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PRESS RELEASE

China Strengthens the Control over Foreign Representative Offices

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On January 15, 2010 the State Administration for Industry and Commerce (“SAIC”) and the Ministry of Public Security jointly promulgated the Circular Regarding Strengthening the Administration for the Registration of Representative Offices of Foreign Enterprises (the “Circular”). According to the Circular, the authorities want to strengthen their management over foreign representative offices because a few of the offices have been found to amend their registration details without approval and conduct activities in violation of the regulations. Highlights of the measures are:

- During the procedures to establish or change the name of a representative office, the applicant must provide the offshore parent company’s certificate of incorporation and a bank reference letter, both of which must now be notarized and consularized.

Additionally, the certificate of incorporation must now show that the parent company has been in existence for at least two years.

- The Circular reiterates that a representative office’s registration certificate, which serves as proof of the office’s lawful establishment, can only have a one-year term. This term has not been strictly implemented. The local registration authorities have often issued registration certificates that are valid for more than one year. The Circular emphasizes that registration certificates issued with a term exceeding one year should be exchanged for a corrected version.

- Whereas there had been no restriction on the maximum number of representatives allowed in a representative office, the Circular now sets that number at four (including the chief representative). Because foreign employees of a representative office must be registered as “representatives” for the purpose of obtaining their work permit in China, this restriction effectively caps the number of foreign employees at four.

Edward Lehman, Managing director of Lehman, Lee and Xu said that it would be the trend that china strengthens the supervision on foreign investment. In the following few months, china will enact relevant measures to regulate foreign representative office. Since the annual inspection for foreign entities will coming, foreign entities will pay more attention to obey Chinese laws and regulations.

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Lehman, Lee & Xu is a prominent Chinese corporate law firm and trademark and patent agency with offices in Beijing, Shanghai, Shenzhen, Hong Kong, Macau, and Mongolia. The firm has been recognized as one of the top trademark firms in China by several intellectual property magazines and is managed by Mr. Edward Lehman, a leading expert on corporate law with 20 years of practice experience in Mainland China.

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