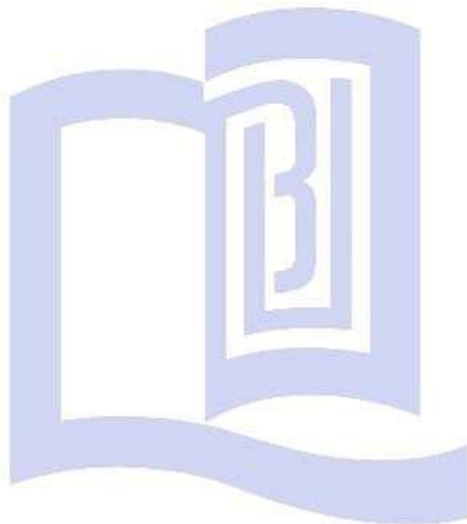


HONG KONG BAPTIST UNIVERSITY

Procedures for application to Set Up A New Subsidiary Company



**Finance Office
(Updated: 30 April 2024)**

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1. How to Set Up a Subsidiary Company for Business Venture?

Step 1: Prepare a Business Venture Proposal (“Proposal”)

The Proposal should contain the following information:

- a. Executive Summary
- b. Company Summary
- c. SWOT Analysis
- d. Strategy and Implementation Summary
- e. Capital Requirement
- f. 5-year Financial Plan

Step 2: Send the Proposal to the respective VP / Dean / Head of Department / Office for endorsement to ensure that there will be appropriate technical support from Faculty / School / Department / Office.

Step 3: Proposal endorsed by the reporting VP should be sent to the Finance Office for review. The staff involved may be requested to attend meeting and/or answer queries from FO. For set-up of subsidiary, please contact the following section of Finance Office for assistance:

- Hong Kong subsidiary : Accounting & Budgeting Section (ABS); or
- PRC subsidiary : Treasury & Payroll Section (TP).

Step 4: Proposals endorsed by the Finance Office will be submitted to the senior management (G6) for discussion and approval.

As a guidance, a sample business venture proposal template that can be found in **Appendix II**. You may further adapt or modify the template to suit your needs where necessary.

2. Standard Set Up Cost and Annual Maintenance Cost of a Subsidiary Company

I. One-Off Set Up Cost		HK\$
1	Professional Fee for Set-Up Company	15,000 – 30,000
2	Legal Fee (if any)	40,000 – 60,000
II. Annual Maintenance Cost		HK\$
1	Annual Audit Fee	10,000 – 50,000
2	Company Secretary Fee	5,000 – 10,000
3	Business Registration Fee (subject to Gov't fee)	2,500
4	Accounting and Business Consulting Service Fee (i.e. with reference to the fee charged by TPBD)	- 3,600 p.a. for the first three year 5% of the annual turnover, subject to a minimum of \$10,000 after 3 years
III. Initial Working Capital		HK\$
1	Working Capital Fund	\$100,000 (minimum)

3. Supports from the University

To assist colleagues in developing enterprising initiatives, the following services are available from the Finance Office:

- Advise and coordinate the process of seeking approval for a business enterprising initiative
- Provide administrative support for setting up the legal entity required
- Liaise with legal advisors, business consultants and service providers such as company secretarial duties and auditing
- To co-ordinate the approval process of the Finance Committee or the Council when financial assistance is required from the University
- Provide accounting and treasury services to the Company at a fee as per II.4 of the table above
- To provide secretarial support to the Board of Directors (“BOD”) Meeting.

The following services are NOT available from the Finance Office:

- (1) Clerical and Secretarial support to the Managing Director;
- (2) Suggestions/Decisions relating to running of Subsidiary Company;
- (3) Legal advices in all aspects;
- (4) Develop Marketing Strategy and Plans;
- (5) Soliciting new potential business partners/opportunities;
- (6) Ways to commercialize the products or services;
- (7) Involvement in negotiations with any parties.

4. Reporting Requirements

- 4.1 The subsidiary company if formed, should comply with the statutory filings as required by the Hong Kong laws and applicable legal provisions, such as the Mandatory Provident Fund Schemes Ordinance and the Inland Revenue Ordinance. For details of legal requirements, please visit the websites of MPF Schemes Authority at <http://www.mpfa.org.hk/> and Inland Revenue Department at <http://www.ird.gov.hk/>.
- 4.2 It is required to prepare quarterly management accounts and annual financial statements to the University for review.
- 4.3 It is required to prepare capital/operating budget and cashflow to the University by end of September of each year. The capital/operating budget and cashflow should be approved by the BOD.
- 4.4 It is required to prepare an annual report for past year performance and a forward-looking 5 year Business Plan to the FO for review by end of September of each financial year. Then annual report shall include the past year performances comparing to its budget and content of the Business Plan is proposed as below:

I Executive Summary

II Company Summary

- a. Description of your business
- b. Description of your current operation and strategies
- c. Description of your personnel
- d. Presentation of your Company's financial statements for the past 3 years

III Services/Products

- a. Description of the services/products that the Company offers
- b. Description of how the services/products are offered
- c. Plans for future services/products offerings

- IV SWOT Analysis
 - a. Strengths
 - b. Weaknesses
 - c. Opportunities
 - d. Threats
- V Strategy and Implementation Summary
 - a. Sales Forecast
 - b. Milestones
- VI Management Summary
 - a. Description of your management and personnel structure
- VII 5-Year Financial Plan
 - a. Projected income and loss statements and the assumptions used
 - b. Projected cash flow and assumptions used
 - c. Financial assistance required, if any.

HONG KONG BAPTIST UNIVERSITY

Stereotype Operation, Management & Control Framework

For

Subsidiary Companies

This is a sample of basis structure and not mandatory rule to follow. The board of director will have the responsibility to set-up its own structure to ensure a proper framework of control is in place for the subsidiary company.

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Chapter 1 : General

1. Capital Structure & Voting Rights

- 1.1 The number of shareholders of a subsidiary company of the University should have at least ONE shareholder; one of the shareholders must be the University or its Subsidiary Company.
- 1.2 All shareholders will have voting rights according to the capital structure on the terms of a shareholders' agreement.

2. Sharing of Profit

Profit sharing ratio not in line with capital structure must be documented by a Shareholders Agreement agreed and signed by all shareholders.

3. Structure of Directorship

- 3.1 The Board of Directors ("BOD") must have at least THREE directors in order to convene meetings.
- 3.2 At least one senior staff member from the University will be a member to the BOD depending on the capital structure.
- 3.3 If a staff member is the shareholder of the company, he/she will automatically become one of the Directors of the company. The Head of Department or his designate should also be one of the Directors.
- 3.4 The appointment of a Managing Director/Chief Executive Officer, preferably a staff shareholder or a staff member from participating department/office, will facilitate the day-to-day running of the company. The appointment should be approved by the BOD.
- 3.5 BOD meetings should be held when called upon by Directors, if necessary.

4. Working Capital

- 4.1 An initial working capital of at least \$100,000 (or an amount to be decided by the BOD) is required for all new companies to meet all necessary set-up and legal fees and minimum routine expenses in the first three years.
- 4.2 All shareholders must contribute their share of the working capital according to the profit sharing ratio in the form of advance/loan.
- 4.3 The amount of working capital will be kept at the bank account of the company.

5. **Registered Office**

The registered office of the company will be the official address of Hong Kong Baptist University.

6. **Company Secretary**

Wooco Secretarial Services Limited or similar professional firm will usually be appointed as the company secretary for all subsidiary companies of the University.

7. **Financial Year End**

All subsidiary companies must have the same year-end date as the University, which is 30th June of each calendar year (except for the subsidiary companies domiciled in the People's Republic of China).

8. **Board Resolution**

According to the Memorandum and Articles of Association, written resolution can be passed by circulation.

Chapter 2 : Responsibility and Authority of the Managing Director (“MD”) / Chief Executive Officer (“CEO”)

1. Appointment :

To be appointed by the BOD as it deemed fit and no director fee will be paid.

2. Responsibilities :

- 2.1 Monitor the day-to-day running of the company;
- 2.2 Make business proposal to the BOD for approval;
- 2.3 Monitor the execution of policy and business strategy approved by the BOD;
- 2.4 Prepare the annual operating and capital budgets and cashflow forecasts to the BOD for approval prior to the beginning of each financial year; and
- 2.5 Annual Report of past year operation and a 5-Year Business Plan should be submitted to the FO by end of September of each financial year for review.

3. Authority:

Employment/Dismissal of Staff:

- a) Ensure that there is adequate funding before a post is offered. All hiring should be supported by business proposal developed according to the need and the projected activity of the company. The selection/engagement of staff should involve at least another director.
- b) For salary of a post \leq HK\$100,000 p.a.:
 - i) the selection of staff must be involved by either the MD/CEO or a Director and the engagement must be approved by the MD/CEO;
 - ii) must be supported by business proposal; and
 - iii) must be reported to the BOD.
- c) For salary of a post $>$ HK\$100,000 p.a.:
 - i) the selection of staff must be involved the MD/CEO and at least one Director and the engagement must be approved by the MD/CEO;
 - ii) must be supported by business proposal with description of the justification together with a detailed job description; and
 - iii) must be approved by the MD/CEO and a Director.
- d) The Company has to ensure the proper compliance with the statutory requirements of the Mandatory Provident Fund Schemes Ordinance and the Inland Revenue Ordinance.

- e) All employment and dismissal of staff should be handled by the administrative staff of the Company. The Company may seek the assistance from the Human Resources Office provided additional fee is agreed and paid.

Chapter 3 : Expenditure

1. Approval of expenditure

- a) Value \leq HK\$50,000
 - 2 quotations from contractors/suppliers; and
 - Approval by the MD/CEO.
 - b) Value $>$ HK\$50,000
 - 3 quotations from contractors/suppliers to ensure competitiveness of pricing; and
 - Approval by any 2 Directors. (if any)
2. The MD/CEO of the Company should ensure the above tendering procedures are adhered for all purchases. If there is any uncertainty in the application of the procedure, please check with BDU of the Finance Office.
 3. All tendering and purchases of the Company will be handled by the administrative staff of the Company itself. The assistance from the Finance Office of the University may be sought provided an additional fee is paid.
 4. Capital spending should be in accordance with annual Capital Budget approved by BOD prior to the beginning of each financial year.
 5. The MD/CEO or his delegates should prepare a proposal indicating cleared and detailed description of the capital expenditure, estimated cost and payment schedule.
 6. All Capital Expenditure should be tendered. Quotation from no less than 2 contractors/suppliers should be obtained to ensure competitiveness of pricing.
 7. Once the contractor/supplier is selected, a purchase order should be issued to supplier. A copy of the purchase order together with supporting documents should be passed to the party responsible for keeping the accounting records of the company (e.g. Finance Office) for records and preparation of future payment.
 8. Subsequent changes to the authority and approval limit will have to be approved by the BOD.

Chapter 4 : Sales

1. Approval of Sales Contract

- (a) Value \leq HK\$50,000
 - approval by MD/CEO
- (b) Value $>$ HK\$50,000
 - approval by BOD

2. MD/CEO is authorized to sign all sales contracts on behalf of the company based on the condition as listed in section 1(a) above. A copy of each contract should be sent to the party responsible for keeping the accounting records of the company (e.g. the Finance Office) for records.

3. Customers are required to pay within 30 days after the sale is completed and the payment term should be clearly indicated on the invoice. The MD/CEO or his designate is responsible to follow-up outstanding payment from customers.

4. Each sale transaction must be recorded on a pre-numbered invoice and properly signed by the MD/CEO or his designate. The invoice should be printed in triplicate as below:

Original	:	send to customer
2 nd copy	:	kept by the company in its master file
3 rd copy	:	kept by the party responsible for keeping the accounting records of the company.

No Receipt will be issued for the invoice is being settled unless requested by customer.

5. Subsequent changes to the approval limit and payment terms will have to be approved by the BOD.

Chapter 5 : Cash Management

1. Bank Account

- 1.1 At least one Savings and one Current bank account should be opened in the name of the company with the University's current bankers. The bank passbook or statement should be kept by the party responsible for keeping the accounting records of the company (e.g. the Finance Office).
- 1.2 Fixed Deposit accounts in the name of the company could be opened whenever necessary.
- 1.3 Cash receipt is not allowed. Such term should be explicitly indicated clearly on sales contract. Only crossed cheque payable to the company is accepted.
- 1.4 All cheques received must be properly banked in on the following business day. Copy of the pay-in-slips must be passed to the party responsible for keeping the accounting records of the company (e.g. Finance Office) for records.
- 1.5 The party responsible for keeping the accounting records of the company (e.g. Finance Office) will prepare a bank reconciliation statement on a monthly basis.
- 1.6 The MD/CEO is authorized to issue a receipt to the payee and copy of the receipt must be passed to the party responsible for keeping the accounting records of the company (e.g. the Finance Office). At the end of the month, the receipt book should be passed to the party responsible for keeping the accounting records of the company (e.g. the Finance Office) for reconciliation purpose.
- 1.7 All surplus cash balance in the bank account, unless otherwise advised by the company, will be kept at saving account/fixed deposit accounts only.

2. Cheque Payment

- 2.1 All payments must be made by cheques except for values under \$800 which will be covered by Petty cash.
- 2.2 Cheques should only be prepared after the invoices or related documents are approved for payment.

- 2.3 Cheque book(s) would be kept by the MD/CEO or his delegate and the signatory limits were as below:

	Authorization	Limits
a.	One authorized signor	\leq HK\$50,000 per transaction
b.	Two authorized signors	$>$ HK\$50,000 per transaction

- 2.4 The designated accounting staff will prepare all cheque payments and have them appropriately signed by signers. After signing the cheque, all supporting documents together with the cheque should be kept properly by the company and send to the party responsible for keeping the accounting records of the company (e.g. Finance Office) for review.
- 2.5 The designated staff will be responsible to dispatch the cheques.
- 2.6 It is the responsibility of the MD/CEO or Finance Office (if handles the accounts) to ensure that there is sufficient funding in the bank account before issuance of cheque.
- 2.7 Assignment of the cash management and cheque payment functions and subsequent changes to the signatory limit will have to be approved by the BOD.

3. **Petty Cash**

- 3.1 Petty Cash payment is limited to small sundry expenses with each purchase for value under HK\$800.
- 3.2 An imprest system should be adopted.

A cash float, at an amount to be determined by the MD/CEO but no more than \$5,000, is to be kept by the MD/CEO or his designate. Each payment must have a petty cash voucher properly approved and signed by the MD/CEO and supported by original invoices. When the float gets low, the petty cash vouchers must be prepared for reimbursement to the original amount.

Chapter 6 : Maintenance of Accounting and Business Records

1. Accounting Record

Proper books of account should be kept either by a professional accounting firm or Finance Office (upon payment of service fee).

2. Operation of Bank Account

Finance Office or the assigned professional accounting firm will handle all bank transactions including the opening and closure of bank accounts, bank reconciliation statements.

3. Reporting

3.1 A quarterly management reports has to be prepared and issued to the MD/CEO within 30 day following the month/quarter end.

3.2 An annual report has to be prepared and issued to the MD/CEO by the end of September each financial year.

3.3 The company has to liaise with auditors for all audit queries.

4. Annual Filings

It is the responsibility of the MD/CEO to ensure that the company is in compliance with the Hong Kong laws such as the Mandatory Provident Fund Schemes Ordinance, the Hong Kong Inland Revenue Ordinance and Companies Ordinance

5. Fees for Services Provided

5.1 The service fee would be charged in accordance with the time required to service the company or a basis to be agreed upon between the Finance Office and the company.

5.2 The service fee would vary from company to company depending on the size and the volume of transactions.

5.3 Based on SECO's decision on 21 November 2002, each active subsidiary company using the services of the Finance Office shall pay according to the following table on services provided by the Finance Office as detailed in Para 3 of Page 3:

Within the first 3 year after incorporation	\$3,600 per annum
After the first 3 year	5% of the annual turnover, subject to a minimum of \$10,000

Sample
Business Venture Proposal

XYZ COMPANY LIMITED

Prepared by	Name:
	Signature:
	Date:
Department/Office	
Tel contact number	

Approved by (Signature)	Head of Department	Vice President/Dean
Date		

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 - 6.2 Projected Cash Flow Statement with assumptions used
 - 6.3 Financial Assistance required and sources of financial support

1. Executive Summary (*less than 2 pages*)

1.1 Your Mission Statement

- ---

- ---

- ---

1.2 Company Information

- ---

- ---

- ---

1.3 Keys to Success – your products/services; summarized future plans; management team

1.4 Summary Financial Information

Turnover

Less: Cost of Goods Sold

Gross Sales

Less: Expenditures

2. Company Summary

2.1 Description of your business

2.2 Description of your development strategies for the services/products to be sold

2.3 Marketability of the services/products to be provided/sold e.g. market research, survey conducted

2.4 Expected Management and Shareholding Structure

2.5 Expected Personnel Structure

3. SWOT Analysis

3.1 Strengths

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4. Strategy and Implementation Summary

4.1 Sales Forecast

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5. **Capital Requirement**

5.1 First 5 years capital requirement

5.2 Funding source for the initial start-up cost of the Company

6. 5-Year Financial Plan

6.1 Projected Profit and Loss Statements with assumptions used, including estimated income, expenditures and gross profit analysis

Projected Profit and Loss Statements From Year 1 to Year 5

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
	HK\$	HK\$	HK\$	HK\$	HK\$
Sales					
Cost of Goods Sold					
Gross Profit					
Less: Expenses					
Admin Fees				5%	5%
Audit Fees					
Business Registration Fees					
Legal & Professional Fee					
Sundry Expenses					
Finance Charges					
Loan Interest					
Total Expenses					
Net Income/(Loss) for the year					
Accumulated Income/(Loss) B/F					
Accumulated Income/(Loss) C/F					

Assumption to be put on major Profit & Loss items:

- 1. Assumption A (e.g. Sales.....)*
- 2. Assumption B (e.g. Cost of Goods Sold.....)*
- 3. Assumption C (e.g. Expenditures.....)*

6.2 Projected Cash Flow Statement with assumptions used

Projected Cash Flow Statements From Year 1 to Year 5

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
	HK\$	HK\$	HK\$	HK\$	HK\$
Cash Inflow					
Capital Injection					
Sales Income					
Total Cash Inflow					
Cash Outflow					
Admin Fees	3,600	3,600	3,600	5%	5%
Audit Fees					
Business Registration Fees					
Legal & Professional Fee					
Sundry Expenses					
Finance Charges					
Loan Interest					
Total Cash Outflow					
Net Cash inflow/(Outflow) for the year					
Cash & Cash equivalent b/f					
Cash & Cash equivalent c/f					

Assumptions:

1. Assumption A
2. Assumption B
3. Assumption C

6.3 Financial Assistance required and sources of financial support

~ END ~