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## **Law of the People's Republic of China on Wholly Foreign-Owned Enterprises (Amended in 2000)**

The law was adopted at the Fourth Session of the Sixth National People's Congress on April 12, 1986, and revised in accordance with the "Decision on Modifying the Law of the People's Republic of China on Foreign Capital Enterprises" at the 18th Session of the Standing Committee of the Ninth National People's Congress on Oct. 31, 2000.

### **Article 1**

To expand economic cooperation and technical exchange with foreign countries and promote the development of China's national economy, the People's Republic of China permits foreign enterprises, other foreign economic organizations and individuals (hereinafter collectively referred to as "foreign investors") to set up enterprises with foreign capital in China and protects the legitimate rights and interests of such enterprises.

### **Article 2**

"Foreign capital enterprises" in this law refers to those enterprises established in China by foreign investors exclusively with their own capital in accordance with relevant Chinese laws. Branches set up in China by foreign enterprises and other foreign economic organizations are not included.

### **Article 3**

Foreign capital enterprises shall be established to help the development of China's national economy. Export-oriented and technologically advanced foreign capital enterprises will be encouraged.

The State Council will make provisions regarding the types of business that foreign capital enterprises are forbidden or restricted from engaging in.

### **Article 4**

The investments of a foreign investor in China, the profits it earns and its other lawful rights and interests are protected by Chinese law.

Foreign capital enterprises must abide by Chinese laws and regulations and shall not engage in any activities detrimental to China's public interest.

### **Article 5**

The state shall not nationalize or requisition any foreign capital enterprise. Under special

circumstances required by public interest, foreign capital enterprises may be requisitioned by legal procedures, but appropriate compensation shall be made.

#### **Article 6**

The application to establish a foreign capital enterprise shall be submitted for examination and approval to the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) or to another agency authorized by the State Council. The authorities in charge of examination and approval shall, within 90 days from the date they receive such application, decide whether to grant approval.

#### **Article 7**

After an application for the establishment of a foreign capital enterprise has been approved, the foreign investor shall, within 30 days from the date of receiving a certificate of approval, apply to the industry and commerce administration authorities for registration and to obtain a business license. The date of issue of the business license shall be the date of the establishment of the enterprise.

#### **Article 8**

A foreign capital enterprise that meets the requirements for being a legal corporation under Chinese law shall acquire the status of a legal Chinese corporation.

#### **Article 9**

A foreign capital enterprise shall make investments in China within the period approved by the authorities in charge of examination and approval. If it fails to do so, the State Administration for Industry and Commerce (SAIC) may cancel its business license.

The SAIC shall inspect and supervise the investment situation of a foreign capital enterprise.

#### **Article 10**

In the event of separation, merger or other major changes, a foreign capital enterprise shall report to and seek approval from the authorities in charge of examination and approval, and register the change with the SAIC authorities.

#### **Article 11**

Foreign capital enterprises shall conduct their operations and management in accordance with the approved articles, and shall be free from any interference.

#### **Article 12**

When employing Chinese workers and staff, a foreign capital enterprise shall sign contracts with them according to the law, which shall clearly prescribe matters concerning employment, dismissal, remuneration, welfare benefits, labor protection and labor insurance.

#### **Article 13**

Workers and staff of foreign capital enterprises may organize trade unions in accordance with the law to conduct trade union activities and protect the lawful rights and interests of

workers and staff.

Foreign capital enterprises shall provide necessary conditions for the activities of the trade unions in their respective enterprises.

#### **Article 14**

A foreign capital enterprise must set up account books in China, conduct independent accounting, submit the accounting statements as required, and accept supervision by the financial and tax authorities.

If a foreign capital enterprise refuses to maintain account books in China, the financial and tax authorities may impose a fine on it, and SAIC authorities may order it to suspend operations or revoke its business license.

#### **Article 15**

Foreign capital enterprises may purchase raw materials, fuels and other materials needed for their approved business based on the principles of fairness and reasonableness. These may be purchased in China or from the world market.

#### **Article 16**

Foreign capital enterprises shall apply to insurance companies in China for insurance coverage as needed.

#### **Article 17**

Foreign capital enterprises shall pay taxes in accordance with relevant state provisions and may enjoy preferential treatment for tax reduction or exemption.

An enterprise that reinvests its profits in China after paying the income tax may, in accordance with relevant state provisions, apply for partial refund of the income tax already paid on the reinvested amount.

#### **Article 18**

Foreign capital enterprises shall handle their foreign exchange transactions in accordance with the state provisions for foreign exchange control.

Foreign capital enterprises shall open an account with the Bank of China or with a bank designated by the state agency exercising foreign exchange control.

#### **Article 19**

The foreign investor may remit abroad any profits that are lawfully earned from a foreign capital enterprise, as well as other lawful earnings and any funds remaining after the enterprise is liquidated.

Foreign employees in a foreign capital enterprise may remit abroad their salaries and other legitimate income after payment of individual income tax in accordance with the law.

#### **Article 20**

With respect to the period of operation of a foreign capital enterprise, the foreign investor shall report to and secure approval from the authorities in charge of examination and approval.

For an extension of the period of operation, an application shall be submitted to the said authorities 180 days before the expiration of the period. The authorities in charge of examination and approval shall, within 30 days from the date such application is received, decide whether or not to grant the extension.

#### **Article 21**

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

Before the completion of liquidation, a foreign investor shall not dispose of the property of the enterprise, except for the purpose of liquidation.

#### **Article 22**

At the termination, the foreign capital enterprise shall nullify its registration with the SAIC and hand in its business license for cancellation.

#### **Article 23**

MOFTEC shall, in accordance with this law, formulate detailed rules for its implementation, which shall go into effect after being submitted to and approved by the State Council.

#### **Article 24**

This law shall go into effect as of the date of promulgation.