

Law of the People's Republic of China on Foreign Capital Enterprises

(Approved by the Fourth Session of the Sixth National People's Congress on April 12, 1986, revised in accordance with the Decision to Revise the Foreign Capital Enterprises Law of the People's Republic of China made at the 18th meeting of the Standing Committee of the Ninth National People's Congress on October 31, 2000, promulgated by Order No.41 of the President of the People's Republic of China to go into effect on the day it is promulgated)

Article 1 In order to expand economic cooperation and technical exchanges with foreign countries and promote the development of China's national economy, the People's Republic of China permits foreign enterprises, other economic organizations and individuals (hereinafter referred as foreign investors) to establish foreign capital enterprises in the territory of the People's Republic of China and protects the lawful rights and interests of foreign capital enterprises.

Article 2 The foreign capital enterprises mentioned in this Law refers to enterprises established in the territory of China with all their capital exclusively invested by foreign investors in accordance with relevant Chinese laws, not including branches of foreign enterprises and other economic organizations which are located in the territory of China.

Article 3 The establishment of foreign capital enterprises must be conducive to the development of the national economy of China. China encourages the establishment of foreign capital enterprises which produce to export trade or which are equipped with advanced technology.

The industries in which the establishment of foreign capital enterprises is forbidden or restricted are to be stipulated by the State Council.

Article 4 The investment in China, the benefits obtained and other lawful rights and interests of foreign investors are protected by Chinese laws.

Foreign capital enterprises must obey the laws and regulations of China, and shall not harm the social and public interests of China.

Article 5 The state shall not implement nationalization or requisition of foreign capital enterprises. Under special circumstances, when public interest requires, enterprises with

foreign capital may be requisitioned by legal procedures and appropriate compensation shall be made.

Article 6 The application for establishing a foreign capital enterprise shall be approved by the department under the State Council in charge of foreign economic relations and trade, or by other agencies authorized by the State Council. The examination and approval organ shall make a decision to approve or reject the application within 90 days after receiving it.

Article 7 After the application for establishing a foreign capital enterprise is approved, the foreign investor(s) shall apply for registration and receive the business license with the industrial and commercial administrative organ within 30 days after receiving the approval certificate. The date on which the business license is issued is the date the enterprise is established.

Article 8 Foreign capital enterprises which accord with the regulations of Chinese laws on the qualification of legal persons shall acquire the status of Chinese legal persons.

Article 9 Foreign capital enterprises shall invest in Chinese territory within the time limit set by the examination and approval organs; the industrial and commercial administrative organs have the right to revoke the business license if no investment is made within the time limit.

The industrial and commercial administration management organs will check and supervise the investment data of foreign capital enterprises.

Article 10 The liquidation or merger of foreign capital enterprises and other important changes shall be reported to the examination and approval organs for approval beforehand, and the enterprises shall register any such changes with the industrial and commercial administrative organs.

Article 11 Foreign enterprises may carry out their business management activities in accordance with the approved articles of association without any interference.

Article 12 When employing Chinese workers and staff, foreign capital enterprises shall sign contracts with them and specify the conditions of employment, dismissal, remuneration, welfare, labor protection, labor insurance and other issues in accordance

with law.

Article 13 Employees of foreign capital enterprises may set up trade union organizations, carry out union activities and protect their lawful rights and interests in accordance with law.

The foreign capital enterprises shall provide necessary conditions for the activities of trade unions in the enterprises.

Article 14 Foreign capital enterprises must set up account books in China, conduct independent accounting, submit financial reports and statements in accordance with regulations and accept the supervision of financial and taxation authorities.

If a foreign capital enterprise fails to set up an account book in China, financial and taxation authorities have the right to impose a fine, and the industrial and commercial administrative organs may order it to cease operation or even revoke its business license.

Article 15 A foreign capital enterprise may purchase the necessary raw materials, fuels and other materials within the approved business range in the domestic or international markets, in accordance with the principles of being fair and reasonable.

Article 16 The various kinds of insurance coverage of foreign capital enterprises shall be furnished by insurance organs in China.

Article 17 Foreign capital enterprises must pay taxes and enjoy preferential treatment such as tax reduction or exemption in accordance with relevant regulations.

If a foreign capital enterprise invests its after-tax profits in China, it may apply, according to state regulations, for an income tax refund of a part of the income tax already paid on the reinvestment amount.

Article 18 Foreign exchange transactions of foreign capital enterprises shall be governed by state regulations on foreign exchange control.

Foreign capital enterprises shall open accounts with the Bank of China or other banks designated by the State Administration of Foreign Exchange.

Article 19 The foreign investor may remit abroad profits that are lawfully earned and

other lawful earnings and any fund remaining after the enterprise is liquidated.

The salary and other lawful income of foreign employees of foreign capital enterprises may be remitted abroad after income tax is paid, according to law.

Article 20 The business operation time limit of a foreign capital enterprise shall be applied by the foreign investor and approved by the examination and approval organ. If an extension is needed when the time limit expires, the investor may apply to the examination and approval organs for the extension 180 days before the expiration of the time limit. The examination and approval organs shall make a decision to approve or reject the application within 30 days after receiving it.

Article 21 When terminating its operation, a foreign capital enterprise shall promptly issue a public notice and proceed with liquidation, in accordance with relevant legal procedures.

Before the liquidation is finished, foreign investor may not dispose of the enterprise's assets, except for the purpose of carrying out the liquidation.

Article 22 When a foreign capital enterprise is to be terminated, the enterprise shall nullify its registration with the relevant industrial and commercial administrative organ and surrender the business license.

Article 23 The department of economic relations and trade of the State Council shall draw up the rules for the implementation of this Law, which shall come into effect after being approved by the State Council.

Article 24 This Law shall go into effect on the day it is promulgated.