

Information Sheet

Using Hong Kong Company to apply for Representative Office in China

1. Advantage of using HK Company to apply for RO
2. Requirement on the HK Company
3. Requirement of forming the HK Company
4. Cost of forming the HK Company
5. Procedures of forming HK Company
6. Maintenance cost of the HK Company

1. Advantage of using HK Company to apply for RO

- Diversify investment risk away from mother flagship company;
- More easy to change ownership of China investment (change shareholding of Hong Kong Company effectively change the shareholding of China business);
- The activity of the RO can be stopped completely by winding up of the HK Company – this may happen due to change of investment strategy, change of business environment etc;
- Close relationship between HK and China makes application of RO setup easier and quicker.

2. Requirement on the HK Company

The HK Company needs to be at least 1 year old. Most clients buy a ready-made company of 1 year old for this purpose.

Moreover, a bank reference letter of the HK Company indicating there is sufficient fund is required. This can be obtained by:

- Putting around HK\$100,000 into bank account of the HK Company;
- With bank service fee of around HK\$300;
- 5 working days;

In addition, the HK Company should already have an office lease agreement in China when applying for the RO.

3. Requirement of forming the HK Company

Shareholder

- Minimum 1 shareholder is required;
- Minimum 1 share is required (or HK\$1);
- No restriction in nationality;
- Passport copy and address of all shareholders;

Director

ASIA BUSINESS SERVICE LIMITED

Room 813, 8/F Hollywood Plaza, 610 Nathan Road, Hong Kong
Tel (852) 8102 2592 Fax (852) 8102 2593 Email: info@AsiaBS.com
www.AsiaBS.com

- Minimum 1 director is required;
- No restriction in nationality;
- Passport copy and address of all directors;
- Can be same person as shareholder (therefore, minimum 1 person is required);

Corporate shareholder & director

Client can use a corporate formed in HK or other countries to act as shareholder or / and director. If corporate shareholder is used, documents required include:

- Certificate of Incorporation of corporate shareholder / director;
- Memorandum & Articles of corporate shareholder / director;
- Minutes of Directors approving taking up shares / directorship in the HK Company, and authorization of signatory (Sample is available for reference);

Bank account

It is not compulsory for HK Company to have bank account. However, most clients open bank account for practical reason instead of for compliance reason.

Banks in HK request directors to be present in HK so that their signature can be witnessed. However, for some banks and for some cases, we can arrange client to sign documents out of HK. Once clients company incorporation requirement and bank account requirement are clarified, we can give a plan and quotation for this.

4. Cost of forming the HK Company

Buying a ready made company

The cost of buying a ready made company is same as forming a tailor made company. However, for RO application purpose, the company needs to be at least 1 year old. Therefore, the only possibility is to buy a ready made company.

The standard service package of #CF1 HK\$8,500 covers:

- | | |
|--|-----------|
| ▪ Government fee and disbursement in company formation | HK\$5,300 |
| ▪ Service fee in company formation | HK\$1,000 |
| ▪ 1 st year annual Register Address parking (#RA1) | HK\$600 |
| ▪ 1 st year annual Company Secretary parking (#CS1) | HK\$600 |
| ▪ Bank account opening service fee | HK\$1,000 |

There may be extra international courier fee or / and document certify fee HK\$300 if client use certain banks for account opening (such as HSBC). Final quotation will be available once client's requirement is clarified.

Extra cost for each additional 1 year of age

For each year of age, each HK Company needs to:

- Renew Business Registration Certificate
HK\$2,600

- Filing of annual return to Companies Registry
HK\$105

Therefore, for each year of age, there is extra government fee of HK\$2,705.

Change of company name

After buying the ready made company, client may need to change the company name to their preferred name:

- Time required is 5 working days;
- Extra cost required is HK\$2,000:
 - Government fee
HK\$300
 - Making of new sets of Green Box (chops and printed Memorandum & Articles)
HK\$700
 - Service fee in changing company name
HK\$1,000

5. Procedures of forming HK Company

Buying ready made HK Company

Clients do not need to come to HK to buy the HK Company:

- Client select a company from our ready made company list;
- Client provide passport copy and address of shareholder and director;
- Client confirm service required and 50% down payment;
- We send Certificate of Incorporation of the HK Company and confirmed that client can use the Company for business;
- We send documents to client for signature by email or courier (if international courier is required, extra cost may apply);
- Client send signed documents back to us for processing (filing to government);

Bank account opening

- Once all company documents are filed to the government, client can proceed to open bank account;
- Client can either come to HK or we arrange client to sign bank account opening documents in their local city;

RO setting up

- Client is free to choose service provider to establish the RO for them;
- Other than the bank reference letter of the HK Company, the service provider in China may request certify true copy of the HK Company. Our company can provide this at a fee of HK\$300.

6. Maintenance cost of the HK Company

Government fee

ASIA BUSINESS SERVICE LIMITED

Room 813, 8/F Hollywood Plaza, 610 Nathan Road, Hong Kong
Tel (852) 8102 2592 Fax (852) 8102 2593 Email: info@AsiaBS.com
www.AsiaBS.com

Each year, the HK Company needs to:

- Renew Business Registration Certificate HK\$2,600
- File annual return to Companies Registry HK\$105
- Totally HK\$2,705 is the minimum maintenance cost of a HK Company.

Accounting, auditing & tax filing

In HK, each company needs to file tax return on annual basis (In China, tax filing is on monthly basis). Most clients will use 31/3 as fiscal year end (to be same as government but actually client is free to choose any other date). Naturally, for small to medium business, accounting work and auditing work is done once a year as well. The service fee ranges from HK\$2,000 for “Nil business” to HK\$6,000 for small business, or higher for higher volume of work.

If you need any further information, please feel free to contact us.

Information contained in this information sheet is for reference only. Professional opinion should be sought before any investment decision is made as situation of each client differs and government policy rules and commercial environment are changing.