately 9,600,000 square kilometres. It borders in the north by Russia, Mongolia; in the north-west by Kazakhstan; in the west by Tajikistan; in the south by Afghanistan, Pakistan, India, Vietnam, Nepal etc.; in the north-east by Korea.

### Population

With a population of 1.3 billion, China is the most populous nation in the world. The major cities are the capital Beijing, which is the political and cultural centre, and Shanghai, which is the largest industrial, commercial and financial centre. Other important cities are Guangzhou and Shenzhen in the South, Fuzhou on the coast opposite Taiwan and Tianjin near Beijing in the North.

### Political Structure

In October 1949, the Communist Party leader Mao Zedong proclaimed the People's Republic of China on the mainland. The then ruling Guomindang fled to Taiwan and established a government-in-exile. At present China is governed by the Central Government headed by President Xi Jinping, who is also General Secretary of the Communist Party.

### Economic Policy

Traditionally China is very much an agricultural society and inward looking. However, since the United Nations recognised China in 1971, China has gradually come more and more out of its isolationist shell that resulted in Deng Xiaoping leading the way to economic reform by initiating the Open Door Policy to develop its economy. The Central Committee has recently strengthened the Open Door Policy in order to keep economic development on track.

At present the Twelfth five-Year Plan (2011-2015) seeks to address rising inequality and create an environment for must sustainable growth by prioritizing more equitable wealth distribution, increased domestic consumption, and improved social infrastructure and social safety nets.

### Hong Kong

In July 1997, Hong Kong's status as a British colony came to an end when sovereignty over the territory successfully returned back to China. In line with Deng Xiaoping's "One Country, Two Systems", Hong Kong is allowed to retain its capitalist system and lifestyle for at least 50 years after the handover.

### Infrastructure

The road and rail networks are best developed around the major cities, such as Shanghai, Beijing, Guangzhou, and Shenzhen. Modernization is arguably most striking in Shanghai which has developed a second international civil airport and has updated major parts of its infrastructure by completing several large bridges and elevated highways, as well as a great number of residential housing projects. Across the river from Shanghai's famous Bund area, a new financial and services centre, Pudong New Area, is developing rapidly.

### Language

The official language is Mandarin, which is widely spoken across the country. However, especially in Southern China many dialects are spoken, some of which are entirely different, most notably Cantonese which is the common dialect in Hong Kong.

### Currency

Renminbi (RMB). US\$1.00 equals approximately RMB6.30.

### Exchange Control

All foreign exchange is controlled under the Provisional Regulations for Exchange Control of the PRC of 1981, as modified in 1985.

### Type of Law

Civil Law.

### Principal Corporate Legislation

Based on The Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment and The Law of the People's Republic of China on Enterprises Operated Exclusively with Foreign Capital.

## COMPANY INFORMATION

### Type of Company for International Trade and Investment

China has recognised three forms of business organisations available to foreign investors in China: Joint Venture, Wholly Foreign-Owned Enterprise and Representative Office.

### Joint Venture (JV)

A joint venture is a business arrangement in which the participants create a new business entity or official contractual relationship and share investment and operation expenses, management responsibilities, and profits and losses. The Chinese authorities encourage foreign investors to use this form in order to obtain exposure to advanced technology and improvement in management of state enterprises as well. In return, the foreign investors can enjoy low cost and a potentially large Chinese market share, and share risks respectively.



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**Wholly Foreign-Owned Enterprise (WFOE)**

A wholly foreign-owned enterprise is a business formed in China entirely with foreign capital, totally under foreign control, and without any formal Chinese ownership participation. WFOEs are set up as limited liability entities and represent separate legal persons. WFOEs can generally control their own governance through articles of association. Many foreign investors find this type of form attractive because of the full control, which comes with 100 percent ownership.

**Representative Office (Rep. Office)**

A Rep. Office is an entity involved in business activities, which do not result in direct profits being made by the office. Rep. Offices are not allowed to operate as partnerships or sole proprietorships in China, for they are not recognised as legal persons. However, they are allowed and encouraged to conduct such indirect operational activities as liaison for business purposes, introduction of products, market research, and technology exchange among others.

**Procedure to Incorporate**

JV and/or WFOE:

By submission of relevant documents such as project proposal, report on feasibility study, joint venture contract if applicable and memorandum and articles of association. Once all documents submitted are in order, the relevant government authorities (MOFTEC & SAIC) will issue a Certificate of Approval and Business Licence.

**Representative Office:**

Submission of relevant application documents to the authorities to obtain Registration Certificate, as well as resident representative's certificate. Thereafter other registrations, such as company code, tax and customs need to be made with the respective authorities.

**Restrictions on Trading**

Cannot conduct import and export activities, unless has the import and export license.

**Powers of Company**

A Chinese company has generally all the powers of a natural person.

**Language of Legislation and Corporate Documents**

Mandarin.

**Registered Office Required**

Yes, must be maintained in P R China.

**Shelf Companies Available**

No.

**Name Approval Required**

Yes, by formal request to the MOFTEC.

**Time to Incorporate**

Approximately three months.

**Name Restrictions**

Any name that is identical or similar to an existing company.

**Language of Name**

The official name shall be in Mandarin.

**Names Requiring Consent or a Licence**

Bank, Building Society, Savings, Loans, Insurance, Assurance, Fund Management, Investment Fund, Trust, Chamber of Commerce, University, Municipal or their foreign language equivalents.

**Suffixes to Denote Limited Liability**

In English if applicable name "Limited" or "Ltd", "Company" and "Corporation".

**Disclosure of Beneficial Ownership to Authorities**

Yes, prior to incorporation. If beneficial ownership of the entity changes the registration authorities must be informed as soon as possible.

**COMPLIANCE****Registered Capital**

Depending on projects, type of incorporation and approval by the authorities. Some favourable policies may apply

**Classes of Shares Permitted**

Registered shares.



**Bearer Shares Permitted**

No.

**Taxation**

The taxes levied on the foreign investment enterprises are the same as on local enterprises. The corporate income tax rate is 25%. Depends on the business nature, there is value added tax or business tax levied. Some local governments may offer preferential tax treatment to foreign investment enterprises.

**Double Taxation Agreements**

China has double taxation treaties with a large number of countries.

**Financial Statements Required**

All companies must prepare financial statement and keep the financial records to reflect the financial position of the company.

**Directors**

Minimum number of director is one. If the company is going to form a Board of Directors, the minimum number of directors is three.

**Company Secretary**

There is no statutory requirement for a company secretary.

**Shareholders**

Minimum number of shareholders for JV is two, WFOE is one.

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