

Doing Business in China Series: Voluntary Liquidation of WFOE – Professionals’ Roles In Action

Background

The group in UK has decided to close down the operation in Shanghai by end of June 2022. Shanghai WFOE (and its shareholder) will thereafter commence liquidation with a target dissolution by 31 December 2022.

Fact Sheet of Shanghai WFOE

	Corporate Data	Remarks/Plans
Name	ABC Business Consulting (Shanghai) Limited “Shanghai WFOE”	Shanghai WFOE will commence liquidation by 30 Jun 2022 and will be dissolved by 31 Dec 2022.
Date of incorporation	1 Jan 2018	
Registered address	Unit 1, 18/F, Prosperity Center, Shanghai	To be terminated by 30 Jun 2022 Current lease up to 30 Sept 2022
Shareholder	ABC HK Limited (Incorporated in Hong Kong)	ABC HK Limited will commence liquidation by 30 Jun 2022 and will be dissolved by 31 Dec 2022. Shanghai WFOE will be distributed in specie to ABC Limited in UK if Shanghai WFOE cannot be dissolved by 31 Dec 2022.
Shareholder’s representative	Mr D Lau	Mr D Lau is sole director of ABC HK Limited. He will leave China to UK in Jul 2022 and thereafter retire from the group on 31 Dec 2022.
Registered capital	RMB2,000,000	Fully paid: RMB1,500,000 Unpaid: RMB500,000
Executive director & legal representative	Mr D Lau	Mr D Lau will leave China to UK in Jul 2022 and thereafter retire from the group on 31 Dec 2022.
Business scope	Business consulting	
Operating Activities	To liaise with Mainland stakeholders on behalf of the group for marketing and networking purposes	

Local employment	5 local employees	To be terminated by 30 Jun 2022 One employee will start pregnancy leave on 1 Feb 2022.
Expatriate	Mr D Lau has been working in Shanghai on full time basis since Jan 2018	Mr D Lau (UK passport holder) will leave China to UK in Jul 2022 and thereafter retire from the group on 31 Dec 2022. Application for IIT refund of RMB40,000 is pending for approval from tax bureau.
Funding	Shanghai WFOE has billed shareholder for service fees on cost-plus 5% basis (as per group practice) every month since 1 Jul 2018.	One service agreement was signed between Shanghai WFOE and shareholder in Jun 2018.
HSBC bank accounts	RMB capital account – zero balance RMB general account – current balance of RMB1,800,000	Operated by Mr D Lau or Group CFO in UK
ICBC bank accounts	RMB basic account – current balance of RMB700,000	Operated by Mr D Lau

Unaudited balance sheet as at 30 September 2021 of Shanghai WFOE

Assets	RMB
Cash at bank	2,500,000
Rental deposits	<u>100,000</u>
	<u>2,600,000</u>
Liabilities & Equity	
Accounts payables for professional services	100,000
Accounts payables to shareholder for pre-incorporation expenses	200,000
Tax payables	10,000
Registered capital	1,500,000
Retained earnings	<u>790,000</u>
	<u>2,600,000</u>

Professionals' Roles In Action

- Accounting & Treasury - Vistra Group
- Company Secretarial - Intertrust Group
- HR & Payroll - Tricor China
- Tax Reporting & Clearance - TMF Group