

Other Abstracted Policies in English

September 30, 2010

ISS International Pty Ltd

Sydney, Australia

Content

Shanghai..... 4

- SH05 This is a notice of..... 4
- SH06 Notice about the shut down the preferential policies on the Income Tax for Foreign Investment..... 4
- SH07 Notice about Cancel and revised some process of administrative examination and approval..... 5
- SH08 Notice about the free VAT on the importing equipment which the project investment is loan from Foreign government or international finance organization. ...6

Jiangsu 8

- JS01 Preferential Tax Policy Guidance For Enterprises with Foreign Investment and Foreign Enterprises 8

Suzhou..... 34

- SZ02 National encouraged industry list for foreign investment. 34
- SZ03 Provisions on Guiding the Orientation of Foreign Investment 34
- SZ05 The Preferential Policies for Foreign Investment in Suzhou Industrial Park.... 39
- SZ06 The encourage and important List for foreign investment in Suzhou. 42

Changshu 43

- CS01 Preferential Policies..... 43

Zhejiang 45

- ZJ02 Provisions of the State Council concerning the encouragement of investments by compatriots from Taiwan 45
- ZJ04 Provisions of the State Council concerning the encouragement of Investments by overseas Chinese and Compatriots from HongKong and Macao..... 51
- ZJ05 Using Foreign Investment to Reorganize State-owned Enterprises Tentative Provisions 56
- ZJ06 Interim Provisions on the Takeover of Domestic Enterprises by Foreign Inverstors 66

Ningbo 85

- NB04 Preferential Policy on foreign investment in Ningbo Science & Technology Zone..... 85
- NB08 Preferential Policy on foreign investment in Ningbo Science & Technology Zone..... 90
- NB09 Preferential Policy on foreign investment in Ningbo Economic & Technology Development Zone. 91
- NB11 Preferential Policy in Ningbo Export & Processing Zones 92
- NB13 Tax Decrate on Declaring Technology Contract by Foreign Invest Company. 93

One Additional Policy of Ningbo.....94
Another additional explain on the Preferential Policies of Ningbo97

Shanghai

SH05 This is a notice of the treatment of tax treaty to JFC

This document announce that "Japan Finance Corporation" can acquire the duty free policy.

SH05 关于转发《国家税务总局关于日本政策金融公库享受协定待遇的通知》的通知
 信息来源：上海市财政局 发布时间：2010-03-19 09:45:46
 各省、自治区、直辖市和计划单列市国家税务局、地方税务局：
 “日本金融公司”（Japan Finance Corporation,简称 JFC）可以享受中日税收协定第三条第三款规定的免税待遇。
 国家税务总局
 二〇一〇年三月二十日

SH06 Notice about the shut down the preferential policies on the Income Tax for Foreign Investment.

This document is for the unqualified investments which violate the preferential policies such like invest period, products export etc. They will be drawing back their allowance , preferential tax and related preference.

SH06 关于转发《国家税务总局关于政府关停外商投资企业所得税优惠政策处理问题的批复》的通知
 信息来源：上海市财政局 发布时间：2010-03-15 09:32:11
 江苏省国家税务局：
 你局《关于政府关停外商投资企业所得税优惠政策处理问题的请示》（苏国税发[2009]88号）收悉。关于外商投资企业因国家发展规划调整（包括城市建设规划等）被实施关停并清算，导致其不符合原《中华人民共和国外商投资企业和外国企业所得税法》及过渡性政策规定条件税收优惠处理问题，经研究，批复如下：
 一、根据原《中华人民共和国外商投资企业和外国企业所得税法实施细则》第七十九条的规定，应当补缴或缴回按该条规定已享受的企业所得税优惠税款。
 二、外商投资企业和外国企业依照原《财政部国家税务总局关于外商投资企业和外国企

业购买国产设备投资抵免企业所得税有关问题的通知》(财税字[2000]049号)有关规定将已经享受投资抵免的2007年12月31日前购买的国产设备,在购置之日起五年内出租、转让,不论出租、转让行为发生在2008年1月1日之前或之后的,均应在出租、转让时补缴就该购买设备已抵免的企业所得税税款。

三、依照《中华人民共和国外商投资企业和外国企业所得税法》第十条的规定,将从企业取得的利润于2007年12月31日前直接再投资于该企业,增加注册资本,或者作为资本投资开办其他外商投资企业,如经营期不少于五年并经税务机关批准已退还其再投资部分已缴所得税的40%税款,再投资不满五年撤出的,应当缴回已退的税款。

国家税务总局

二〇〇八年三月十二日

SH07 Notice about Cancel and revised some process of administrative examination and approval

This document is for cancel the process of some government administration flow and procedures. It aims to progress the performance and efficient of the government work.

SH07 关于摘转《上海市人民政府关于公布本市第四批取消和调整行政审批事项的通知》中有关税务方面行政审批项目的通知

信息来源: 上海市财政局 发布时间: 2010-01-20 09:24:08

附件 1:

上海市人民政府第四批决定取消的税务方面

行政审批项目目录

- (一)对耕地占用税纳税人申请困难性减免税审批
- (二)拆本使用发票的许可
- (三)使用计算机开票的许可
- (四)携带、运输空白发票的许可
- (五)发票领购资格的许可
- (六)建立收支凭证粘贴簿、进货销货登记簿或者使用税控装置的许可
- (七)纳税人缴纳车船使用税确有困难的减免审批
- (八)外国企业改变纳税年度的审批
- (九)外商投资企业和外国企业购买国产设备投资抵免企业所得税审批
- (十)企业技术改造国产设备投资抵免企业所得税核准
- (十一)申领《发票购用印制簿》
- (十二)外国投资者再投资退税审批
- (十三)外商投资企业分阶段投资或追加投资享受税收优惠的审批
- (十四)中外合资、合作经营企业可行性研究费用列入开办费核准
- (十五)外商投资企业在优惠期内因不可抗力提前解散免于补税审批
- (十六)外商投资企业特定项目企业所得税减低税率的审批
- (十七)从事农林牧业的外商投资企业延长减征企业所得税期限的初审
- (十八)从事能源交通项目的外商投资企业减低税率缴纳企业所得税(初审)

- (十九)对外商投资企业固定资产缩短折旧年限的审批(初审)
 (二十)对外国企业汇总申报企业所得税的审批
 (二十一)企业集中提取技术开发费审批
 (二十二)企业跨地域改组、分立、合并整体资产置换的税收待遇的确认
 (二十三)纳税人按规定支付给总机构的与生产、经营有关的管理费税前扣除审批
 (二十四)对金融企业呆账损失税前扣除的审核确认
 (二十五)外商投资企业特许使用费预提所得税减免的审批(初审)
 (二十六)外方以优惠利率贷款给我方取得利息免征预提所得税的审批
 (二十七)国家银行和金融机构在境外发行债券所得利息符合优惠标准免征所得税的审批(初审)

附件 2:

上海市人民政府第四批决定调整的税务方面

行政审批项目目录

(一) 办理税务登记(开业、变更和注销、换证、停业和复业、外出经营报验)的核准(审批期限30日, 开业和变更缩短为7个工作日)

SH08 Notice about the free VAT on the importing equipment which the project investment is loan from Foreign government or international finance organization.

This document is for the free VAT on the import machinery, not only to the funds from investors themselves but also to the loan by foreign finance organizations.

SH08 关于转发《财政部 海关总署 国家税务总局关于外国政府贷款和国际金融组织贷款项目进口设备增值税政策的通知》的通知

信息来源: 上海市财政局 发布时间: 2010-01-08 09:25:12

财政部、国家税务总局、海关总署关于外国政府贷款和国际金融组织贷款项目进口设备增值税政策的通知

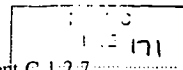
财关税[2009]63号

各省、自治区、直辖市、计划单列市财政厅(局)、国家税务局, 新疆生产建设兵团财务局, 海关总署广东分署、各直属海关:

经国务院批准, 自2009年1月1日起, 对按有关规定其增值税进项税额无法抵扣的外国政府和国际金融组织贷款项目进口的自用设备, 继续按《国务院关于调整进口设备税收政策的通知》(国发[1997]37号)中的相关规定执行, 即除《外商投资项目不予免税的进口商品目录》所列商品外, 免征进口环节增值税。

按如下方式办理手续:

- 对于附件 1 所列贷款项目单位可以按相关规定到海关直接办理免征进口环节增值



税的手续。

二、对于附件 1 所列的贷款项目单位以外的其他外国政府贷款和国际金融组织贷款项目单位，首先需经主管国家税务局审核后报地(市)级国税主管机关认定其购置设备缴纳的增值税进项税额因不属于增值税一般纳税人或该项目项下进口设备完全用于增值税免税业务等因素而无法抵扣，并为其出具税务确认书(税务确认书格式见附件 2)后，方可按相关规定到海关办理进口设备免征进口环节增值税的手续。

三、2009 年 1 月 1 日以后进口的外国政府和国际金融组织贷款项目项下设备，符合本通知上述免税条件和相关要求的，在补办海关免税审批手续后，已征收的进口环节增值税准予退还。但对于按照重大技术装备专项进口税收政策有关进口整机征收关税和进口环节增值税的规定，外国政府和国际金融组织贷款项目项下进口属于专项政策规定征税范围内的设备不能享受本通知免征进口环节增值税的待遇，已征收的进口环节增值税不予退还。

Jiangsu

JS01 Preferential Tax Policy Guidance For Enterprises with Foreign Investment and Foreign Enterprises

www.jsjgs.gov.cn 2004年09月21日 11:34:03

Preferential Tax Policy Guidance For Enterprises with Foreign Investment and Foreign Enterprises

Preferential Turnover Tax Policy

Items shall be exempt from VAT

Preferential tax policies for agricultural means of production

Preferential VAT policies for part of the products made through multiple utilization of resources

Preferential consumption tax policies for scented soap and vehicle tire

Preferential Tax Policies of EFIs and FEs Income Tax

Taxation at reduced rates

Taxation on enterprise income at 15%

Taxation on enterprise income at 24%

Fixed term tax reductions and exemptions

Two year's exemptions adjoining three year's 50% reduction

Other fixed term tax reductions and exemptions

Tax refund on reinvestment

Comprehensive regional tax incentives

Other tax incentives

Withholding tax

Profit (Dividend)

Interest

Royalty

Rentals

Benefits Received from Transfer of Property

Preferential Turnover Tax Policy

1. Items shall be exempt from VAT:

1. Self-produced agricultural products sold by agricultural producers;
2. Contraceptive medicines and devices;
3. Antique books;
4. Instruments and equipment imported which is directly used in scientific research, experiment and education,
5. Materials and equipment imported from foreign government and international

organizations as assistance free of charge;

6. Equipment and machinery required to be imported under contract processing, contract assembly and compensation trade,

7. Articles imported directly by organizations for the disabled for special use by the disabled;

8. Sale of goods which have been used by the sellers.

II. Preferential tax policies for agricultural means of production:

1. Following goods are exempted from VAT:

i. Forage, including large amount unitary forage, mixed forage, compound feed, concentrated forage,

ii. Agricultural films;

iii. Certain kind of chemical fertilizer;

iv. Agricultural pesticides within designated scope produced and sold by pesticide factories,

v. Seeds, seedling, chemical fertilizer, pesticide and agriculture machinery marketed by whole sales and retail.

III. Preferential VAT policies for part of the products made through multiple utilization of resources:

1. The construction building materials, which combined with content of 30% coal gangue, stone coal, powdered coal and furnace slag (not including blast furnace wet slag), should be exempted from VAT.

2. The gold extracted from liquid waste and offscum should be exempted from VAT.

IV. Preferential consumption tax policies for low pollution emission vehicles:

Beginning from Jan. 1st 2000, cars, cross-country vehicles and mini-buses with low pollution emission will be granted with 30% reduction of the consumption tax.

V. Preferential consumption tax policies for scented soap and vehicle tire:

1. Beginning from Jan. 1st, 2001, scented soap listed in the taxation item of "Skin & Hair Care Product" would be exempted from consumption tax.

2. Beginning from Jan. 1st, 2001, "radial tire" listed in the vehicle tire taxation item will be exempted from consumption tax. The renovated tire will be free from consumption tax. The consumption tax on the rest of the tires will be levied at 10%.

Part II Preferential Tax Policies of EFIs and FE Income Tax

I. Taxation at reduced rates

1. Taxation on enterprise income at 15%

A 15% Enterprise Income Tax rate shall apply to those EFIs located in Special Economic Zones, Foreign Enterprises (hereinafter referred to as FE) with establishments or fixed places in Special Economic Zones engaged in production and business operation, as well as those EFI of production nature which have establishments in Economic and Technological Development Zones.

The Enterprise Income Tax on EFI in Coastal Economic Open Zones, in old urban districts of cities where the Special Economic Zones or the Economic and Technological

Development Zones are located, or other places specified by the State Council, may be imposed at the reduced rate of 15%, provided that the operation activities of those enterprises are centered on power and energy, transportation and communication, harbor and port, dock and wharf, and other projects inspired by the State Council. The specific rules shall be stipulated by the State Council.

(Section 1, 3 of Article 7, the Tax Law)

The application of 15% reduced Enterprise Income Tax rate mentioned in paragraph 1 of article 7, Tax Law, is limited to incomes procured by enterprises from production and business operation in the respective areas specified in paragraph 1, article 7.

(Section 1 of Article 71, the Detailed Rules)

The Special Economic Zones mentioned in paragraph 1, article 7, refers to those special areas sanctioned by the State Council including Shenzhen, Zhuhai, Shantou, Xiamen, Hainan Island; the Economic Technological Development Zones refers to areas set up in coastal port cities which are under the approval of the State Council.

(Article 69, the Detailed Rules)

The enterprises that may enjoy 15% of the reduced income tax rate, as stipulated in paragraph 3, article 7 of the Income Tax Law, are mainly listed below:

1. EFIs of production nature which have establishments in the old urban districts of the cities where the Coastal Economic Open Zones, Special Economic Zones, the Economic Technological Development Zones are located, and which are engaged in the following projects:

- a. Technology intensive or knowledge intensive projects;
 - b. Projects with foreign investment of \$30 million or more, and with a long period of recovery of investment;
 - c. Projects engaged in energy, transportation and communication, port constructions
2. Foreign-Chinese Equity Joint Ventures engaged in the construction of ports and docks;
3. Foreign banks, Foreign-Chinese Joint Invested Banks and other financial institutions located in Special Economic Zones or other places approved by the State Council, with the capital provided by foreign investors or operation funds acquired from the headquarters of foreign banks totaling no less than \$10 million; and at the same time with an operation period of ten years or more;
4. EFIs of production nature set up in Pudong New Area, Shanghai; and any EFI engaged in energy exploitation and transportation construction projects such as airports, ports, railways, highways, and electricity power stations;
5. The accredited high technological EFIs set up in New and High-Technology Industrial Development Zones identified by the State Council; or the accredited new technological EFI situated in Beijing New Technology Development and Experiment Zones;
6. Any EFI established in other places specified by the State council and engaged in such projects as encouraged by the State.

Any EFI which meet the criteria set in item 1 of this Article shall, upon the application's having been endorsed by the State Administration of Taxation, be eligible for a reduced income tax rate of 15%.

(Article 73, the Detailed Rules)

2. Taxation on enterprise income at 24%

Any EFI of a production nature situated in the urban district of the cities which boast a Coastal Economic Open Zone, a Special Economic Zone or an Economic and Technology Development Zone shall be eligible for a reduced income tax rate of 24%.

(Section 2 of Article 7, the Tax Law)

The tax objectives enjoying a 24% rate, as stated in paragraph 2, Article 7 of the Income Law, shall only be limited to income derived from production or business operation within the areas specified in paragraph 2, Article 7 of the Income Law.

(Section 2 of Article 71, the Detailed Rules)

The 'Coastal Economic Open Zones' stated in paragraph 2, Article 7 of the Income Law, refers to any coastal city, county, or district sanctioned by the State Council.

(Article 70, the Detailed Rules)

II. Fixed term tax reductions and exemptions

1. Two year's exemptions adjoining three year's 50% reduction

Any EFI of a production nature intended to conduct business in China for at least 10 years shall, from its first profits-making year, be entitled to two year's income tax exemption adjoining three year's 50% reduction. However, such exemptions and reductions shall not apply to those EFI engaged in the exploitation of such natural resources as oil, natural gas, rare and precious metals, since tax policies of these lines shall be formulated separately by the State Council. In addition, it is compulsory for those EFIs which have already enjoyed tax exemptions and reductions to spit out the exact amount if their actual operation period is no more than 10 years.

(Section 1 of Article 8, the Tax Law)

The tax incentives specified in paragraph 1, Article 8 of the Tax Law shall not be put on those EFIs engaged in the exploitation of such natural resources as petroleum, natural gas, rare and precious metals, unless and until other related regulations are made by the State Council.

(Article 78, the Detailed Rules)

Any EFI which meet the qualifications of paragraph 1, Article 8 of the Tax Law, which may enjoy tax exemptions or concessions, shall report its line, main products, operation period, etc to the local competent tax authorities for approval, otherwise its tax incentives shall be denied.

(Section 2 of Article 74, the Detailed Rules)

2. Other fixed term tax reductions and exemptions

Any relevant regulation issued by the State Council prior to the effectiveness of this Law will still hold to the extent that the relevant regulation has provided more attractive tax treatment as of a longer period of exemption or reduction for those EFIs which undertake production and construction projects like energy, communications, harbor, docks etc, or has provided such preferential tax treatment as exemptions and reductions for those EFIs engaged in non-production nature projects.

(Section 2 of Article 8, the Tax Law)

'Any relevant regulation issued by the State Council prior to the effectiveness of this Law' in paragraph 2, Article 8 of the Tax Law covers the following regulations of tax exemptions and reductions decreed by the State Council:

a. Any Chinese-foreign equity joint ventures undertaking port or dock construction with an

operation period exceeding 15 years shall, upon its application having been endorsed by the competent tax authorities at the provincial level, from the first year of its making profits, be exempted from enterprise income tax for five consecutive years adjoining another five years of 50% reduction.

b. Any EFI established in Hainan Special Economic Zone with its operation period no less than 15 years shall, upon its application having been endorsed by Hainan provincial tax authorities, be granted income tax exemption starting from the first profit-making year, for 5 consecutive years adjoining another 5 years of 50% tax reduction, provided that that EFI should fall into the category of undertaking the construction of such infrastructure projects as airports, ports, docks, railways, highways, power stations, coal mines, water conservancy, or in the development and operation of agriculture.

c. Any EFI established in Pudong New District, Shanghai, with its operation period no less than 15 years shall, upon its application having been endorsed by the Shanghai tax authorities, be granted income tax exemption starting from the first profit-making year, for 5 consecutive years adjoining another 5 years of 50% tax reduction, provided that that EFI should fall into the category of undertaking the construction of such energy and communication projects as airports, ports, railways, highways, and power stations.

d. Any EFI of the service sector situated in Special Economic Zones, with its total foreign investment amounting to \$5 million or more, and with its operation period exceeding 10 years shall, upon its application having been endorsed by the competent tax authorities, be granted income tax exemption for the first profit-making year, tagged along with 50% tax reduction for the second and third year.

e. Foreign banks, Foreign-Chinese Joint Invested Banks and other financial institutions located in Special Economic Zones or other places approved by the State Council shall, upon the application having been endorsed by the competent tax authorities, be exempted from income tax for the first profit-making year adjoining another two years of 50% tax reduction, provided that the capital granted by foreign investors or operation funds acquired from the headquarters of foreign banks is no less than \$10 million, and that those financial institutions shall conduct business in China for no less than ten years.

f. Any Chinese-foreign equity joint venture recognized as new and high-technology enterprise and established in new and high-technology industrial development zones approved by the State Council, with its operation period exceeding 10 years shall, upon its application having been endorsed by the competent tax authorities, be eligible for exemption from Enterprise Income Tax for the first and second profit-making years. To those EFIs located in the Special Economic Zones and in the Economic Technology Development Zones, the appropriate tax incentives of those zones shall remain applicable.

g. Any export-oriented EFI shall, after its expiration of exemption or reduction stated in the Tax Law, be entitled to a further 50% reduction on Enterprise Income Tax at a rate specified in the Tax Law, provided that at least 70% of its annual products have been exported. In addition, for those export-oriented EFIs which are situated in the Special Economic Zones, the Economic Technological Development Zones or which have already enjoyed 15% rate and exported 70% of its annual products or more, the Enterprise Income Tax rate shall be further reduced from 15% to 10%.

h. Technological advanced enterprises with foreign investment may, upon the expiration of the Enterprise Income Tax exemption and reduction period as stipulated by the Tax Law, enjoy a further 50% reduction in Enterprise Income Tax for three years based on the rate stipulated by the Tax Law, provided that they remain technologically advanced enterprises.

i. Other regulations relating to the exemption and reduction of enterprise income tax having been promulgated, or having been approved for promulgation by the State Council. In applying for Enterprise Income Tax exemption or reduction pursuant to the provisions of Item 6, and Item 7, and Item 8 of this Article, any EFI shall submit the relevant certifying documents issued by the competent departments to the local tax authorities for examination and confirmation.

(Article 75, the Detailed Rules)

III. Tax refund on reinvestment

Foreign investors of any EFI who reinvest directly in the same EFI with his (her) share of profits so as to increase registered capital, or use his share of profits as capital investment to set up other EFIs whose operation period is no less than 5 years shall, upon the investors' application having been approved by the relevant competent tax authorities, be refunded 40% of Income Tax already paid on the reinvestment amount. However, other preferential tax regulations shall be applicable if there exist such regulations issued by the State Council. Furthermore, a foreign investor is bound to repay his (her) refunded tax if he (she) withdraws investment before the expiration of a period of 5 years.

(Article 10, the Tax Law)

1. Prerequisite and qualification for rebate on reinvestment

The expression of 'reinvest directly' mentioned in Article 10, the Tax Law, means that foreign investors of any EFI increase their proportion of registered capital with their share of profits derived from the same EFI or use those profits as capital to set up new EFIs.

In assessing the refundable tax amount in accordance with the provisions of Article 10 of the Tax Law, the said foreign investor shall provide supporting documents certifying the attributable year in which the profits were reinvested; where no supporting documents can be provided, the local tax authorities shall determine the year using appropriate methods. Foreign investors shall, within one year from the date the funds are actually invested, apply to the original tax collecting authorities for tax refund and submit a document certifying the amount and duration of the added or new capital investment.

(Article 80, the Detailed Rules)

The 'period of operation' in Article 10 of the Tax Law shall be counted according to the following principals: the period of operation shall be counted from the date when the reinvestment funds are actually invested, if foreign investors in any EFI directly reinvest the profits allocated from that EFI into the same enterprise or other EFIs who have already started production or operations (including trial production, trial operation); however, the period of operation shall be counted from the date when the new enterprise starts production or operation (including trial production or operation), if the foreign investors reinvest in establishing new EFIs.

(GUO SHUI FA NO. 009 [1993])

Regarding reinvesting in China with the profits obtained from his EFI, a foreign investor

must first use the said profits to make up his insufficient legal capital, if such is the case; therefore, only the rest of that profit in the form of reinvestment shall be eligible for tax refund according to relevant regulations.

(GUO SHUI HAN FA NO. 304 [1990])

Any foreign investor in EFIs shall not enjoy such incentives as tax refund if the profits with which he reinvests are derived from liquidation.

(GUO SHUI FA NO. 009 [1993])

Where a foreign partner of any Chinese-foreign equity joint venture first remits his share of profits outside China, saves it in foreign banks or uses it as working capital for trade, and then reinvests it in Chinese-foreign equity joint venture, the provisions for the tax refund on reinvestment shall not apply.

(CAI SHUI WAI ZI NO. 82)

2. Repayment of 60% of tax refund

Any foreign investor making reinvestment so as to establish and expand export-oriented or technologically advanced enterprises shall repay 60% of tax refund if he fails to meet the standards of export-oriented enterprises in three years after starting production or operation; or if he fails to be recognized as technologically advanced enterprises within the said three years.

(Section 3 of Article 81, the Detailed Rules)

3. Other regulations concerning tax refund

EFIs whose total shares are held by foreign investors, and who are totally engaged in investment business shall be treated as foreign investors, thus enjoying the incentives of tax refund specified in the Detailed Rules and other relevant regulations.

(CAI SHUI ZI NO. 083)

The preferential regulations regarding a tax refund on reinvestment stipulated in the Tax Law and in the Detailed Rules only apply to foreign investors. EFIs in China who invest in other places as investors are not foreign investors. The preferential regulations regarding a tax refund on the reinvestment stipulated in the Tax Law and the Detailed Rules for foreign investors only apply to EFIs whose total share are held by foreign investors and who are totally engaged in investment business, since such EFIs may be regarded as foreign investors according to the provisions of Section 2 in Article 1 of CAI SHUI ZI [083] 1994 "Notice on Several Taxation Problems Regarding the Enterprises with Foreign Investment Engaged in Investment Business" issued by the Ministry of Finance and the State Administration of Taxation. Apart from that, no other EFIs shall be granted tax refund on reinvestment specified in the Tax Law and its Detailed Rules.

(GUO SHUI HAN FA NO. 154 [1995])

IV. Comprehensive regional tax incentives

1. Special Economic Zones, Economic Technological Development Zones and Coastal Open-up Cities

a. Special Economic Zones (SEC)

Income Tax shall be collected at the reduced rate of 10% on income from dividends, interest, rentals, royalties and other sources in SEC obtained by foreign investors who have no establishments in China except where tax exemption are carried out according to tax laws. The SEZ People's Governments shall make decisions on more favorable tax

exemption and reduction for foreign investors who provide capital or equipment on terms preferential to China or who transfer advanced know-how.

b. Economic Technological Development Zones (ETDZ)

Income Tax shall be collected at the reduced rate of 10% on income from dividends, interest, rentals, royalties and other sources in ETDZ obtained by foreign investors who have no establishments in China except where tax exemption are carried out according to tax laws. The People's Government of the city where ETDZ is located shall make decisions on more favorable tax exemption and reduction for foreign investors who provide capital or equipment on terms preferential to China or who transfer advanced know-how.

c. Coastal Open-up Cities (COC)

Income Tax shall be levied at the reduced rate of 10% on income from dividends, interest, rentals, royalties and other sources in OLD URBAN DISTRICTS obtained by foreign investors who have no establishment in China, except where tax exemption are carried out according to tax laws. The People's Government of the city shall make decisions on more favorable tax exemption and reduction for foreign investors who provide capital or equipment on terms preferential to China or whose transferred know-how is advanced.

(GUO FA NO. 161[1984])

2. Coastal Open Areas

Income Tax shall be levied at the reduced rate of 10% on income from dividends, interest, rentals, royalties and other sources in Economic Open Areas obtained by foreign investors who have no establishment in China, except where tax exemption are carried out according to tax laws. The People's Government of the provinces, autonomous regions and municipalities shall make decisions on more favorable tax exemption and reduction for foreign investors who provide capital or equipment on terms preferential to China or whose transferred know-how is advanced.

(CAI SHUI ZI NO. 091 [1988])

3. New and High technology Industrial Development Zones

According to provisions specified in Section 2 of Article 7, Section 1 of Article 8, the Tax Law, and Item 5 & 6 in Section 1 of Article 75, the Detailed Rules, those tax incentives applied to New-and-High Technology EFIs (NHTEFI) can be further expounded as the following:

a. Those new-and-high technology EFIs set up in New and High-Technology Industrial Development Zones identified by the State Council, or the new technological EFIs situated in Beijing New Technology Development and Experiment Zones, shall, from the date when their status as NHTEFI have been recognized, be levied on income tax at a reduced rate of 15%.

b. Aside from New-and-High Technology set up in Beijing New Technology Development and Experiment Zones (BNTDEZ), any other New-and-High Technology EFI of production nature intended to conduct business in China for at least 10 years shall, from its first profit-making year, be entitled to two year's income tax exemption adjoining three year's 50% reduction.

c. Where the tax year in which an EFI is recognized as New-and-High Technology EFI comes after its profit-making year, or where the tax year in which an EFI located in

BNTDEZ is recognized as New-and-High Technology EFl comes after its starting operation year, the remaining tax exemption period (if any) shall still take hold. However, if the time when an EFl is recognized as New-and-High Technology EFl comes after the expiration of tax exemption period, no relevant tax incentives shall be available.

(GUO SHUI FA NO. 151 [1994])

4. Tourist and Holiday Resort Areas

Enterprise Income Tax shall be levied at the reduced rate of 24% for EFls established in these areas; of which the production EFls scheduled for an operating period no less than 10 years shall, from the year it begins to make profit, be exempted from Income Tax for the first and second years and allowed a 50% reduction of Income Tax for the third to the fifth years.

Tax incentives already implemented in the region where the national tourist holiday resort area is located shall be continued in the national tourist holiday resort area.

(GUO SHUI FA NO. 248 [1992])

5. Provincial Capital and Coastal Open-up Cities

Income Tax shall be levied at the reduced rate of 10% on income from dividends, interest, rentals, royalties and other sources in the said city areas obtained by foreign investors who have no establishment in China, except where tax exemption are carried out according to tax laws. The People's Municipal Government shall make decisions on more favorable tax exemption and reduction for foreign investors who provide capital or equipment on terms preferential to China or whose transferred know-how is advanced.

(GUO SHUI FA NO. 218 [1992])

6. Suzhou Industrial Park

a. According to the provisions in 'Reply to the Relevant Questions About Development and Construction of Suzhou Industrial Park' (Document No. 9 [1994]) made by the State Council (hereinafter referred to as 'Reply'), EFls engaged in construction projects for infrastructure facilities regarding communication and energy resources such as the construction of ports, docks, railways, highways and power stations shall enjoy a reduced income tax rate of 15% according to Section 1 of Article 7, the Tax Law. The enterprise income tax shall be levied at the reduced rate of 15% on EFls who are engaged in the above projects and who operate outside the Suzhou Industrial Park but still in Suzhou city, provided the said EFls conform to the provisions in Item 1 of Section 1 in Article 73, the Detailed Rules and at the same time get the approval from the State Administration of Taxation.

b. On the basis of the existing tax incentives policies of the State, Chinese-foreign equity joint ventures engaged in construction of ports and docks in Suzhou city shall enjoy exemption from Enterprise Income Tax for 5 years from the first profit making year and a 50% reduction of the Enterprise Income Tax for the following 5 years according to Item 1 of Section 1 in Article 75, the Detailed Rules. The EFls engaged in construction projects regarding communication, energy resources and infrastructure such as railways, highways, power stations and the accessory facilities in Suzhou Industrial Park shall enjoy a fixed term tax exemption and reduction of Income Tax according to Section 1 of Article 8, the Tax Law. However, for the very large scale and special projects which need more tax incentives, the relevant enterprise may file a report to the competent taxation authorities

for approval according to the provisions in Article 3 of the Reply.

c. Chinese-Singapore Equity Development Company responsible for the development and construction of Suzhou Industrial Park and mainly engaged in the construction of infrastructure and public facilities in the Park may enjoy tax incentives applying to the production EFIs established in Economic and Technological Development Zones.

(GUO SHUI HAN FA NO. 128 [1995])

7. Bonded Areas

The Enterprise Income Tax shall be levied at the reduced rate of 15% for production EFIs engaged in processing products for export in the bonded areas.

(GUO SHUI HAN FA NO. 1123 [1991])

① To those production EFIs in Zhangjiagang Bonded Area (ZBA) who process products for export purposes, the reduced rate of 15% shall be applicable.

No local income tax shall be levied on EFIs located in ZBA.

② Any production EFIs in ZBA scheduled for an operating period no less than 10 years shall, from the year it begins to make profit, be exempted from Income Tax for the first and second years and allowed a 50% reduction of Income Tax for the third to the fifth years. In addition, the export-oriented EFI shall, after its expiration of exemption and reduction period, be entitled to a more preferential income tax rate of 10%, provided that at least 70% of its annual products have been exported. And those technological advanced enterprises with foreign investment may, upon the expiration of the Enterprise Income Tax exemption and reduction period as stipulated by the Tax Law, enjoy a further reduced rate of 10% on Enterprise Income Tax for three years, provided that they remain technologically advanced enterprises.

③ Income Tax shall be levied at the reduced rate of 10% on income from dividends, interest, rentals, royalties and other sources in the said city areas obtained by foreign investors who have no establishment in China, except where tax exemption are carried out according to tax laws. The People's Government of Jiangsu Province shall make decisions on more favorable tax exemption and reduction for foreign investors who provide capital or equipment on terms preferential to China or whose transferred know-how is advanced.

④ Foreign investors of any EFI who reinvest directly in the same EFI with his (her) share of profits so as to increase registered capital, or use his share of profits as capital investment to set up other EFIs whose operation period is no less than 5 years shall, upon the investors' application having been approved by the relevant competent tax authorities, be rebated 40% of Income Tax already paid on the reinvestment amount. Furthermore, if the said profits are reinvested in order to establish or expand export-oriented enterprises and high-tech enterprises, all the paid tax for the said profits shall be refunded.

(SU SHUI WAI FA NO. 020 [1993])

8. Kunshan Economic and Technology Development Zone (KETDZ)

Any EFI established in Kunshan Economic and Technology Development Zone shall be levied at the reduced rate of 15% on its Enterprise Income Tax.

Aside from the above tax incentive, no other preferential tax policies applying to Economic and Technology Development Zones in Coastal Open Cities are available for EFIs established in Kunshan Economic and Technology Development Zone.

(HUO SHUI HAN FA NO. 424 [1992])

IV. Other tax incentives

1. Tax incentives concerning agriculture, forestry, animal husbandry, and tax incentives in remote undeveloped areas

EFIs engaged in agriculture, forestry and animal husbandry, or established in remote undeveloped areas may, upon the enterprises' applications having been approved by the competent tax authorities under the State Council, be allowed a 15% to 30% reduction of the amount of Income Tax payable for a period of 10 years following the expiration of the period for tax exemption or reduction provided for in the previous provisions.

(Section 3 of Article 8, the Tax Law)

2. Tax exemption on long-term investment

Where an EFI invests in another enterprise within China, the profits (dividends) obtained from the enterprise receiving the investment may be excluded from the taxable income of that EFI; however, expenses and losses incurred in such above-mentioned investments shall not be deducted from the taxable income of that EFI.

(Article 18, the Detailed Rules)

3. Tax incentives for two kinds of enterprises

As stipulated in Section 8 of Article 1, the Detailed Rules, any technologically advanced EFI may, upon the expiration of tax exemption & reduction on Enterprise Income, be granted a further 50% reduction on Enterprise Income Tax for another three consecutive years, provided that the EFI remains to be technologically advanced enterprise after the said expiration; however, if the half reduced rate falls under 10%, the effective tax rate shall still be 10%, according to the provisions in Section 3, Article 3 of "Implementation of the Tax Incentives Regarding 'Regulations on Encouraging Investment of Foreign Enterprise' by the State Council".

(GUO SHUI FA NO. 165 [1991])

As stipulated in Section 7 of Article 75, the Detailed Rules, any export-oriented EFI may, upon the expiration of tax exemption & reduction as provided in the Tax Law, be granted a further 50% reduction in Enterprise Income Tax based on the rate listed in the Tax Law, provided that the said EFI export no less than 70% of its annual products. As regards the determination of what makes up the total value of exported goods, some specific rules have been laid down in "Implementation Regulation of the Ministry of Foreign Trade and Economic Cooperation on Recognition and Confirmation of Export-oriented EFIs and Technologically Advanced EFIs" promulgated on January, 26, 1995, by the Ministry of Foreign Trade and Economic Cooperation. Furthermore, the SAT (State Administration of Taxation) shares the same view in this respect, which indicates that the total value of goods exported by export-oriented EFIs shall be composed of the following parts:

1. Value of goods exported by the EFI itself;
2. Value of goods exported by Imp. & Exp. Corporations as agency of the EFI;
3. Value of the goods exported by Imp. & Exp. Corporations buying those goods from the EFI.
4. Expenses of processing materials supplied by clients outside China;
5. Value of goods exported in such approaches as recognized by the Ministry of Foreign Trade and Economic Cooperation.

In computation of the proportion of exported goods to total output of any EFI, some reference can be drawn upon figures in the Performance Statements which are inspected and confirmed by the Ministry of Foreign Trade and Economic Cooperation.

(GUO SHUI HAN FA NO. 645 [1995])

1. Any EFI undertaking port-and-docks-related projects shall, upon the approval of its application, be granted relevant tax incentives for revenues derived from such special activities as loading or unloading of cargo, transshipment, deposit, storage, container assembling or dismantling, transportation within port areas, fixing or maintenance of ships within the docks etc, since such revenues can be regarded as business or operation revenues of the said EFI. However, activities like goods delivery outside ports, ships maintenance outside docks, offshore rescue, productions on the basis of utilization of waste or remnant materials shall not be considered as business or operation activities of the foregoing EFI, hence the corresponding revenues shall be given no tax incentives and shall be calculated and filed separately as required by Article 2 of this Circular.

2. According to relevant provisions in the Detailed Rules, tax incentives shall be given to a port-and-dock-related EFI conducting special activities as specified above, only after it submits its application for approval to the competent tax authorities at provincial level or the State Administration of Taxation (SAT); no tax offices in any city or county are granted the right of sanctioning such applications.

3. In pursuance of Article 2 of this Circular, field tax offices should submit to competent provincial tax authorities for approval the enterprise's methods of discriminating between revenues & costs from common activities and revenues & costs derived from special activities.

4. The gamut of documents presented to tax authorities by an EFI which requires tax incentives for revenues from special activities is as follows:

- a. Enterprise's application;
- b. Business license,
- c. Contract or business charter,
- d. Certificate for undertaking special activities,
- e. Capital assessment reports by Chinese Certified Public Accountant.

(SU GUO SHUI FA NO. 440 [1995])

4. Deduction of research & development (R&D) expenses from taxable income

Recent resolution made by the State Council indicates that any EFI's actual incurred R&D expenses shall, upon the application having been endorsed by competent tax authorities, be allowed a 50% deduction from its annual taxable income, provided that the said EFI's annual R&D expenses go up by 10% or more. Some specific rules concerning implementation of the corresponding tax incentives are put as follows:

1. The filing period limit, checking or inspecting procedure and the approval rights shall be regulated, after having taken in account of the local pragmatic situation, by the provincial competent tax authorities with reference to the current tax laws & regulations as well as this Circular, and shall be further reported to the State Administration of Taxation for future reference.

The R&D expenses mentioned in the foregoing provision include: new product designing fee or art and craft process designing fee arising from developing new products, new

technology, and new manufacturing process; equipment performance test fee; material or semi-products developing fee; expenses on purchasing technological books and reference materials; periodical trial fee outside the scope of State Strategy Planning; salaries or wages of research workers; depreciation of research equipment; other expenses relevant to the research and development of new products and technology. However costs of buying technology or its utilization rights from another enterprise, as well as costs for maintenance and after-sales service of resulted technology shall fall outside the scope of R&D expenses.

2. Where an EFI's annual R&D expenses have increased by 10% or more over the previous year, and the 50% of the said R&D exceeds the amount of its annual taxable income, only the overlapped amount shall be deducted, while the excess amount is disallowed deduction in that year and the year that comes after.

In case that an EFI's annual taxable income is zero resulting from the profits being carried over to offset its previous year's losses, as permitted by Article 11, the Tax Law, the annual R&D expenses deduction shall not be applicable.

3. This Circular shall also apply for the R&D expenses arising from business activities or operations of any Foreign Enterprises with permanent establishment or fixed places in China.

4. This Circular shall be effective as of January 1st, 2000.

(GUO SHUI FA NO. 173 (1999))

5. Income tax credit for investment with purchased domestic equipment

To carry out the CCCC* and the State Council's guidelines of attracting foreign investment and encouraging EFIs and Foreign Enterprises to utilize domestic equipment, this regulation addressing some problems on income tax credit for investment with purchased domestic equipment has been promulgated and made public as follows:

1. For any EFI established in China, 40% of the investment with purchased domestic equipment may be credited from the annual increased parts of income tax on the said EFI when purchasing domestic equipment, provided that three requirements are satisfied:

a. The value of the purchased domestic equipment must be within the total amount of investment;

b. The purchased domestic equipment must be in the list of "encouraged category" or "restricted category (B)" of the "Industry Guidance Catalogue for Foreign Investment", as stipulated in "Circular of the State Council on Adjustment of Tax Policies for Imported Equipment"

(GUO FA NO 37 (1997))

c. The purchased domestic equipment must not be in the list of catalogue of "Imported Commodities for Foreign Invested Projects without Tax Exemption" as stipulated in the Circular NO 37 issued by the State Council.

This regulation shall also be applicable to Foreign Enterprises with permanent establishment or fixed places in China.

Any purchased domestic equipment whose value is beyond the total amount of investment, shall also enjoy 40% credit from the EFI's annual increased parts of income tax provided that the said equipment is used for the following purposes:

To increase economic profits; raise product quality; diversify products categories; promote

update of products; lower costs and energy consumption; utilize comprehensively the natural resources; dispose or handle of wastes; enhance work security and safety; modify the present facilities and production process with advanced and appropriate new technology, new process, new equipment and new materials.

2. The purchased domestic equipment eligible for tax credit refers to any equipment produced domestically for the purpose of business activities and operations, whereas equipment imported from abroad or manufactured through a vehicle of "SAN LAI YI BU" shall not be legally recognized as purchased domestic equipment.

3. Where any EFI or FI is entitled to tax credit from its annual income as a result of investment with domestic equipment, the amount of its annual increased taxable income shall be the maximum credit threshold. For those EFIs whose annual increased taxable income are insufficient for the said credit, the non-credited amount can be deferred to subsequent years for later credit, provided that there is an annual increase in taxable income. However, the credit period shall be no more than 5 years.

In addition, any EFI or FI eligible for tax reductions and exemptions, as stipulated in tax laws or regulations promulgated by the Standing Committee of People's Congress, the People's Congress, and the State Council, shall, during its tax exemption and reduction period, be granted an appropriate extension of credit period with a maximum threshold of 7 years.

4. When applying for income tax credit on investment with domestic purchased equipment, any EFI or FI shall present the competent tax authorities with invoices of domestic purchased equipment and other relevant vouchers.

5. The original value of any domestic equipment purchased by an EFI or FI shall not include the refunded amount of Value Added Tax.

6. When computing taxable income, the value of purchased domestic equipment, part of which is to be credited, can still be depreciated on the basis of its original value.

7. In case that an EFI or FI leases or sells out the domestic equipment within 5 years from the date it is purchased, the said EFI or FI shall repaid the credited amount of enterprise income tax.

8. This regulation shall be effective as of July 1st, 1999. The detailed compliance rules shall be regulated by the State Administration of Taxation.

6. Preferential tax policies for development of software industry and integrated circuit industry

Article 1. Tax incentives for software makers

a. Beginning from June 24th, 2000 to the end of 2010, the self-developed & self-manufactured software products sold by any general VAT taxpayer shall, upon the VAT having been levied at the legal rate of 17%, be granted VAT refund at a rate of 14%. However, the amount of VAT refunded shall only be used for the purpose of developing new software products or expanding business activities, and thus no enterprise income tax will be imposed on that amount since it is not considered as part of taxable income of the said taxpayer.

b. Enterprises newly established in China shall, upon having been recognized as software makers, be entitled to an income tax exemption, starting from its first profit-making year, for two years, and then be further granted a 50% reduction for the next 3 consecutive

years.

c. In any tax year, those key software makers listed in the National Strategic Layout Projects who in the mean time fail to be treated with income tax exemptions, shall be levied at a reduced rate of 10% on enterprise income tax.

d. Remuneration of employees in any software enterprise and the training expenses can be deducted from the enterprise's taxable income on the basis of their actual incurred amount.

e. Any purchased software whose value amounts to the standard value of fixed assets or intangible assets, shall be treated and accounted as fixed assets or intangible assets. For domestic enterprises buying this software, this accounting method shall be endorsed by the corresponding competent authorities, whereas EFIs whose total investment exceeds \$30 million, such approval shall go to the State Administration of Taxation. In addition, for those EFIs whose total investment is less than \$30 million, the depreciation period or amortization period for the purchased software may be cut short after being approved by competent tax authorities. However the minimum depreciation or amortization period shall be 2 years.

f. Enterprises engaged in design of integrated circuit shall be taxed as software makers, thus enjoying relevant tax incentives for software industry.

The 'design of integrated circuit' refers to the process during which the design requirements of system, logic, and properties are converted into concrete physical process.

Article 2. Tax incentives for integrated circuit industry

a. Starting from July 24th, 2000 to the end of 2010, the self-manufactured integrated circuit products (including single transistor silicon unit) sold by any general VAT taxpayer shall, upon the VAT having been levied at the legal rate of 17%, be granted VAT refund at a rate of 11%. However, the amount of VAT refunded shall only be used for the purpose of developing new integrated circuit products or expanding business activities, and thus no enterprise income tax shall be imposed on that amount since it is not considered as part of taxable income of the said taxpayer.

The 'integrated circuit products' refers to those products whose electronic components are integrated into a placard of semi-transistor or a ceramics plane, enclosed in certain bulks so as to perform specific electronic or systematic functions.

For those integrated circuit products exported or sold to other export-oriented enterprises for export purpose, the VAT refund incentives shall not be applicable.

b. For the manufacture equipment of any domestic integrated circuit enterprise, its depreciation period can be reduced after being approved by the competent tax authorities, whereas the approval of manufacture equipment of any EFI with total investment no less than \$30 million goes to the State Administration of Taxation. In addition, even for EFIs whose investment is no more than \$30 million, the depreciation period may still be cut short after being endorsed by the competent tax authorities. However, the minimum depreciation period shall be 3 years.

c. For integrated circuit manufacturers whose total investment exceeds 8 billion RMB or whose integrated circuit line width is less than 0.25 um, the following extra tax incentives shall be available:

i. Sharing the same tax incentives for investment in energy and transportation and communication projects;

ii. The imported raw materials for production purpose shall be exempted from custom duty and VAT at imported stage.

The Custom shall facilitate the declaration process for those integrated circuit enterprises which satisfy the above conditions.

d. Where a recognized integrated circuit enterprise introduces integrated circuit technology, sets of production equipment or imports special equipment and apparatus for integrated circuit, no tariff or VAT at imported stage shall be imposed; however, this exemption shall not be applicable to those technology and equipment listed in "Imported Commodities for Foreign Invested Projects without Tax Exemption" or "Imported Commodities for Domestic Invested Projects without Tax Exemption" (GUO FA NO. 37 [1997]) promulgated by the State Council.

Article 3. Tax administration for software and integrated circuit industries

a. The standard for the determination of software makers shall be set jointly by the Ministry of Information Industry, the Ministry of Science & Technology, the State Administration of Taxation. Relevant tax incentives shall be available for those software makers whose names are officially publicized in the list after the said software makers' having been nominated by the Association of Software Industry at city's level and jointly approved by the Departments of Information Industry and the Competent Tax Authorities at the same level.

The list of key software makers within the scope of National Strategic Layout Projects shall be jointly drawn up by the National Committee of Economic Planning & Programming, the Ministry of Information Industry, the Ministry of Foreign Trade & Economic Cooperation as well as the State Administration of Taxation.

b. The integrated circuit enterprise, upon its status having been recognized by the competent government departments and approved by the tax authorities at the same level, shall be treated with corresponding tax incentives.

The list of integrated circuit products free of tax, as specified in Section 3, Article 2 of this Regulation shall firstly and jointly be drawn up by the Ministry of Information Industry, the National Committee of Economic Planning & Programming, the Ministry of Foreign Trade & Economic Cooperation as well as the General Custom, then submitted to the State Council for final approval.

c. The recognition and administration of integrated circuit enterprises shall follow the same procedure as that of software makers.

d. All the software makers and integrated circuit enterprises shall undergo an annual test, those who fail the test shall forfeit the status of software makers or integrated circuit enterprises, thus deprived of the relevant tax incentives.

The competent Custom House should be immediately informed as soon as a software maker or integrated circuit is stripped of its tax incentive status.

Other detailed rules for the administration of software makers and integrated circuit enterprises shall be regulated in the future.

July 1st, 2000 shall be the effective date for Articles of this Regulation where no effective date is specified. And this Regulation shall also override any previous relevant regulations

in which there are different provisions.

(CAI SHUI ZI NO. 25 [2000])

V. Concessions and exemptions on local income tax

For EFIs engaged in industries or projects which are encouraged by the State, governments at the provincial level are authorized to decide whether or not, as the case may be, to give those EFIs concessions or exemptions on local income tax.

(Article 9, the Tax Law)

Regulation of Jiangsu Province

Concerning Concessions and Exemptions on

Local Income Tax for Enterprises with Foreign Investment

Article 1. This regulation is formulated in accordance with the specific conditions of Jiangsu Province and provisions in Article 6 & 9 of the Tax Law.

Article 2. Any EFI established in Jiangsu shall abide by this regulation in order to enjoy tax reductions and exemptions on its local income.

Article 3. EFIs of production nature shall be free of local income tax during the period of 'two year exemption adjoining three year 50% reduction'

Article 4. Any EFI of production nature which is also recognized as an export-oriented enterprise shall, upon the expiration of exemption on local income tax specified in Article 3 of this regulation, be further exempted from local income tax, provided that the said EFI exports products exceeding 50% of its annual output.

Article 5. Any EFI of production nature which is also a technologically advanced enterprise shall, upon the expiration of exemption on local income tax specified in Article 3 of this regulation, be further exempted from local income tax for another three years.

Article 6. EFIs levied at a reduced rate of 15%, as stipulated in the Tax Law, shall be free of local income tax, provided that those EFIs are of the following types:

1. EFIs of production nature established in the Economic Technological Development Zones.

2. EFIs of production nature which have establishments in the old urban districts of the cities where the Coastal Economic Open Zones, the Economic Technological Development Zones are located, and which are engaged in the following projects:

a. Technology-concentrated or knowledge-concentrated projects;

b. Projects with foreign investment of \$30 million or more, and with a long period of recovery of investment;

c. Projects engaged in energy, transportation and communication, port constructions

3. Chinese-foreign equity joint ventures engaged in the construction of ports or docks.

4. The recognized high technological EFIs set up in New and High-Technology Industrial Development Zones identified by the State Council.

5. Any EFI established in other places specified by the State Council and engaged in such projects as encouraged by the State.

Article 7. No local income tax shall be levied on EFIs situated in Development Zones, New Industry Zones or Industry Villages established under the approval of governments at the provincial level.

Article 8. The final say or interpretation of this regulation goes to the competent tax authorities at the provincial level.

Article 9. This regulation, which enters into force from the date it gets promulgated, shall override any previous regulation containing different provisions on the exemptions of local income tax.

VI. The gamut of EFIs of production nature

'EFIs of production nature' in Section 1 and 2 of Article 7 and Section 1 of Article 8, the Tax Law, refers to the EFIs engaged in the following industries:

- a. Machine building and electronic industries;
- b. Energy industries (not including oil and natural gas exploitation);
- c. Metallurgical, chemical and building material industries;
- d. Light, textile and packaging industries;
- e. Medical apparatus and pharmaceutical industries;
- f. Agriculture, forestry, animal husbandry, fishery and water conservancy;
- g. Construction industry;
- h. Communication and transportation industries (not including passenger transportation);
- i. Development of science and technology, geological survey and industrial information consultancy that directly serve production and maintenance and repair service for production equipment and precision instruments;
- j. Other industries that are recognized by the responsible department for taxation affairs under the State council.

(Article 72, the Detailed Rules)

According to Section 10 of Article 72, the Detailed Rules, 'other industries' recognized as EFIs of production nature can be further expounded as the following:

EFIs professionally engaged in the following businesses may be recognized as production enterprises with foreign investment:

- a. Those engaged in engineering design and in providing labor services (including consultation for such projects as construction, installation and assembling);
Consultation includes technological assistance and guidance for the improvement of existing productive technology used for projects or used in enterprises, for the improvement of business administration, for selection of technologies and for improvement of the function, efficiency and quality etc. of the existing manufacturing equipment or products of the enterprise;
 - b. Those engaged in feeding, aquaculture (including aquatic farming), farming (including flowers raising), raising poultry, livestock, dogs and cats etc.;
 - c. Those engaged in scientific research and development of manufacturing technology;
 - d. Those engaged in directly providing users with warehousing and transport services with their own transport vehicles and storage facilities.
1. EFIs professionally engaged in the following business shall not be regarded as production enterprises with foreign investment;
- a. Those engaged in indoor or outdoor preparation and decoration, or installation and set up of indoor appliance;
 - b. Those engaged in advertisements, card and picture making as well as book and magazine issuing;
 - c. Those engaged in food processing, mainly for sale at their own canteen or at their store front;

d. Those engaged in the maintenance and repair of domestic appliances and repair of articles for daily use.

2. 'Maintenance and repair of production equipment and precision instruments' mentioned in Item 9 of Section 1 in Article 72, the Detailed Rules, does not include the maintenance and repair of vehicles, electrical appliances, computer monitoring systems, ordinary instruments and ordinary meters.

(GUO SHUI FA NO.109 [1992])

EFIs particularly engaged in the development and management of real estate, and in the sale of residence buildings, do not belong to production enterprise with foreign investment, thus no tax incentives are applicable.

(GUO SHUI HAN FA NO.505 [1990])

Regulations on Determining Production Enterprises with Foreign Investment

1. The development of science and technology, geological surveys and industrial consultations directly serving production refer to: such development whose result may directly constitute technology for manufacturing products, or directly constitute technology for management of the flow of production; such survey whose data may be directly used for development and utilization of all kinds of natural resources; and consultations and software development which are carried out specifically for the utilization of technology or for the development and utilization of natural resources. However, the development, surveys and consultations mentioned above do not include such services provided to various enterprises as accounting, auditing, legal services, assets appraisals, market information collecting and brokerage etc. as well as computer software development not serving technology or development and utilization of resources as mentioned above.

2. All EFIs, particularly engaged in sales of goods made from purchased goods in a simple way, e.g. the purchased goods are assembled, packaged, cleaned, selected or organized, etc, belong to those engaged in sales, if the goods on sale remain the same in shape, function and composition as and when they are purchased. Therefore enterprises such as the following shall not be recognized as production enterprises with foreign investment: enterprises which sell goods simply repaired with imported or purchased sets of appliances or equipment and parts; enterprises engaged in the sales of various purchased beverage and foods, which are simply bottled and packed; and the trade providing such specific services as bottling and packaging.

If enterprises with foreign investment, previously recognized as EFIs, do not conform to the principle of this Notice or if the taxation authorities find it difficult to make decisions in the future, they shall report the case to the State Administration of Taxation, who shall give an official written reply after examination and verification of the case.

(CAI SHUI ZI NO.051 [1994])

An investment company engaged in the investment business and other businesses related to investment (including services such as management, training, agency, etc. for the enterprise receiving the investment), according to the relevant laws and regulations, is not a production enterprise as stipulated in Article 7 and Article 8, the Tax Law, and in Article 72, the Detailed Rules, hence in this case no tax incentives regarding production enterprises with foreign investment shall be applicable.

(CAI SHUI ZI NO. 083 [1995])

The EFIs engaged in transport activities, as mentioned in Item 8 of Section 1 in Article 72 of the Detailed Rules, include those engaged in the house moving transport business, but does not include those engaged in the letter delivery business.

(GUO SHUI HAN FA NO. 383 [1994])

On the matter of how EFIs concurrently engaged in production and non-production types business, shall enjoy tax incentives

1. EFIs whose business scope as defined in its business license does not cover production, shall not be taken as production enterprises to enjoy relevant tax incentives, whatever proportion the enterprise's production business may take in its actual operation.

2. The following tax incentives shall be granted to EFIs whose business scope as defined in the business license covers both production business and non-production business, or whose business scope as defined in the business license only covers the production business, but, who actually also conducts non-production business:

a. In the tax exemption and reduction period counted from the first profit making year of the enterprise according to the provisions in Article 8 of the Tax Law, the EFIs engaged in both production and non-production business may apply to the competent tax authorities in the year when the EFI's income from production business is over 50% of its total business income, to enjoy the corresponding tax exemption and reduction for the year, after the examination and verification by the competent tax authorities; the EFI shall not enjoy the corresponding tax exemption and reduction if its income from production business is less than 50% of the total business income for that year.

b. The EFIs engaged both in production and non-production businesses and established in the areas where tax is levied at the reduced rate according to Article 7, the Tax Law, and the relevant regulations by the State Council, shall enjoy the tax reductions starting with the first year when income from production exceeds 50% of the total income.

(GUO SHUI FA NO. 209 [1994])

The EFIs engaged in specifically in land leveling business for land development and house construction may be regarded as building enterprises defined in Item 7 of Section 2 in Article 72, the Detailed Rules, thus enjoying tax incentives applying to EFIs of production nature.

(GUO SHUI HAN FA NO. 388 [1994])

The so called 'EFIs particularly engaged in indoor and outdoor preparation and decoration, or installation and setting up of indoor appliances who shall not be regarded as production EFIs include:

a. Enterprises engaged in installation of lifts and escalators;

b. Enterprises engaged in preparation and installation of doors and windows etc. for buildings and structures.

(GUO SHUI HAN FA NO. 389 [1994])

EFIs particularly engaged in the development and management of real estate, do not belong to production enterprises with foreign investment as defined in Article 7 and Article 8 of the Tax Law, and they shall not enjoy the tax incentives for production enterprises with foreign investment.

(GUO SHUI FA NO. 153 [1995])

IV. Withholding Income Tax

1. Profit (Dividend)

'Profit' mentioned in Article 19 of the Tax Law refers to income allocated according to the ratio of investment and shares and other non-debt profit sharing rights.

(Article 60, the Detailed Rules)

Profits derived by a foreign investor from an enterprise with foreign investment shall be exempt from Income Tax.

(Article 19, the Tax Law)

'Profit derived by a foreign investor from an enterprise with foreign investment' as referenced in Paragraph 3 Item 1, Article 19 of Tax Law refers to the profit made by an enterprise with foreign investment after deduction of the payment of Income Tax or reduced Income Tax, or the profit which is exempted from Income Tax, in accordance with the stipulations of the Tax Law.

(Article 63, the Detailed Rules)

Income Tax shall not be collected on the dividends and extra dividends allocated to foreign investors from the profits made by enterprises with foreign investment or those allocated to foreign individuals by Chinese-foreign equity joint ventures according to the provisions of Article 19 of the Tax Law and Section 2 of Article 5 of the Detailed Rules.

Enterprise Income Tax and Individual Income Tax shall not be levied, provisionally, on income from dividends (extra dividends) allocated to foreign enterprises and foreign individuals who have B shares and China's offshore shares by enterprises in China issuing those shares.

(GUO SHUI FA No.045 [1993])

2. Interest

(1). Scope of Interest

Interest refers to the following income received by foreign enterprises which have no establishments or sites in China: interest derived within China such as on deposits or loans, interest on bonds, interest on other provisional payments and deferred payments.

(Item 2 of Article 6, the Detailed Rules)

'Arrangement fee', 'assumption fee' and 'proxy fee' in loan agreements, which occurred with the loan business, should be treated as interest and taxable income.

(CAI SHUI WAI ZI No.264 [1985])

According to the concerning items of international tax agreements and Article 19 of the Tax Law, interest paid by branches of foreign banks when getting loans from head banks or other financial institutions belongs to the interest derived from China by foreign banks and other financial institutions. Therefore, Income Tax on the interest shall be withheld by the branches of foreign banks from each interest payment.

(GUO SHUI FA No.123 [1997])

Clarification is given as follows regarding the guarantee income tax:

A. Where a foreign enterprise has no established organization or site in China but derives guarantee income from sources within China, or where it has such established organizations or sites within China but its guarantee income is not really connected with those organizations or sites, such an enterprise shall pay Income Tax on that income

according to the Article 19 of the Tax Law.

Guarantee income derived from China mentioned above refers to the guarantee fees paid by enterprises, institutions or individuals in China who received guarantee from enterprises outside China in economic activities such as credit, transaction, goods transportation, process, leasing, project undertaking, etc..

B. The tax rate of guarantee income should be executed according to the Tax Law, concerning regulations, set or restricted tax rate of interest income stipulated in tax agreements.

C. The notification shall enter into force from March 1,1998. As for those agreements signed before the notification, tax of the guarantee fees occurred and paid afterwards shall be exempted.

(CAI SHUI ZI No.1 [1998])

(2). Tax Deduction & Exemption of Income from Interest

Income from interest on loans made to the Chinese Government or Chinese State banks by international financial organizations shall be exempt from Income Tax. The interest income derived by a foreign bank from loans made to Chinese State Banks at preferential interest rates shall be exempt from Income Tax.

(Item 2&3 of Article 19, the Tax Law)

'International financial organizations' mentioned in Paragraph 3, Item 2, Article 19 of the Tax Law refers to international financial institutions like the International Monetary Fund, the World Bank, the Asian Development Bank, the International Development Association, the International Fund for Agricultural Development, etc..

'Chinese State banks' mentioned in Item 2&3, Paragraph 3, Article 19 of the Tax Law refers to the People's Bank of China, the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China, the People's Construction Bank of China, and other financial institutions authorized by State Council to engage in the business of foreign exchange deposits and loans, etc. for foreign clients. (Article 64, 65 of the Detailed Rules)

The European Investment Bank belongs to the 'International financial organizations' mentioned in Article 19 of the Tax Law, so it may enjoy the tax incentives stipulated in that article.

(GUO SHUI HAN FA No.328 [1995])

According to Article 65 of the Detailed Rules, financial institutions with foreign investment in China, such as branches of foreign banks, banks and financial affair companies with foreign investment, etc., do not belong to the 'Chinese State Banks' described in Item 3, Paragraph 3, Article 19 of the Tax Law. Therefore, Income Tax shall be levied on the interest of loans made to foreign financial institutions by foreign banks.

(GUO SHUI HAN No.372 [1997])

3. Royalty

(1). Scope of Royalty

Royalty refers to the income received from the provision of patents, technical know-how, trademarks and copyright for use in China, which is derived by foreign enterprises in China who have not established organizations or sites.

(Item 2 of Article 6, the Detailed Rules)

Clarification is given as follows regarding the Income Tax collection on income from copyright (derived inside China) of movies, audio products and audio-video products collected by foreign companies, enterprises and other organizations (hereinafter referred to as 'foreign enterprises') who do not have establishments in China.

i. Income Tax shall be levied at the rate of 20% as stipulated in the Tax Law on income obtained by foreign enterprises from use of the copyright of movies, audio-video products and audio products provided by foreign enterprises to Chinese companies, enterprises and institutions (including TV stations, broadcasting stations, film distribution and projection companies and audio-video publishing houses) except those in the special economic zones, economic and technological development zones and coastal economic open zones where such Income Tax may be collected at the reduced rate of 10% according to the relevant provisions. Income Tax shall be withheld from each payment given by the payers of royalty fees.

ii. As for the copyrights of movies, audio-video products and audio products provided by foreign enterprises to be used in education, scientific research, environmental protection and medical care etc., if they are really helpful to the scientific and cultural communication between China and other countries and the royalties are relatively low, thus needing tax incentives such as tax exemption and reduction, the foreign enterprises may present application to the local tax authorities via the copyright purchasers and then the application shall be reported to the State Administration of Taxation for approval after examination and verification by the local taxation authorities.

iii. If the foreign enterprise who provides copyrights of movies, audio-video products and audio products comes from a country with whom China has signed an agreement for prevention of double taxation, the foreign enterprise may ask for and enjoy the tax incentives on royalties at a limited rate according to the agreement.

iv. The purchasers (companies, enterprises and institutions) of the copyrights of movies, audio-video products and audio products provided by the foreign enterprise shall withhold tax at each royalty payment according to the provisions of the Tax Law. The taxation authorities shall collect fines or surcharges for overdue tax payments according to the provisions of Article 14 and 15 of the "Income Tax Law of the People's Republic of China on Foreign Enterprises", if the tax is not withheld in time or the tax that should be withheld is not withheld.

v. This notification shall enter into force from September 1, 1990. At the same time, the notification of CAI SHUI WAI ZI No. 46 shall stop executing.

As for those copyright transfer agreements signed before the notification enter into force, articles clearly put in agreements about tax incentives such as tax exemption and reduction can still be executed until the deadline of agreements (not including prolonged agreements henceforth).

(GUO SHUI HAN FA No.960 [1990])

(2).Calculation of payable royalty tax

The gross royalties obtained from the provision of patents and technical know-how include the drawing and information fees, technical service fees, personnel training fees and other relevant fees.

(Article 59, the Detailed Rules)

Where a foreign enterprise has no established organization or site in China but derives royalties from sources within China, or where it has such established organizations or sites within China but the royalties it earns are not really connected with those organizations or sites, such an enterprise shall deduct the business tax payment handed in according to "Provisional Regulations of the People's Republic of China on Business Tax" when the enterprise income tax is calculated.

(CAI SHUI ZI No.59 [1998])

(3). Tax Exemption and Deduction of royalties

Income Tax on royalties received for the supply of technical know-how in scientific research, exploitation of energy resources, development of the communication industries, agricultural, forestry and animal husbandry production, and the development of important technology may, upon approval by the responsible department for tax affairs under State Council, be levied at the reduced rate of 10%. Where the technology supplied is advanced or the terms are preferential, exemption from Income Tax may be allowed.

(Article 19, the Tax Law)

Reduction or exemption of Income Tax on royalties as provided for in Item 4, Paragraph 3, Article 19 of the Tax Law is applicable to the following:

- I. Royalties obtained from the provision of the following technical know-how in farming, forestry, animal husbandry and fishery:
 - i. Technology provided to improve soil and grassland, to reclaim and develop barren hills, and to fully utilize natural conditions;
Biotechnology to nurture new species and varieties of fauna and flora and to produce high efficient but low toxic agricultural chemicals;
 - iii. Technology to provide farming, forestry, animal husbandry and fishery with scientific production and management, to preserve the ecological balance, and to increase the capability of fighting natural disasters;
- II. Royalties obtained from the provision of technical know-how to academies of science, colleges and universities, and other scientific research institutions to conduct scientific research or scientific experimentation independently or cooperatively;
- III. Royalties obtained from the provision of technical know-how for the development of energy resources and transportation;
- IV. Royalties obtained from the provision of technical know-how for energy conservation and the prevention and control of environmental pollution;
- V. Royalties obtained from the provision of technical know-how for the development of the following important fields of technology:
 - i. production of mechanical and electronic equipment;
 - ii. nuclear power;
 - iii. production of large scale integrated circuits;
 - iv. production of photo-integrated microwave semi-conductors and microwave integrated circuits and microwave electron tubes;
 - v. manufacturing of high-speed electronic computers and micro-processors;
 - vi. optical telecommunications;
 - vii. remote ultra-high voltage direct current electricity transmission;
 - viii. liquification, gasification and integrated utilization of coal.

(Article 66, the Detailed Rules)

If the foreign investors of the joint venture enterprises use the evaluated price of special technology to invest as capital stock and do not collect royalties separately, the withholding income tax can be exempted.

(CAI SHUI WAI ZI No.12 [1984])

4. Rentals

Income Tax shall be exempted, provisionally, on ship rentals obtained by foreign companies or enterprises to Chinese companies or enterprises for international transportation. However, Income Tax shall be collected according to the provision in Article 11 of the Tax Law for ship rentals obtained by foreign enterprises to Chinese companies or enterprises for coastal or inland water transportation.

(CAI SHUI ZI No.32 [1984])

Through the approval of the State Council, clarifications concerning the withholding income tax of the rentals are given as follows:

- i. Withholding Income Tax shall be exempted on airplane rentals obtained by foreign enterprises to Chinese airline companies in accordance with rental contracts signed before September 1, 1999.
- ii. Withholding Income Tax shall be collected, according to the concerning regulations of the Tax Law and the Detailed Rules, on airplane rentals obtained by foreign enterprises to Chinese airline companies in accordance with rental contracts signed after September 1, 1999. Chinese airline companies shall withhold the Income Tax of the rentals from each payment.

(CAI SHUI ZI No.251 [1999])

5. Benefits Received from Transfer of Property

'Other income' referred to in Article 19 of the Tax Law includes gains from transfer of property including houses, buildings, structures and their attached facilities located in China or from the assignment of right to use of land.

'Gains from transfer of property' referred to in the preceding paragraph means the net gain or profit received from the balance of the transfer after deduction of the original value of the property. The local tax authorities shall assess the original value of the property according to specific conditions if proper evidence on the original value cannot be provided by a foreign enterprise.

(Article 61, the Detailed Rules)

Income Tax shall be exempted, provisionally, on the net income obtained by foreign enterprises from transfer of their own B shares or Chinese offshore shares issued by enterprises in China if those shares do not belong to the foreign enterprise's establishments or sites in China. Tax exemption also applies to the income of foreign individuals from transfer of their own B shares or Chinese offshore issued by enterprises in China.

If foreign enterprises and foreign individuals transfer the stock of the enterprises with foreign investment in China, the Withholding Income Tax or the Individual Income Tax shall be levied at 20% on the excess part of the transfer gains over the investment according to the provisions in Document CAI SHUI WAI ZI No. 033 issued by the Ministry of Finance (87) and in Document CAI SHUI ZI No.114 issued by the Ministry of Finance

(84).

(GUO SHUI FA No.045 [1993])

During the period in which a company may want to reorganize towards establishing stronger management, if foreign enterprises want to transfer their own stock of enterprises in China or enterprises with foreign investment want to transfer stock of enterprises in or outside China to companies with the relation of directly owned, indirectly owned or owned 100% stock by the same person, including the investment companies with that relation inside China, they are allowed to transfer with the cost price. Income Tax shall not be collected because no benefit or loss from transfer of stock occurs.

(GUO SHUI HAN No.207 [1997])

"CCCCP" is the abbreviation of "the Central Committee of Chinese Communist Party"

"SAN LAI YI BU" stands for 4 modes of transnational trade, which are respectively mode of processing with materials supplied by clients outside China, mode of assembling equipment supplied by clients outside China, mode of processing according to the samples provided by oversea clients, and mode of compensation transactions

This English document is not an official translation and is for reference ONLY. In case of discrepancy, the original version in Chinese shall prevail.***)

Suzhou

SZ02 National encouraged industry list for foreign investment.

This document just announces a Format of confirmation report, not the list of industries. Maybe some mistake on the prior translation. But the SZ03 is the encourage list and we digested from internet.

SZ02 国家鼓励发展的内外资项目确认书

(2007-10-18 15:51)

编号:

根据国务院的规定,兹确认:本项目由于 年 月 日 号批复,批准可行性研究报告,请按规定到项目主管地直属海关办理进口设备免税手续。

项目统一编号:

项目产业政策审批条目:

项目单位:

项目性质:

项目内容:

项目执行年限(起始年/终止年):

项目投资总额: 万元人民币

项目用汇额: 万美元

备注:

项目审批部门(签章)

一九九八年 月 日

抄送: 海关(项目主管直属海关)

SZ03 Provisions on Guiding the Orientation of Foreign Investment

Decree [2002] No.346 of the State Council

The Provisions on Guiding the Orientation of Foreign Investment are hereby promulgated and shall enter into force on April 1, 2002.

Premier of the State Council: Zhu Rongji February 11, 2002

Enclosure: The Provisions on Guiding the Orientation of Foreign Investment

Article 1 In order to guide the orientation of foreign investment, to keep the orientation of foreign investment in line with the national economy and social development planning of China, and to protect of the lawful rights and interests of investors, these Provisions have been formulated according to the laws and provision on foreign investment and the requirements of industrial policies of the State.

Article 2 These Provisions shall be applicable to the projects of investment and establishment of Chinese-foreign equity joint ventures, Chinese-foreign contractual joint ventures and foreign-capital enterprises (hereinafter referred to all as enterprises with foreign investment), and projects with foreign investment in other forms (hereinafter referred to as projects with foreign investment) within the territory of China.

Article 3 The Guidance Catalog of Industry with Foreign Investment and the Catalog of Dominant Industries with Foreign Investment of the Mid-west Region shall be formulated by the State Development Planning Commission, the State Economic and Trade Commission, the Ministry of Foreign Trade and Economic Cooperation jointly with other relevant departments under the State Council, and shall be promulgated upon the approval of the State Council; when it is needed to partly adjust the Guidance Catalog of Industry with Foreign Investment and the Catalog of Dominant Industries with Foreign Investment of the Mid-west Region in light of the actual situation, the State Economic and Trade Commission, the State Development Planning Commission, the Ministry of Foreign Trade and Economic Cooperation jointly with the relevant departments under the State Council shall make the revision and promulgation timely.

The Guidance Catalog of Industry with Foreign Investment and the Catalog of Dominant Industries with Foreign Investment of the Mid-west Region shall be the basis of the application of relevant policies in directing and examining and approving projects with foreign investment and enterprises with foreign investment.

Article 4 Projects with foreign investment fall into 4 categories, namely encouraged, permitted, restricted and prohibited ones.

The Projects with foreign investment that are encouraged, restricted and prohibited shall be listed in the Guidance Catalog of Industry with Foreign Investment. And the projects with foreign investment that don't fall into the categories of encouraged, restricted or prohibited projects shall be the permitted projects with foreign investment. The permitted projects with foreign investment shall not be listed in the Guidance Catalog of Industry with Foreign Investment.

Article 5 A project in any of the following situations shall be listed as the encouraged

projects with foreign investment:

- 1) being of new agriculture technologies, agriculture comprehensive development, or energy, transportation and important raw material industries;
- 2) being of high and new technologies or advanced application technologies that can improve the product performance and increase the technology economic efficiency of the enterprises or those that can produce the new equipments and new materials which the domestic production capacity fails to produce;
- 3) meeting the market needs and being able to improve the product level, develop new markets or increase the international competitive capacity of the products;
- 4) being of new technologies and new equipments that can save energy and raw material, comprehensively utilize resources and regenerate resources, and prevent environment pollutions;
- 5) being capable of bring into the advantages of human power and resources of the mid-west region into full play and being in conformity to the industrial policies of the State;
- 6) other situations as provided for by laws and administrative regulations.

Article 6 A project in any of the following situations shall be a restricted project with foreign investment:

- 1) being of technology lagged behind;
- 2) being adverse to saving resources and improving environment;
- 3) engaged in the prospecting and exploitation of the specific type of mineral resources to which the State applies protective exploitation;
- 4) falling into the industries that the State opens step by step;
- 5) other situations as provided by laws and administrative regulations.

Article 7 A project in any of the following situations shall be a prohibited project with foreign investment:

- 1) harming the State safety or impairing the public interests;
- 2) polluting the environment, damaging natural resources or harming human health;

3) occupying too much farmland and being adverse to the protection and development of land resources;

4) harming the safety and usage of military facilities;

5) using the particular techniques or technologies of China to produce products;

6) other situations as provided for by laws and administrative regulations.

Article 8 The Guidance Catalog of Industry with Foreign Investment may provide that a enterprise with foreign investment is "limited to joint venture, contractual venture", "with Chinese party at the holding position" or "with Chinese party at the relatively holding position".

"Limited to joint venture and operative venture" shall refer to that only Chinese-foreign joint ventures and Chinese-foreign contractual joint ventures are allowed; "with the Chinese parties at the holding position" shall refer to that the total investment proportion of the Chinese parties in the project with foreign investment shall be 51% or more; "with Chinese parties at the relatively holding position" shall refer to that the total investment proportion of the Chinese parties in the project with foreign investment shall be higher than the investment proportion of any foreign party.

Article 9 Apart from enjoying the preferential treatments according to the provisions of the relevant laws and administrative regulations, the encouraged projects with foreign investment that engage in the construction and operation of energy, transportation, municipal infrastructure (coal, oil, natural gas, electric power, railways, highways, ports, airports, city roads, sewage disposition, and garbage disposition, etc.) that needs large amount of investment and long term for recovery may expand their relevant business scope upon approval.

Article 10 The permitted projects with foreign investment of which the products are all directly exported shall be regarded as the encouraged project with foreign investment; the restricted projects with foreign investment of which the export sales accounts for more than 70% of their total amount of sales may be regarded as the permitted projects with foreign investment upon the approval of the people's governments of provinces, autonomous regions, municipalities directly under the Central Government and municipalities separately listed on the State plan or the competent department under the State Council.

Article 11 The conditions may be eased for the permitted and restricted projects with foreign investment that really can bring the advantages of the mid-west region into full play; among which, those listed in the Guidance Catalog of Industry with Foreign

Investment may enjoy the preferential policies for the encouraged projects with foreign investment.

Article 12 Projects with foreign investment shall be examined and approved, and put on record respectively by the departments of development planning and the economic and trade departments according to the limit of authority for examination and approval; the contracts and articles of association of enterprises with foreign investment shall be examined and approved, and put on record by the departments of foreign trade and economic cooperation. Among which, the projects with foreign investment under the limit for restricted projects with foreign investment shall be subject to the examination and approval of the corresponding competent departments of the people's governments of the provinces, autonomous regions, municipalities directly under the Central Government and municipalities separately listed on the State plan, and shall be reported to the competent departments at the next higher level and the competent industrial departments, the power for examination and approval of this kind of projects may not be granted to the authorities at lower levels. The projects with foreign investment in the service area that are opened to the outside world step by step shall be subject to the examination and approval according to the relevant provisions of the State.

The projects with foreign investment involving quotas and licenses must apply to the departments for quotas and licenses first.

Where there are otherwise provisions of laws and administrative regulations on the procedures and measures for the examination and approval of projects with foreign investment, those provisions shall be observed.

Article 13 With respect to the projects with foreign investment examined and approved in violation of the present provisions, the organ of examination and approval at the next higher level shall cancel it within 30 workdays from the day of receiving the documents for record of that project, its contract and articles of association shall be void, the department of enterprise registration shall not register it and the customs shall not handle the procedures for import and export for it.

Article 14 Where the applicant of a project with foreign investment manages to obtain the approval for the project by deceiving or other illicit means, his legal liabilities shall be investigated for according to law regarding the seriousness of the circumstances; the organ of examination and approval shall cancel the approval for that project and the relevant competent organs shall deal with it correspondingly according to law.

Article 15 Where any of the personnel of the organ of examination and approval abuses his power or neglects his duties, criminal responsibilities shall be investigated for according to the provisions of the criminal law on the crime of abusing powers or the crime of neglecting duties; where the circumstances are not serious enough for criminal punishment, administrative punishment of recording a special demerit or more severe

punishment shall be given.

Article 16 With respect to the investment projects established by overseas Chinese and the investors from the Hong Kong Special Administration Region, Macao Special Administrative Region or Taiwan Area, these Provisions shall be applicable by reference in implementation.

Article 17 These Provisions shall enter into force on April 1, 2002. The Interim Provisions on the Guidance of Foreign Investment Directions approved by the State Council on June 7, 1995 and promulgated by the State Planning Commission, the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Cooperation on June 20, 1995 shall be nullified simultaneously.

SZ05 The Preferential Policies for Foreign Investment in Suzhou Industrial Park.

Suzhou Industrial Park (SIP) is a cooperative project of priority between Chinese and Singaporean governments

Start-up Procedure

Investors who wish to set up their operations in Suzhou Industrial Park may select from the following options:

- 1) Buy land to build their own factories;
- 2) Rent ready-built factories of different types, such as: Terrace Factory, Workshops, Freestanding Factory and Multi-storey Factory.

If the enterprise is export oriented, we recommend you consider to locate in Export Processing Zone (EPZ), where the above options are also available.

Tax Incentives

The preferential tax incentives available to foreign manufacturing enterprises and infrastructure developers in the park are shown in the table below.

| Corporate Income Tax | Tax Rate | Reduction/Exemption Policy |
|--|----------|----------------------------|
| Foreign Invested Enterprises of manufacturing Nature | | |

| | | |
|---|-------------|--|
| General | 15% | Exempted from 3% Local Corporate Income Tax. |
| Period of operation exceeds 10 years | 15% | As above. In addition, 2 years exemption plus 3 years half tax at the rate of 7.5% from the first profit-making year. |
| Exporting enterprises | 15% | As above. After first 5 years of enjoying the additional tax incentive, if export value in any year exceeds 70% of output value, tax rate is reduced to 10%. |
| Technologically advanced enterprises | 15% | As above. After first 5 years of enjoying the additional tax incentive, further 3 years of Corporate Income Tax rate at 10%. |
| Others | | |
| Enterprises developing harbors, wharves & other infrastructure | 15% | If intended period of operation exceeds 15 years, exemption for 5 years from the first profit-making year and reduced tax rate of 7.5% for another 5 years. |
| Financial Institutions with more than US\$10 million capital investment | 15% | Must exceed 10 years period of operation Exemption for 1st profit-making year and reduced tax rate of 7.5% for another 2 years. |
| Tax Rebates for re-investments | | |
| Re-investments in the same enterprise, or a new FIE | 40% Rebate | New FIE must have an operation period of more than 5 years; Rebate amount is 40% of corporate income tax that has been paid on sum re-invested. |
| Re-investment in export-oriented or advanced technology enterprises | 100% Rebate | New FIE must have an operation period of more than 5 years; 100% rebate on corporate income tax that has been paid on sum re-invested. |
| Withholding Tax | | |
| Dividends remitted to foreign shareholders | 0% | Complete Exemption |
| Interests, rental, leasing | 10% | May be further reduced depending |

| | | |
|---|--|---|
| payment, capital gains, or franchise fees | | on Double Taxation Agreements signed between China and other countries after payment of 5% business tax |
|---|--|---|

Legal Services

There are tens of partnership law firms in Suzhou, which are recognized by China's Ministry of Law. They are specialized in corporate law, finance (bank, securities) law, foreign investment law, property law, and intellectual property law, etc.

Above policies in English was collected from the government website of <http://www.cssd.com.cn/qdms.htm#1>.

SZ05 苏州工业园区投资优惠政策 (2007-10-18 15:46)

园区被授予许多具有唯一性的特殊政策,形成了“不特有特、特中有特”政策优势。

拥有上不封顶的自行审批特权。凡符合国家产业政策的外资项目,园区均可自行审批。

拥有灵活高效的外事管理权。享有公务出境任务审批、颁发公务护照、向外国驻华使领馆申办签证及签发境外人员入境签证通知函电等管理权限。

拥有中国唯一的区域性公积金制度。具有“企业提得少、个人留得多、保障待遇稳定、有利于吸引人才和留住人才”等优点。

拥有快速的物流通关优势。苏州工业园区作为中国率先进行通关作业制度改革和现代物流试点的区域,不仅拥有独立的海关、高效的绿色通道、具有内陆口岸功能的进出口货物分流中心,而且经国务院批准还可在区内设立现代物流园、允许成立外商独资或中外合作经营的国际物流公司,上海机场监管仓库可直接延伸至园区,使区内企业通关效率大幅度提高。

税收优惠政策

进区的生产性外商投资企业及经认定的高新技术企业按照国家政策可享受 15% 的所得税税率,并免征 3% 的地方所得税;经营期在 10 年以上的,从开始获利年度起,可享受“免二减半”的优惠。

外商投资举办产品出口企业或先进技术企业,在依照税法规定免征、减征企业所得税期满后,凡当年出口产品产值 70% 以上的,可享受 10% 的优惠税率;仍为先进技术企业的,可按规定延长 3 年享受 10% 的优惠税率。

从事农业、林业、牧业的外商投资企业在享受“免二减半”期满后,经批准 10 年内可按应纳税额减征 15% 至 30% 的所得税。

进区外商投资企业的外国投资者,将企业利润直接再投资以增加注册资本或开办其他外资企业,经营期不少于 5 年的,经批准可退回其再投资部分已缴所得税的 40% 税款。其中,再投资举办出口企业或先进技术企业,可退回其再投资部分已缴所得税全部税款。外商投资企业和外国企业在中国境内设立机构、场所,按照国家有关规定,在投资总额内购买国产设备的可按该设备投资的 40% 从当年新增所得税中抵免;技术开发费比上年增长 10% 以上,经批准可再按技术开发费实际发生额的 50% 抵扣当年度应纳税所得额。

外国企业从园区取得的股息、利息、租金、特许权使用费和其他所得,除依法免征所得

税的以外，都可以减按 10%的税率征收预提所得税。

集成电路和软件产业享受国发[2001]18 号文件规定的优惠政策。

SZ06 The encourage and important List for foreign investment in Suzhou.

This document shows that the encourage projects includes the items of your client's, it is the Article 15 All of the production will be exporting or no environment pollution

SZ06 苏州市鼓励外商投资重点产业目录

(2007-10-18 15:45)

(十五) 产品全部直接出口及环境无污染的允许类项目

Changshu

CS01 Preferential Policies

Tax Policy

1. Income tax is 24%
2. Technology centralization, knowledge centralization enterprise; over USD30million investment; Power, communication and port building investment. All of above will get 15% income tax.
3. it's about port building enterprise
4. it's for farming, forestry, animal husbandry etc.
5. After the term of preferential time, the enterprises whose 70% products will be exported to the abroad will acquire the half tax of income, but the lowest tax is not less than 10%.
6. If foreign investment use the profit to re-invest in China and operate not less than 5 years, will be draw back 40% income tax from the re-invest. And if re-invest on product export enterprise or high-tech enterprise, will be draw back all income tax.
7. Foreign investment purchase China made machinery, can get the tax draw back from the government.
8. If the tech-development fee increase 10% than last year, the half of real happens can deduction the same amount of income tax.

Ground Policy,

Just announce that investment can rent four kind of ground, national owned, collective owned, etc.

Talent Policy

Do not collect the municipal charge for the enterprises who employ the graduate students, middle- technical students etc.

CS01 优惠政策

发布时间: 2006-03-21 14:30:09

税收政策

1. 外商投资的生产性企业, 所得税率为 24%, 其中经营期在 10 年(含 10 年)以上的, 从获利年度起, 前 2 年免征, 后 3 年减半征收, 减免期间免征地方所得税。

2. 从事下列投资项目的生产性外商投资企业, 报经国家税务总局批准, 可按 15% 税率征收企业所得税, 并免征地方所得税。

① 技术密集、知识密集的项目;

② 外商投资在 3000 万美元以上, 回收投资时间长的项目;

③ 能源、交通、港口建设的项目。

3.从事港口码头建设的中外合资企业，经营期在 15 年以上的，报经省级税务机关批准，从获利年度起，前 5 年免征，后 5 年减半征收。

4.从事农、林、牧业投资的外商投资企业，在减免税期满后，报经税务部门批准，在以后的 10 年内可继续按应纳税率减征 15%-30% 的企业所得税。

5.产品出口型企业在规定的减免所得税期满后，当年产品出口比例超过 70%，可按现行税率减半征收；先进技术企业在规定减免所得税期满后，可延长 3 年减半期。减半后税率低于 10% 的，按 10% 征收。

6.外资企业利用分得的利润在中国境内再投资且经营不少于 5 年的，退还再投资部分所得税款的 40%，若再投资建办产品出口型企业或技术先进性企业，则退还再投资部分全额所得税。

7.外资企业采购国产设备可根据国家规定享受退税优惠。外资企业采购国产设备，符合国家规定的，投资的 40% 可从购置设备当年比前一年新增的企业所得税中抵免。

8.外资企业技术开发费比上年增长 10%（含 10%）的，技术开发费实际发生额的 50% 可抵扣当年度的应纳税所得税额。

土地政策

对外商投资企业实行有偿用地原则，主要有四种方式：国有土地使用权出让；国有土地使用权租赁；集体土地使用权转让；集体土地使用权租赁。

人才政策

对外商投资企业引进的大学本科毕业生、紧缺专业的大学专科毕业生和中级技术职称以上各类人才的户口迁入，不收取城市建设费。

Zhejiang

ZJ02 Provisions of the State Council concerning the encouragement of investments by compatriots from Taiwan

Important Notice:

This English document is coming from the "LAWS AND REGULATIONS OF THE PEOPLE'S REPUBLIC OF CHINA GOVERNING FOREIGN-RELATED MATTERS" (1991.7) which is compiled by the Bureau of Legislative Affairs of the State Council of the People's Republic of China, and is published by the China Legal System Publishing House. In case of discrepancy, the original version in Chinese shall prevail.

Whole Document (法规)

PROVISIONS OF THE STATE COUNCIL CONCERNING THE ENCOURAGEMENT OF INVESTMENTS BY COMPATRIOTS FROM TAIWAN

(Adopted by the Tenth Executive Meeting of the State Council on June 25, 1988, promulgated by Decree No. 7 of the State Council of the People's Republic of China on July 3, 1988, and effective as of the date of promulgation)

Article 1

These Provisions are formulated in order to promote economic and technological exchanges between China's mainland and the region of Taiwan, thereby boosting common prosperity of the two parts of the motherland on both sides of the Straits, and to encourage companies, enterprises and individuals on Taiwan (hereinafter referred to as "investors from Taiwan") to make investments on China's mainland.

Article 2

Investors from Taiwan may make investments in all provinces, autonomous regions, municipalities directly under the Central Government, and special economic zones on China's mainland.

Investors from Taiwan are encouraged to engage themselves in land development operations in Hainan Province and on the designated islands and in areas along the coastal regions of the Provinces of Fujian, Guangdong and Zhejiang.

Article 3

The investments made by investors from Taiwan on China's mainland may take the following forms:

- (1) to establish enterprises with the capital wholly owned by investors from Taiwan;
- (2) to establish equity or contractual joint ventures;
- (3) to carry out compensation trade, to process supplied materials, to assemble supplied parts, and to carry out contractual production;
- (4) to purchase shares and various kinds of bonds and debentures of existing enterprises;
- (5) to purchase real estate;
- (6) to obtain land use right according to law and to engage in land development operations; and
- (7) to adopt other forms of investment permitted under the laws and regulations.

Article 4

Investors from Taiwan may make investments in various trades in China's mainland: industries, agriculture, service trades, and other trades that are in conformity with the orientation of social and economic development. Investors from Taiwan may select investment projects from the lists of projects published by the departments concerned under various local people's governments; they may also put forward, of their own accord, proposals as to their investment intent and file their applications to the departments of foreign economic relations and trade or to the examining and approving organs designated by various local people's governments in areas where they intend to make investments.

The State encourages investors from Taiwan to make investments in the establishment of export oriented enterprises and of technological advanced enterprises and gives corresponding preferential treatment to such enterprises.

Article 5

With respect to the various types of enterprises established with investments by investors from Taiwan - enterprises with the capital wholly owned by investors from Taiwan, equity and contractual joint ventures (hereinafter referred to as "enterprises with investments by compatriots from Taiwan"), they shall all be operated in accordance with these Provisions; in addition to this, they may also enjoy the corresponding preferential treatment as enjoyed by enterprises with foreign investments

with reference to the relevant provisions in foreign-related economic laws, decrees and regulations of the state.

With respect to the other forms of investment made by investors from Taiwan on China's mainland, and with respect to those investors from Taiwan who have not set up business offices on the mainland, but have dividends, interest, rental, royalties and other incomes that come from China's mainland, in addition to the application of these Provisions, reference shall be made to the relevant foreign-related economic law, decrees and regulations.

Article 6

Investors from Taiwan may make investments by using freely convertible currencies, machinery and equipment or other physical goods, industrial property right, and proprietary technology.

Article 7

The investments made on China's mainland by investors from Taiwan, the assets they have purchased, their industrial property rights, their profits from investments, and other lawful rights and interests shall be protected by state laws, and may be transferred or inherited according to law.

Investors from Taiwan shall, in their activities on China's mainland, abide by state laws, decrees and regulations.

Article 8

The state shall not nationalize the investments made by investors from Taiwan or other assets belonging to them.

Article 9

Where the state, in light of the needs of social and public interest, has to requisition the enterprises with investments by compatriots from Taiwan, the State shall handle the requisitioning according to the legal procedures and the investors concerned shall be duly compensated.

Article 10

The lawful profits gained by the investors from Taiwan from their investments, their other lawful income and the funds after liquidation may be remitted out of China's mainland according to law.

Article 11

Machinery and equipment imported to meet the needs of the enterprises with investments by compatriots from Taiwan and included in the total amount of investment, the motor vehicles for use in production, the office equipment, as well as the articles and means of communications for personal use and within reasonable quantities, imported by individual compatriots from Taiwan during the period when they work in the aforesaid enterprises shall be exempted from Customs duties and consolidated industrial and commercial tax, and also from application of import licences.

The raw and processed materials, fuels, bulk parts, spare and component parts, primary parts, and fittings, which are imported by the enterprises with investments by compatriots from Taiwan for the production of export commodities, shall all be exempted from Customs duties and consolidated industrial and commercial tax and also from obtaining import licences, and placed under the supervision of the Customs. In case that the aforesaid imported raw materials and parts are used for the production of commodities to be sold on the market of China's mainland, it is imperative to make up the procedures for importation and to pay taxes and duties according to the regulations. The export commodities produced by the enterprises with investments by compatriots from Taiwan shall, with the exception of those commodities the export of which is under restriction by the state, be exempted from Customs duties on export goods and consolidated industrial and commercial tax.

Article 12

Enterprises with investments by compatriots from Taiwan may obtain loans from financial institutions of China's mainland; they may also obtain loans from financial institutions outside China's mainland, and may use their assets as well as their rights and interests as mortgage or security.

Article 13

With respect to the enterprises with the capital wholly owned by investors from Taiwan, their period of operation shall be determined by the investors themselves; as to equity and contractual joint ventures their period of operation shall be determined, through consultation, by the various parties to the ventures, they may also choose not to stipulate a period of operation.

Article 14

The composition of the board of directors of equity joint ventures and the appointment of the chairman of the board of directors, the composition of the board of directors or of the joint managerial organs of contractual joint ventures and the appointment of the chairman or the appointment of the director of the joint managerial organs, shall be determined, through consultation, by the various parties to the equity or contractual joint ventures in light of the proportion of investments or the terms of contract.

Article 15

Enterprises with investments by compatriots from Taiwan shall conduct their operational and managerial activities in accordance with the approved contract or articles of association. The enterprises' decision-making power for business operations and management shall not be interfered with.

Article 16

The technical and managerial personnel, engaged by individuals and enterprises investing on China's mainland may apply and obtain multiple-journey travel documents.

Article 17

The investors from Taiwan, who make investments on China's mainland, may appoint their relatives or friends residing on the mainland as their agents. The agents should hold legally effective letters of authority.

Article 18

In areas where enterprises with investments by compatriots from Taiwan are concentrated, the investors from Taiwan may apply to the local people's government for the establishment of the association of investors from Taiwan.

Article 19

With respect to equity and contractual joint ventures to be established, on China's mainland, with investments by investors from Taiwan, the application for the establishment of the aforesaid enterprises shall be filed by the mainland party; as to the enterprises to be established with capital wholly owned by investors from Taiwan, the application shall be filed directly by the investors from Taiwan themselves, or they may entrust their relatives or friends residing on the mainland, or entrust the institution providing advisory services, with the application. The applications for the establishment of enterprises with investments by investors from Taiwan shall be accepted and handled, in a unified manner, by the local department for foreign economic relations and trade, or by the examining and approving organs designated by the local people's government. Cases concerning the examination and approval of the application for the establishment of enterprises with investments by compatriots from Taiwan shall be handled in accordance with the authority prescribed by the State Council. Departments for foreign economic relations and trade at various levels or the examining and approving organs designated by the local people's government shall, within forty-five days of receipt of complete application documents, make the decision on whether the said application is approved or disapproved.

The applicants shall, within thirty days receipt of the written approval, file an application to the department for the administration of industry and commerce, and, in accordance with the relevant procedures for registration and administration, go through the procedures for registration and obtain business licences.

Article 20

With respect to the investors from Taiwan who have made investments in China's mainland, in case that a dispute arises during the execution of, or in connection with, a contract, the parties concerned shall try their best to settle the dispute through consultation or mediation.

Where the parties concerned are unwilling to settle the dispute through consultation or mediation, or the consultation or mediation has failed, the parties concerned may, in accordance with the stipulation of the arbitration articles in the contract, or in accordance with the written arbitration agreement reached by the parties concerned after the dispute has arisen, submit their dispute to the arbitration authorities on China's mainland or in Hong Kong for settlement.

In the event that the parties concerned did not include an arbitration article in their contract, and on written arbitration agreement has been reached after the dispute has arisen, then the dispute may be brought before the people's court.

Article 21

The right to interpret these Provisions resides in the Ministry of Foreign Economic Relations and Trade.

Article 22

These Provisions shall go into effect as of the date of promulgation.

ZJ04 Provisions of the State Council concerning the encouragement of Investments by overseas Chinese and Compatriots from HongKong and Macao

Important Notice:

This English document is coming from the "LAWS AND REGULATIONS OF THE PEOPLE'S REPUBLIC OF CHINA GOVERNING FOREIGN-RELATED MATTERS" (1991.7)

which is compiled by the Bureau of Legislative Affairs of the State Council of the People's Republic of China, and is published by the China Legal System Publishing House.

In case of discrepancy, the original version in Chinese shall prevail.

Whole Document

PROVISIONS OF THE STATE COUNCIL CONCERNING THE ENCOURAGEMENT OF INVESTMENTS BY OVERSEAS CHINESE AND COMPATRIOTS FROM HONG KONG AND MACAO

(Promulgated by Decree No. 64 of the State Council of the People's Republic of China on August 19, 1990, and effective as of the date of promulgation)

Article 1

These Provisions are formulated with a view to promoting the economic development of our country and to encouraging overseas Chinese and compatriots from Hong Kong and Macao (hereinafter referred to as "overseas Chinese investors and those from Hong Kong and Macao") to make investments in China's inland areas.

Article 2

Overseas Chinese investors and those from Hong Kong and Macao can make investments in the various provinces, autonomous regions, municipalities directly under the Central Government, and special economic zones in China's inland areas.

Overseas Chinese investors and those from Hong Kong and Macao are encouraged to engage themselves in business operations of land development in accordance with the pertinent regulations of the state.

Article 3

The investments made by the overseas Chinese investors and those from Hong Kong and Macao may take the following forms:

- (1) to establish enterprises with the capital wholly owned by the overseas Chinese investors and those from Hong Kong and Macao;
- (2) to establish equity joint ventures and contractual joint ventures;
- (3) to carry out compensation trade, to process supplied materials, to assemble supplied parts, and to carry out contractual production;
- (4) to purchase shares and various bonds and debentures of existing enterprises;
- (5) to purchase real estate;
- (6) to obtain land use right according to law and to engage in land development operation;
- (7) to use other forms of investment permitted under the laws and regulations.

Article 4

Overseas Chinese investors and those from Hong Kong and Macao can make investments in various trades in China's inland areas: in industries, in agriculture, in service trades, and in other trades that are in conformity with the orientation of social and economic development. Overseas Chinese investors and compatriots from Hong Kong and Macao may select their investment projects from the lists of projects made public by the departments concerned under various local people's governments; they may also put forward, of their own accord, proposals as to their investment intent and file their applications to the departments of foreign economic relations and trade or to the examining and approving organs designated by various local people's governments located in areas where they intend to make their investments.

The State encourages overseas Chinese investors and those from Hong Kong and Macao to make investments in the establishment of export-oriented enterprises and of technologically advanced enterprises, and gives corresponding preferential treatment to such enterprises.

Article 5

With respect to the various types of enterprises established with investments by overseas Chinese investors and those from Hong Kong and Macao - enterprises with the capital wholly owned by such investors equity, joint ventures, and contractual joint ventures (hereinafter referred to as "enterprises with investments by overseas Chinese and compatriots from Hong Kong and Macao"), they shall all be operated in accordance with these Provisions; in addition, they may also enjoy the corresponding preferential treatment as enjoyed by enterprises with foreign investments, in the light of the relevant provisions in the state laws, decrees and regulations on external economic relations. Cases concerning other forms of investment made by such investors in China's inland areas, and concerning their dividends, interest, rental, royalties

and other incomes that come from China's inland areas without establishing business offices here, shall be handled in accordance with these Provisions, and, if need be, with reference to foreign-related economic laws, decrees and regulations of the State.

Article 6

Overseas Chinese investors and those from Hong Kong and Macao may make their investments by using convertible currencies, machinery and equipment or other physical goods industrial property rights, and proprietary technology.

Article 7

The investment made in China's inland areas by overseas Chinese investors and those from Hong Kong and Macao, the assets they have purchased, their industrial property rights, the profits from their investments, and other lawful rights and interests shall be protected by State laws, and may be transferred or inherited according to law. Overseas Chinese investors and those from Hong Kong and Macao shall abide by State laws and regulations in their activities in inland areas.

Article 8

The State shall not nationalize the investment made by overseas Chinese investors and compatriots from Hong Kong and Macao or other assets belonging to them.

Article 9

Where the state, in accordance with the needs of social and public interest, has to requisition the enterprises with investments by overseas Chinese investors and those from Hong Kong and Macao, the state shall handle the case according to the legal procedures and the investors concerned shall be duly compensated.

Article 10

The lawful profits gained by overseas Chinese investors and those from Hong Kong and Macao from their investments, their other lawful incomes and the funds after liquidation may be remitted out of China's inland areas according to law.

Article 11

Machinery and equipment imported to meet the needs of enterprises with investments by overseas Chinese and compatriots from Hong Kong and Macao and, included in the total amount of investment, motor vehicles for use in production, office equipment, as well as articles and means of communications for personal use and within reasonable quantities, imported by overseas Chinese and compatriots from Hong Kong and Macao during the period when they work in the aforesaid enterprises shall be exempted from Customs duties and consolidated industrial and commercial tax, and also from the application for import licences.

The raw and processed materials, fuels, bulk parts, spare and component

parts, primary parts, and fittings, which are imported by enterprises with investments by overseas Chinese and compatriots from Hong Kong and Macao for the production of export commodities, shall all be exempt from Customs duties and consolidated industrial and commercial tax and also from the application for import licences and placed under the supervision of the Customs. In case that the aforesaid imported materials and parts are used for the production of commodities to be sold on China's inland markets, it is imperative to make up the procedures for importation and to pay taxes and duties according to the regulations.

The export commodities produced by the enterprises with investments by overseas Chinese and compatriots from Hong Kong and Macao shall, with the exception of those commodities the exportation of which is under restriction by the State, be exempt from Customs duties on export goods and consolidated industrial and commercial tax.

Article 12

Enterprises with investments by overseas Chinese and compatriots from Hong Kong and Macao may obtain loans from financial institutions in China's inland areas; they may also obtain loans from financial institutions outside China's inland areas, and may use their assets as well as their rights and interests as mortgage or security.

Article 13

With respect to enterprises with the capital wholly owned by overseas Chinese investors and compatriots from Hong Kong and Macao, their period of operation shall be determined by the investors themselves; as to equity joint ventures and contractual joint ventures, their period of operation shall be determined, through consultation, by the various parties to the above-said joint ventures; they may also set no limit to the period of operation.

Article 14

The composition of the board of directors of joint ventures and the appointment of the chairman of the board of directors, the composition of the board of directors or of the joint management organs of contractual joint ventures and the appointment of the chairman or the appointment of the director of the joint management organs, shall be determined, through consultation, by the various parties to the equity joint ventures or to the contractual joint ventures in the light of the proportion of investments or the terms of contract.

Article 15

Enterprises with investments by overseas Chinese and compatriots from Hong Kong and Macao shall conduct their operational and management activities in accordance with the approved contract or articles of association. The enterprises' decision-making power for business operations and management shall not be interfered with.

Article 16

Overseas Chinese and compatriots from Hong Kong and Macao who have made investments in China's inland areas, and the technical and managerial personnel engaged from outside the boundaries of China's inland areas by enterprises with investments by overseas Chinese and compatriots from Hong Kong and Macao, may apply for multi-journey travel documents.

Article 17

Overseas Chinese investors and those from Hong Kong and Macao who make investments in China's inland areas may appoint their relatives or friends residing in the inland areas as their agents. The agents should hold legally effective letters of authority.

Article 18

In areas where enterprises with investments by overseas Chinese and compatriots from Hong Kong and Macao are concentrated, overseas Chinese investors and those from Hong Kong and Macao may apply to the local people's government for the establishment of the association of overseas Chinese investors and investors from Hong Kong and Macao.

Article 19

With respect to equity joint ventures and contractual joint ventures to be established in China's inland areas, with the investments by overseas Chinese investors and those from Hong Kong and Macao, the application for the establishment of the aforesaid enterprises shall be filed by the inland party; as to the enterprises to be established with capital wholly owned by overseas Chinese investors and those from Hong Kong and Macao, the application shall be filed directly by such investors themselves, or they may entrust their relatives or friends residing in China's inland areas, or entrust the institution providing consultancy services, with the application. Applications for the establishment of enterprises with investments by overseas Chinese and compatriots from Hong Kong and Macao shall be accepted and handled exclusively by the local department for foreign economic relations and trade, or by the examining and approving organs designated by the local people's government.

The examination and approval of the applications for the establishment of enterprises with investments from overseas Chinese and compatriots from Hong Kong and Macao shall be handled in accordance with the authorization by the State Council. Departments for foreign economic relations and trade at the various levels or the examining and approving organs designated by the local people's government shall, within forty-five days of receipt of complete application documents, make the decision on whether the said application is approved or disapproved.

The applicant shall, within thirty days of receipt of the written approval, file an application to the department for the administration of industry and commerce, and, in accordance with the relevant procedures for

registration and administration, go through the procedures for registration and obtain the business licence.

Article 20

With respect to overseas Chinese investors and those from Hong Kong and Macao who have made investments in China's inland areas, in case that a dispute arises during the execution of or in relation to a contract, the parties concerned shall try their best to settle the dispute through consultation or mediation.

In case that the parties concerned are unwilling to settle the dispute through consultation or mediation, or the dispute cannot be settled through consultation or mediation, the parties concerned may, in accordance with the stipulations of the arbitration articles in the contract, or in accordance with the written arbitration agreement reached by the parties concerned after the dispute has arisen, submit their dispute to the arbitration authorities in China's inland areas or elsewhere for settlement.

In the event that the parties concerned did not specify an arbitration article in their contract, and no written arbitration agreement has been reached after the dispute occurs, then the dispute may be brought before the people's court.

Article 21

The right to interpret these Provisions rests with the Ministry of Foreign Economic Relations and Trade.

Article 22

These Provisions shall go into effect as of the date of promulgation.

ZJ05 Using Foreign Investment to Reorganize State-owned Enterprises Tentative Provisions

Using Foreign Investment to Reorganize State-owned Enterprises Tentative Provisions
(Promulgated by the State Economic and Trade Commission, the Ministry of Finance,
the State Administration for Industry and Commerce and the State Administration of
Foreign Exchange on 8 November 2002 and effective as of 1 January 2003.)

Article 1 These Provisions have been formulated pursuant to the PRC, Company Law, the PRC, Contract Law and State laws and regulations concerning foreign investment and administration of State-owned assets, in order to attract and regulate the use of foreign investment to reorganize State-owned enterprises, promote the strategic restructuring of the State-owned economy, accelerate the pace at which State-owned enterprises establish modern corporate systems and safeguard social stability.

Article 2 These Provisions shall govern the use of foreign investment to reorganize State-owned enterprises and company system enterprises with State-owned equity (with the exception of financial enterprises and listed companies) or to establish them as company system foreign-invested enterprises (hereafter, Use of Foreign Investment to Reorganize State-owned Enterprises).

Article 3 For the purpose of these Provisions, the Use of Foreign Investment to Reorganize State-owned Enterprises shall include the following:

1. the owner of State-owned property rights in a State-owned enterprise assigns all or part of the property rights to a foreign company, enterprise or other economic organization or individual (Foreign Investor) and the enterprise is reorganized as a foreign-invested enterprise:

2. the owner of State-owned equity in a company system enterprise assigns all or part of the State-owned equity to a Foreign Investor and the enterprise is reorganized as a foreign-invested enterprise:

3. the domestic creditor of a State-owned enterprise assigns its claim to a Foreign Investor and the enterprise is reorganized as a foreign-invested enterprise:

4. a State-owned enterprise or a company system enterprise with State-owned equity sells all or its main assets to a Foreign Investor and the Foreign Investor uses the assets that it purchased, alone or together with the enterprise that sold the assets, to establish a foreign-invested enterprise: or

5. a State-owned enterprise or a company system enterprise with State-owned equity attracts investment from a Foreign Investor to increase its capital and its shares and the enterprise is reorganized as a foreign-invested enterprise.

Article 4 The State-owned enterprises and company system enterprises described

in Items (1), (2), (3) and (5) of Article 3 hereof shall be termed "Enterprises to be Reorganized".

The State-owned property rights of State-owned enterprises and the State-owned equity of company system enterprises shall collectively be termed "State-owned Property Rights". The owners of State-owned property rights and State-owned equity shall collectively be termed "Owners of State-owned Property Rights".

The term "Owner of State-owned Property Rights" means a department authorized by the State or an organization, an enterprise owning State-owned capital or other economic organization authorized to invest by the State. The Owners of State-owned Property Rights, creditors of State-owned enterprises that assign their claims and enterprises that sell their assets shall collectively be termed the "Reorganizing Party".

Article 5 The Reorganizing Party shall select a Foreign Investor that satisfies the following conditions:

1. having the business qualifications and technical level required by the Enterprise to be Reorganized;
2. having a fine business reputation and management capabilities; and
3. having a solid financial position and economic strengths.

The Reorganizing Party shall require the Foreign Investor to submit a restructuring programme to improve the enterprise's corporate governance structure and promote the sustained growth of the enterprise. The restructuring programme shall include the development of new products, technical transformation and a related investment plan, measures to strengthen corporate management, etc.

Article 6 The following principles shall be complied with when Using Foreign Investment to Reorganize State-owned Enterprises:

1. abiding by State laws and regulations and ensuring the economic security of the State;
2. satisfying the requirements of State industrial policy: if the business scope of the enterprise (including those enterprises in which it has a direct or indirect interest) is in an industry in which foreign investment is prohibited by the Foreign Investment Industrial Guidance Catalogue, Foreign Investors may not participate in the reorganization; if the enterprise is one in which the Chinese party must have a controlling interest or a relative controlling interest, the Chinese party shall maintain its controlling interest or relative controlling interest after the reorganization;

3. being beneficial in the economic restructuring effort and promoting the optimal deployment of State-owned capital;

4. emphasizing the introduction of advanced technology and management experience, establishing a compliant corporate governance structure and promoting corporate technical advance and industrial upgrading;

5. adhering to the principles of openness, fairness, impartiality and good faith, preventing the loss of State-owned assets, not evading, repudiating or suspending the claims of banks and other creditors, not prejudicing the lawful rights and interests of staff and workers and safeguarding the lawful rights and interests of Foreign Investors; and

6. promoting fair competition and not leading to monopolization of the market.

Article 7 Prior to the assignment of the property rights of a State-owned enterprise or a wholly State-owned company or the State-owned equity of a limited liability company invested in and established by two or more State-owned enterprises or two or more State-owned investment entities other than State-owned enterprises, the Reorganizing Party shall seek the opinions of the staff and worker congress of the Enterprise to be Reorganized. The assignment of the State-owned equity of a company system enterprise shall require the consent of the shareholders' meeting of the Enterprise to be Reorganized. If claims against a State-owned enterprise are to be assigned, the consent of the Owner of the State-owned Property Rights of the Enterprise to be Reorganized shall be required. Prior to selling all of or its main assets, the enterprise shall obtain the consent of the Owner of the State-owned Property Rights of the enterprise or the shareholders' meeting of the enterprise and notify its creditors thereof.

Article 8 The Use of Foreign Investment to Reorganize a State-owned Enterprise shall satisfy the following requirements:

1. Prior to the reorganization of the enterprise, the Owner of the State-owned Property Rights shall arrange for an inventory of the assets, a determination of the property rights and a screening of the claims and debts of the Enterprise to be Reorganized, engage qualified intermediary organizations to conduct a financial audit and to conduct an asset appraisal in accordance with such relevant regulations as the Administration of State Asset Valuation Procedures (State Council Order No.91), the Several Issues Concerning the Administration of State Asset Valuation Provisions (Ministry of Finance Order No.14), etc. After the appraisal results have been approved or placed on the record in accordance with regulations, they shall serve as the basis for determining the price of the State-owned Property Rights or assets.

2. If the controlling interest in the enterprise is to pass to, or if all or the main business assets of the enterprise are to be sold to, the Foreign Investor after the reorganization, the Reorganizing Party and the Enterprise to be Reorganized shall

formulate an appropriate plan to settle the staff and workers that shall be subject to the approval of the staff and worker congress. The Enterprise to be Reorganized shall use its existing assets to pay in full all such expenses as the wages of its staff and workers, non-refunded pooled wages, unpaid social insurance premiums, etc. The Enterprise to be Reorganized shall offer its staff and workers two options. It shall, in accordance with the law, execute new labour contracts with, or amend the labour contracts of, its staff and workers who are kept on. It shall, in accordance with the law, pay severance pay to those staff members and workers whose labour contracts are terminated and for those staff and workers, the responsibility for whom is transferred to the social insurance authority, it shall pay in full in one lump sum the social insurance premiums. The funds required shall be deducted from the net assets of the Enterprise to be Reorganized before the reorganization or on a priority basis from the proceeds derived by the Owner of the State-owned Property Rights from the assignment of the State-owned Property Rights.

3. If the reorganization is to be effected through the sale of assets, the original enterprise shall succeed to the enterprise's claims and debts, otherwise the reorganized enterprise shall succeed to the enterprise's claims and debts. The assignment of mortgaged or pledged State-owned Property Rights or assets shall comply with the relevant provisions of the PRC Security Law. The successor to the debts shall execute rel

evant agreements for the disposal of claims and debts with the creditors.

4. The Reorganizing Party shall publish information on the reorganization, recruit Foreign Investors extensively and investigate the Foreign Investors' qualifications, reputation, financial position, management capabilities, payment guarantees, business ethics, etc. It shall give priority consideration to medium and long-term Foreign Investors that can offer advanced technology, management experience and a high degree of industrial compatibility.

The Reorganizing Party and the Foreign Investor shall respond to the reasonable demands of the opposite party by providing relevant truthful and detailed information and data, may not mislead or deceive the opposite party and shall bear the appropriate confidentiality obligations.

5. If the enterprise reorganization is to be effected through the assignment of State-owned Property Rights or the sale of assets, the Reorganizing Party shall preferentially opt for an open competitive pricing method to determine the Foreign Investor and assignment price. When selecting an open competitive pricing method of assignment, the relevant procedures shall be carried out in accordance with the law and the relevant details on the State-owned Property Rights to be assigned or the assets to be sold shall be announced publicly. If assignment by agreement is opted for, such assignment shall be conducted in an open manner.

Regardless of the assignment method opted for, the Reorganizing Party and the Foreign Investor shall execute an assignment agreement in accordance with the relevant State regulations and these Provisions. The terms of the assignment agreement shall mainly include the basic information on the State-owned Property Rights to be assigned, the settlement arrangements for the staff and workers, the disposal of claims and debts, the assignment ratio, the assignment price, the method of payment and payment conditions, matters relating to the delivery of the property rights, corporate restructuring, etc.

Article 9 The Use of Foreign Investment to Reorganize State-owned Enterprises shall be effected in accordance with the following procedure:

1. The Reorganizing Party (if there are two or more Reorganizing Parties, one shall be selected as the Reorganizing Party) shall submit a reorganization application to the competent department in charge of foreign trade and economic cooperation at the same level. Such documents as a feasibility study, details of the Reorganizing Party and the Enterprise to be Reorganized, details of the Foreign Investor (including its financial statements for the most recent three years audited by a certified accountant and the market share accounted for by the products or services of the enterprises in the same industry in China actually controlled by the Foreign Investor), the reorganization program (including the arrangements for the settlement of staff and worker and for the disposal of claims and debts and the corporate restructuring program), the business scope and equity structure of the reorganized enterprise (including the enterprises in which it has a direct or indirect interest) shall be included with the reorganization application materials.

The department in charge of foreign trade and economic cooperation that received the application shall examine the same in accordance with the authority bestowed by the Guiding the Direction of Foreign Investment Provisions and the relevant laws and regulations. If an enterprise operated by the central government or Party authorities and its wholly-owned enterprises or the enterprises in which it has controlling interest is to be reorganized, or if the Enterprise to be Reorganized directly or indirectly holds equity in a listed company or if the reorganized enterprise is to have total assets of not less than US\$30 million, the examination shall be conducted by the State Council department in charge of foreign trade and economic cooperation. If the reorganization of such an enterprise might lead to monopolization of the market or impede fair competition, hearings shall be organized before the examination. The department in charge of foreign trade and economic cooperation shall issue its official reply on whether or not it consents to the reorganization within 45 working days after receipt of the reorganization application materials. If hearings are held, the official reply shall be issued within three months.

If the State has other regulations on the use of foreign investment in the industry of which the Enterprise to be Reorganized and the enterprises in which it has a direct or indirect interest are a part or on the change in the nature of the State-owned shares of the Owners of the State-owned Property Rights in a listed company arising due to the change

in the property rights. such regulations shall prevail.

2. The assignment agreement executed by the Reorganizing Party and the Foreign Investor shall be submitted for approval in accordance with the relevant provisions of the Ministry of Finance. Issue of the Circular (ref. Cai Qi [2001] No.325). The assignment agreement shall enter into effect upon approval.

Such documents as the State-owned Property Rights Registration Certificate, information on the approval or record filing of the audit report and asset appraisal report of the Enterprise to be Reorganized, the staff and worker settlement program, the claim and debt agreement, the corporate restructuring program, the relevant resolutions of the Reorganizing Party and the Enterprise to be Reorganized, the opinions or resolution of the staff and worker congress of the Enterprise to be Reorganized, etc. shall accompany the assignment agreement.

3. The Reorganizing Party or the Enterprise to be Reorganized shall, on the strength of the approval documents for the reorganization application and assignment agreement, carry out examination and approval procedures for foreign-invested enterprises in accordance with the law. If the reorganized enter

prise is to be a company limited by shares, matters shall be handled in accordance with the relevant provisions of the PRC Company Law.

4. The reorganized enterprise or the investors shall, on the strength of the approval documents specified in Items (1) and (3) of this Article and in accordance with laws and regulations on the administration of registration, carry out registration procedures with the original registration authority, if it has the authority to register foreign-invested enterprises, or the registration authority with the authority to register foreign-invested enterprises of the place where the enterprise is located. If the reorganized enterprise is to be a company limited by shares, matters shall be handled in accordance with the relevant provisions of the PRC Company Law.

5. The Reorganizing Party shall, on the strength of the approval documents for the reorganization application and assignment agreement, the foreign investment exchange registration certificate and the relevant documents, carry out the procedures for the delivery of State-owned Property Rights and the procedures for registration of the change of ownership in accordance with relevant provisions and engage a certified accountant to issue a capital verification report in accordance with the law. If the land to be used by the reorganized enterprise is State-owned allocated land, the procedures for the examination and approval and granting of leaseholds shall be carried out in accordance with the law.

6. The foreign exchange proceeds derived by the Reorganizing Party from the assignment of State-owned Property Rights or claims or the sale of assets shall be settled

after reporting to the foreign exchange department for its approval on the strength of the approval documents for the reorganization application and assignment agreement and the relevant documents.

If the Enterprise to be Reorganized is to be reorganized through a capital and share increase effected through the attraction of investment from Foreign Investors, it may, subject to the approval of the foreign exchange department, open a foreign exchange capital account to retain the foreign exchange funds injected by the Foreign Investors.

7. The reorganization applications, assignment agreements and the approval certificates thereof of key State enterprises, enterprises whose debt to equity swaps have been approved by the State and enterprises in the restricted category of industries in the Foreign Investment Industrial Guidance Catalogue that are under the investment limit and that are subject to the examination and approval of local departments in charge of foreign trade and economic cooperation and finance shall be submitted to the State Council departments in charge of foreign trade and economic cooperation and finance respectively for the record.

Article 10 Foreign Investors shall pay the assignment price or make their capital contributions in the form of a freely convertible currency or other lawful property rights remitted from overseas. Subject to the approval of the foreign exchange department, they may also pay the assignment price or make their capital contributions in the form of net Renminbi profits or other lawful property rights obtained in China. The afore-mentioned other lawful property rights shall include the following:

1. property obtained by Foreign Investors originating from the liquidation of, the assignment of the equity of, the advance recovery of investment from or the reduction in the capital of other foreign-invested enterprises established by them in China;
2. the State-owned Property Rights or assets of State-owned enterprises or company system enterprises with State-owned equity acquired by Foreign Investors;
3. the claims acquired by Foreign Investors of creditors of State-owned enterprises;
and
4. other capital contribution methods specified in laws and regulations.

When a certified accountant conducts a capital verification for a Foreign Investor, he shall carry out the capital verification procedure and issue a capital verification report in accordance with the Ministry of Finance and State Administration of Foreign Exchange, Further Strengthening the Work of Capital Verification for Foreign Investment Enterprises and Improving the System of Registration of Foreign Capital and Foreign Exchange Circular (ref. Cai Kuai [2002] No.1017).

Article 11 If the reorganization is effected through an assignment, generally, the Foreign Investor shall pay the entire price within three months after the date on which the foreign-invested enterprise is issued its business licence. In the event that the Foreign Investor truly experiences difficulty in doing so, 60% or more of the total price shall be paid within six months after the date of issuance of the business licence. Security shall be provided for the remaining amount and such remaining amount shall be paid in full within one year.

Article 12 If the controlling interest in the enterprise is to pass to, or if all or the main business assets of the enterprise are to be sold to, the Foreign Investor after the assignment of the State-owned Property Rights, the Reorganizing Party has the right, prior to the Foreign Investor paying the price in full, to be kept informed of and supervise the production, operational and financial situation of the reorganized enterprise and the Foreign Investor and the reorganized enterprise shall appropriately facilitate the Reorganizing Party's staying informed and supervising.

Prior to using the acquired assets to invest in and establish a foreign-invested enterprise, the Foreign Investor may not use the aforementioned assets to engage in business activities.

Article 13 The proceeds derived from the assignment of State-owned Property Rights or assets shall be received by the Reorganizing Party and managed and used in accordance with the relevant provisions of the State Council department in charge of finance.

Article 14 The share of the net profits of the reorganized enterprise obtained by the Foreign Investor, proceeds it derives from an equity assignment, the share of the funds that it obtains after the expiration of the business term or termination of the enterprise and other lawful revenues may be remitted abroad in accordance with the law or, subject to the approval of the foreign exchange department, may be reinvested in China.

Article 15 In the course of Using Foreign Investment to Reorganize State-owned Enterprises, tax policies in respect thereof shall be handled in accordance with relevant State laws and administrative regulations on taxation and fee policies in respect thereof shall be handled in accordance with the State Development Planning Commission, State Economic and Trade Commission, Ministry of Supervision, Ministry of Finance, Auditing Administration and the Office for Checking Unhealthy Tendencies in Business Activities of the State Council, Reduction or Exemption of Charges for Enterprises Undergoing Reform, Reorganization or Restructuring Circular (ref. Ji Jia Fei [1998] No.1077).

Article 16 If a member of the personnel of the Reorganizing Party or the Enterprise to be Reorganized acts ultra vires, is derelict in his duties, secretly colludes with the Foreign Investor, practises graft or accepts bribes thus prejudicing the lawful rights and

interests of the State, creditors, staff members and workers, he shall be subjected to administrative penalties and sanctions by the relevant department in accordance with the law; if a criminal offence is constituted, his criminal liability shall be pursued in accordance with the law.

Article 17 If a member of the working personnel of a government authority responsible for examination and approval violates these Provisions by granting approvals without authorization or uses his authority in the examination and approval process for private gain thus prejudicing the lawful rights and interests of the State, creditors, staff members and workers, the administrative liability of the person directly in charge and the personnel in authority shall be pursued by the relevant authority in accordance with the administrative authority of cadres; if a criminal offence is constituted, criminal liability shall be pursued in accordance with the law.

Article 18 The participation of investors from the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan and of established foreign-invested enterprises in the reorganization of State-owned enterprises shall be handled with reference to these Provisions.

Article 19 The State Economic and Trade Commission, the Ministry of Finance, the State Administration for Industry and Commerce and the State Administration of Foreign Exchange are in charge of interpreting these Provisions.

Article 20 These Provisions shall be implemented as of 1 January 2003

ZJ06 Interim Provisions on the Takeover of Domestic Enterprises by Foreign Investors

August 8, 2006

Contents

Chapter I General Provisions

Chapter II Basic Systems

Chapter III Examination, Approval and Register

Chapter IV Equity-payment-based Takeover of Domestic Companies by Foreign Investors

Section 1 Conditions for Equity-payment-based Takeover

Section 2 Application Documents and Procedures

Section 3 Special Provisions on Special-purpose Companies

Chapter V Antitrust Review

Chapter VI Supplementary Provisions

Chapter I General Provisions

Article 1 For the purposes of promoting and regulating foreign investors' investments in China, absorbing advanced technologies and management experiences from abroad, improving the level of utilizing foreign investments, realizing the reasonable allocation of resources, ensuring employment, as well as maintaining fair competition and state economic security, these provisions are formulated in accordance with the laws and administrative regulations on foreign-funded enterprises, the Company Law and other relevant laws and administrative regulations.

Article 2 The phrase "takeover of a domestic enterprise by a foreign investor" as mentioned in the present provisions means that the foreign investor purchases by agreement the equities of the shareholders of a domestic non-foreign-funded enterprise (hereinafter referred to as "domestic company") or subscribes to the increased capital of a domestic company, and thus changes the domestic company into a foreign-funded enterprise (hereinafter referred to as "share right takeover"); or, a foreign investor establishes a foreign-funded enterprise, and through which it purchases by agreement the assets of a domestic enterprise and operates its assets, or, a foreign investor purchases by agreement the assets of a domestic enterprise, and then invest such assets to establish a foreign-funded enterprise and operate the assets (hereinafter referred to as "asset takeover").

Article 3 To take over a domestic enterprise, a foreign investor shall abide by the laws, administrative regulations, and rules of China, comply with the principles of fairness, reasonableness, making compensation for equal value, as well as good faith, and shall

not cause excessive centralization, exclude or limit competition, or disturb the social economic order, or damage the public benefits, or result in any loss to the state-owned assets.

Article 4 To take over a domestic enterprise, a foreign investor shall satisfy the requirements of the laws, administrative regulations, and rules of China concerning the qualifications of investors, and shall comply with the policies on the industry, land, environmental protection, etc.

For the industries where solely foreign-owned operation is not permitted by the "Catalog of Industries for the Guidance of Foreign Investment", the takeover shall not lead to the consequence of a foreign investor's holding all the equity rights of the enterprise; for the industries where it is required for a Chinese party to control or relatively control the shares, the Chinese party shall, after an enterprise in such industries is taken over, still control or relatively control the shares of the enterprise; for the industries where foreign investors are prohibited from operation, no foreign investor shall take over any enterprise in such industries.

The business scope of any enterprise invested by the domestic enterprise prior to the takeover shall meet the requirements in the industrial policies on foreign investments. If it does not, adjustment shall be made.

Article 5 If the takeover of a domestic enterprise by a foreign investor involves the transfer of state-owned property rights of the enterprise and management of state-owned property rights of listed companies, the relevant provisions on the management of state-owned assets shall be followed.

Article 6 Where a foreign investor intends to establish a foreign-funded enterprise by merging a domestic enterprise, it shall, in accordance with these Provisions, be subject to the approval of the examination and approval organ and modify the registration or go through the establishment registration in the registration administrative organ.

If the enterprise to be taken over is a domestic listed company, it shall, pursuant to the Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors, go through the relevant formalities in the securities regulatory institution of the State Council.

Article 7 All parties concerned to the takeover of a domestic enterprise by a foreign investor shall pay taxes under Chinese tax laws and accept the supervision of the tax organs.

Article 8 All parties concerned to the takeover of a domestic enterprise by a foreign investor shall abide by the laws and administrative regulations of China on the administration of foreign exchange. They shall timely go through the approval, register,

archival filing and modification formalities in the foreign exchange control organs.

Chapter II Basic System

Article 9 For a foreign-funded enterprise established after takeover by a foreign investor, if the foreign investor's proportion of investments exceeds 25% of the registered capital of this enterprise, this enterprise shall be entitled to enjoy the treatments to foreign-funded enterprises.

For a foreign-funded enterprise established after takeover by a foreign investor, if the foreign investor's proportion of investments is less than 25% of the registered capital of this enterprise, this enterprise shall not enjoy the treatments to foreign-funded enterprises unless it is otherwise provided for by any law or administrative regulation. It shall follow the relevant provisions on borrowing foreign loans by non-foreign-funded enterprises when it borrows foreign loans. The examination and approval organ shall issue to it a Foreign-funded Enterprise Approval Certificate (hereinafter referred to as the Approval Certificate") with the remark "The proportion of foreign investments is less than 25%". The registration administrative organ and the foreign exchange control organ shall respectively issue to it a Foreign-funded Enterprise Business License and a Foreign Exchange Register Certificate with the remark "The proportion of foreign investments is less than 25%".

Where a domestic company, enterprise or natural person takes over a domestic affiliated company in the name of an overseas company it lawfully established or controls, the foreign-funded enterprise so established shall not enjoy the treatments to foreign-funded enterprises, except that this overseas company subscribes to the increased capital of the domestic company or that it increases the capital of the enterprise established after takeover and the proportion of the capital increase exceeds 25% of the registered capital of the enterprise so established. For a foreign-funded enterprise established in either of the forms as mentioned in this paragraph, if the proportion of investments made by a foreign investor, who is not its actual controller, exceeds the 25% of its registered capital, it shall be entitled to enjoy the treatments to foreign-funded enterprises.

The treatments to a foreign-funded enterprise which is established after a foreign investor takes over a domestic listed company shall be governed by the relevant provisions of the state.

Article 10 The term "examination and approval organ" as mentioned in these Provisions refers to the Ministry of Commerce of the People's Republic of China (hereinafter referred to as the MOFCOM) or the provincial commerce administrative departments (hereinafter referred to as the provincial examination and approval organs"). The term "registration administrative organ" refers to the State Administration for Industry and Commerce (hereinafter referred to as the SAIC) or its authorized local administrations for industry and commerce. The term "foreign exchange control organ" refers to the State Administration of

Foreign Exchange (hereinafter referred to as the SAFE) or its branches.

Under the provisions of laws, administrative regulations, and rules, if a foreign-funded enterprise established after takeover falls within any special category or sector of foreign-funded enterprises which are subject to the examination and approval of the Ministry of Commerce (hereinafter referred to as the MOFCOM), the provincial examination and approval organ shall forward the application materials to the MOFCOM for examination and approval. The MOFCOM shall make a decision of approval or disapproval in pursuance of law.

Article 11 Where a domestic company, enterprise or natural person intends to take over its domestic affiliated company in the name of a company which it lawfully established or controls, it shall be subject to the examination and approval of the MOFCOM.

The parties concerned shall not dodge the aforesaid requirements by making investments within China through the foreign-funded enterprise, or by other ways.

Article 12 Where a foreign investor intends to obtain the actual controlling power of a domestic enterprise it plans to take over, and if any important industry is concerned, or if it has an impact on or may have an impact on the national economic security, or it will lead to the transfer of the actual controlling power of a domestic enterprise which holds a famous trademark or China Time-honored Brand, the parties concerned shall file an application with the MOFCOM.

If the parties concerned fail to do so, but its takeover has had or may have a serious impact on the national economic security, the MOFCOM may, jointly with the relevant departments, demand the parties concerned to terminate the transaction or transfer the relevant equities / assets or take other effective measures to eliminate the takeover's impact on the national economic security.

Article 13 For an equity-based takeover by a foreign investor, the foreign-funded enterprise established after takeover shall succeed to the credits and debts of the domestic company it takes over.

For an asset-based takeover by a foreign investor, the domestic enterprise which sells its assets shall undertake its former credits and debts.

The foreign investor, the domestic enterprise to be taken over, the creditors and other parties concerned may enter into a separate agreement on the disposal of the credits and debts of the domestic enterprise to be taken over, provided that this agreement shall not impair the interests of any third party or public interests. An agreement on the disposal of credits and debts shall be submitted to the examination and approval organ.

A domestic enterprise to sell assets shall, not later than 15 days before the investor

submits the application documents to the examination and approval organ, send a notice to the creditors and shall publish an announcement on a provincial newspaper or above, which is circulated nationwide.

Article 14 The parties to a takeover shall determine the transaction price on the basis of the assessment result of the equities to be transferred or of the assets to be sold, which is given by an asset assessment institution. The parties to a takeover may agree on an asset assessment institution lawfully established within China. A common international assessment method shall be adopted for the asset assessment. It is prohibited to divert any capital abroad in any disguised form by transferring any equities or selling assets at a price which is obviously lower than the assessment result.

The takeover of a domestic enterprise by a foreign investor, which may cause the modification of any equity formed by investments to state-owned assets or transfer of the property right of state-owned assets, shall satisfy the relevant provisions on the management of state-owned assets.

Article 15 The parties to a takeover shall state whether there is a connected relationship between the parties to the takeover. If both parties belong to a same actual controller, the parties shall disclose their actual controller to the examination and approval organ and make an explanation about whether the purpose of takeover and the assessment result conform to the fair value of the market. The parties shall not dodge the aforesaid requirements by trust, holding shares on behalf of others, or by other means.

Article 16 To establish a foreign-funded enterprise by taking over a domestic enterprise, a foreign investor shall, within 3 months from the date of issuance of business license to the foreign-funded enterprise, pay all the considerations to the shareholders who transfer the equities or to the domestic enterprise which sells the assets. In the case of any particular circumstance under which it is necessary to extend the time limit, the foreign investor shall, upon the approval of the examination and approval organ, pay 60% or more of the consideration within 6 months as of the date of issuance of the business license to the foreign-funded enterprise, and pay off the balance of consideration within one year, and distribute the proceeds according to the proportion of investments it has actually contributed.

Where a domestic company subscribes to the increased capital of a domestic company, the shareholders of the limited liability company or of the domestic joint stock limited company established by way of promotion shall pay at least 20% of the newly increased registered capital when the company applies for a business license for foreign-funded enterprise. The time to pay the other newly increased registered capital shall be in line with the Company Law, the laws on foreign investments and the Regulation on the Administration of Company Registration. If it is provided for in any other law or administrative regulation, such law or administrative regulation shall prevail. Where a joint stock limited company increase the registered capital by issuing new stocks, the

shareholders shall subscribe to the new stocks in accordance with the relevant provisions on the payment for shares in the establishment of a joint stock limited company.

Where a foreign investor carries out an asset takeover, it shall stipulate the time limit for contribution of investments in the contract and articles of association of the foreign-funded enterprise to be established. Where the foreign investor establishes a foreign-funded enterprise, and through which purchases the assets of a domestic enterprise and operates such assets, it shall contribute the investments equivalent to the consideration of the assets within the time limit for payment of consideration as provided for in Paragraph 1 of the present Article. As for the remaining investments, the time limit for contribution shall satisfy the relevant provisions on the capital contribution for the establishment of foreign-funded enterprise.

Where a foreign investor establishes a foreign-funded enterprise by merging a domestic enterprise, if its investment proportion is less than 25 % of the registered capital of the enterprise and if it plans to make investments in cash, it shall make full contribution within 3 months from the day when a business license is issued to the foreign-funded enterprise; if it plans to make investments in kind or industrial property, it shall make full contribution within 6 months from the day when a business license is issued to the foreign-funded enterprise.

Article 17 The means of payment for the consideration shall conform to the relevant laws and administrative regulations of the state. If the foreign investor uses the Renminbi assets it lawfully owns as a means of payment, it shall obtain the approval of the department of foreign exchange control. If the foreign investor uses the shares over which it has the right of disposition, it shall comply with Article 4 of these Provisions.

Article 18 After a foreign investor purchases the equities of a domestic company by agreement, and the domestic company has been modified into a foreign-funded enterprise, the foreign-funded enterprise's registered capital shall be the registered capital of the original domestic company, and the proportion of investments contributed by the foreign investor shall be the proportion of the purchased equities in the original registered capital.

Where a foreign investor subscribes to the capital increase of a domestic limited liability company, the registered capital of a foreign-funded enterprise established after the takeover shall be the summation of the registered capital of the former domestic company and the amount of capital increase. As to the foreign investor and other shareholders of the former domestic company it takes over, their respective proportion of capital contributions to the foreign-funded enterprise shall be determined on the basis of the assessment of the assets of the domestic company.

Where a foreign investor subscribes the capital increase of a domestic joint stock limited company, the registered capital shall be determined under the Company Law.

Article 19 For an equity-based takeover by a foreign investor, the upper limits on the total investments to the foreign-funded enterprise after takeover shall be determined according to the following rates, unless the state provides otherwise:

- (1) If the registered capital is less than US\$ 2.1 million, the total investments shall not exceed 10/7 of the registered capital;
- (2) If the registered capital is not less than US\$ 2.1 million but not more than US\$ 5 million, the total investments shall not exceed two times the registered capital;
- (3) If the registered capital is not less than US\$ 5 million but not more than US\$ 12 million, the total investments shall not exceed 2.5 times the registered capital; and
- (4) If the registered capital is more than US\$ 12 million, the total investments shall not exceed 3 times the registered capital.

Article 20 For an asset-based takeover, the foreign investor shall, according to the transaction price for the purchased assets and the actual production and operation scale, determine the total investments to the foreign-funded enterprise to be established. The proportion between the registered capital and total investments of the foreign-funded enterprise to be established shall conform to the relevant provisions.

Chapter III Examination, Approval and Registration

Article 21 For an equity-based takeover, a foreign investor shall, pursuant to the total investments of the foreign-funded enterprise to be established after the takeover, the type of the enterprise and the industry it engages in, submit the following documents to the competent examination and approval organ in accordance with the laws, administrative regulations, and rules on the establishment of foreign-funded enterprises:

- (1) A resolution of the shareholders of the domestic limited liability company or of the domestic joint stock limited company on the full consent to the equity-based takeover or asset-based takeover by the foreign investor;
- (2) An application for the establishment of the foreign-funded enterprise;
- (3) A contract and the articles of association of the foreign-funded enterprise to be established after takeover;
- (4) An agreement on the foreign investor's acquisition of equities of shareholders of the domestic company or on the foreign investor's subscription of the capital increase of domestic companies;
- (5) The previous-year financial audit report of the domestic company taken over;
- (6) The certification documents for the identity, registration and credit standing of the investor that have been notarized and certified according to law;
- (7) The descriptions about the enterprises invested by the domestic enterprise taken over;
- (8) The (duplicates) of the business licenses of the domestic company taken over and enterprises it invests in;
- (9) The proposal on the settlement of employees domestic enterprise taken over;
- (10) The documents to be submitted as required by Articles 13 through 15 of the present provisions.

If the business scope, scale, obtainment of land use right of a foreign-funded enterprise established after takeover are subject to the license of the relevant government departments, the relevant licensing documents shall be submitted along with the documents as listed in the preceding Paragraph.

Article 22 An equity purchase agreement, or domestic company capital increase agreement shall be governed by Chinese law and shall contain the following contents:

- (1)The status of each party to the agreement, including The status of each party to the agreement, including the name and domicile of each party, the name, position and nationality of each legal representative;
- (2)The proportion of price of the equities purchased or capital increase subscribed;
- (3)The time period of the agreement, and the method of execution thereof;
- (4)The rights and obligations of each party to the agreement;
- (5)The liabilities for breach of contract, and settlement of disputes; and
- (6)The time and place for the conclusion of agreement.

Article 23 For an asset-based takeover, the foreign investor shall, pursuant to the total investments of the foreign-funded enterprise to be established after the takeover, the type of the enterprise and the industry it engages in, submit the following documents to the competent examination and approval organ in accordance with the laws, administrative regulations, and rules on the establishment of foreign-funded enterprises:

- (1)A resolution of the property right holders or power authority of the domestic enterprise on the consent to the sale of assets;
- (2)An application for the establishment of a foreign-funded enterprise;
- (3)A contract and the articles of association of the foreign-funded enterprise to be established;
- (4)An asset purchase agreement signed by the foreign-funded enterprise to be established and the domestic enterprise, or by the foreign investor and the domestic enterprise;
- (5)The articles of association and the business license (duplicate) of the domestic enterprise it has taken over;
- (6)The notice of the domestic enterprise taken over, certifications of the creditors announced, and statement about whether the creditors have raised any objections;
- (7))The certification documents for the identity, registration and credit standing of the investor that have been notarized and certified according to law;
- (8)The proposal on the settlement of employees of the domestic enterprise that is taken over; and
- (9)The documents as required by Articles 13 through 15 if these Provisions.

If the business scope, scale, obtainment of land use right of a foreign-funded enterprise establishment after takeover involve licensing of the relevant government departments, the relevant licensing documents shall be submitted along with the documents as listed in the preceding Paragraph.

Where a foreign investor purchases the assets of a domestic enterprise by agreement and invests such assets in establishing a foreign-funded enterprise, it shall not, prior to the establishment of the foreign-funded enterprise, carry out any business activities with such assets.

Article 24 The agreement on the purchase of assets shall be governed by Chinese law and shall contain the following main contents:

- (1) The status of each party to the agreement, including the name and domicile of each party, the name, position and nationality of each legal representative;
- (2) A list of the assets to be purchased and the price thereof;
- (3) The time period and method for the execution of the agreement;
- (4) The rights and obligations of each party to the agreement;
- (5) The liabilities for breach of contract, and settlement of disputes;
- (6) The time and place for the conclusion of the agreement.

Article 25 Where a foreign investor intends to establish a foreign-funded enterprise by taking over a domestic enterprise, unless it is otherwise provided for in these Provisions, the examination and approval organ shall, within 30 days after the examination and approval organ receives the complete set of documents as required, it shall make a decision of approval or disapproval. If it decides to make a decision of approval, the examination and approval organ shall issue to the foreign investor an approval certificate.

For a foreign investor which intends to purchase the equities of a domestic company by agreement, if the examination and approval organ makes a decision of approval, it shall simultaneously send a copy of the relevant approval documents to the foreign exchange control departments of the places where the equity transferor and the domestic company are located, respectively. The foreign exchange control department of the place where the equity transferor is located shall handle the foreign exchange registration for equity-transfer-based foreign investments, which indicates that the consideration to the foreign investor's equity takeover has been fully paid.

Article 26 For an asset-based takeover, the foreign investor shall, within 30 days after it receives the approval document, apply to the registration administrative organ for establishment registration so as to fetch a foreign-funded enterprise business license.

For an equity-based takeover by a foreign investor, the domestic company taken over shall apply to the original registration administrative organ for modifying its registration in accordance with these Provisions. If the original registration administrative organ has registration jurisdiction, it shall, within 10 days after it receives the application documents, transfer these application documents to the competent registration administrative organ and simultaneously accompany them by the registration files of the domestic company. When the domestic company taken over applies for modifying the registration, it shall submit the following documents and shall be responsible for their genuineness and

validity:

- (1) An application for modifying registration;
- (2) An agreement on the purchase of equities of the domestic company or on the subscription of increased capital of a domestic company by a foreign investor;
- (3) The post-revision articles of association or revisions to the original articles of association, and the foreign-funded enterprise contract which shall be submitted in pursuance of law;
- (4) The foreign-funded enterprise approval document;
- (5) The certification for the qualifications of the foreign investor as the subject, or the identity certification of the foreign investor as a natural person;
- (6) The post-revision name list of the members of the board of directors, the documents which state the name and domicile of the newly increased directors, and the documents on the appointment of the newly increased directors;
- (7) Other relevant documents and certificates as required by the State Administration for Industry and Commerce.

The investor shall, within 30 days after it receives a foreign-funded enterprise business license, go through the registration formalities in the tax, customs, land administration and foreign exchange administration departments.

Chapter IV Equity-payment-based Takeover of Domestic Companies by Foreign Investors

Section 1 Conditions for Equity-payment-based Takeover

Article 27 The term "equity-payment-based takeover of a domestic enterprise by a foreign investor" means that the shareholders of an overseas company purchase the equities of a domestic company by paying the equities of the overseas company it holds, or that an overseas company purchases the increased capital of a domestic company by paying its increased shares.

Article 28 The term "overseas company" as mentioned in this Chapter shall be a lawfully established company, there is a sound system of company law in its registration place, and the company and its management level have no record of punishment by the regulatory institution within recent 3 years. Except for special-purpose companies as mentioned in Section 3 of this Chapter, an overseas company shall be a listed company and there shall be a sound securities dealing system in the place where it gets listed.

Article 29 The equities of the domestic and overseas companies involved in the equity-based takeover of a domestic company by a foreign investor shall meet the following conditions:

- (1) They are lawfully held by the shareholders and may be transferred in accordance with the law;
- (2) There is no dispute over their ownership, they are not held in pledge and they are not subject to any other limit of right;

- (3) The equities of an overseas company shall be listed publicly in an overseas lawful securities exchange market (excluding the over-counter exchange market); and
- (4) The transaction price of the equities of the overseas company in the recent 1 year remains stable.

The Items (3) and (4) of the preceding Paragraph is inapplicable to the special-purpose companies as mentioned in Section 3 of this Chapter.

Article 30 For an equity-based takeover of a domestic company by a foreign investor, the overseas company or its shareholders shall hire an intermediary institution registered within China to serve as a consultant (hereinafter referred to as the "takeover consultant"). The takeover consultant shall make due investigations to the genuineness of the takeover application documents, the financial status of the overseas company as well as whether the takeover meets the requirements of Articles 14, 28 and 29 of these Provisions, shall make a takeover consultant report and shall put forward express professional opinions on each of the aforesaid items.

Article 31 A takeover consultant shall satisfy the following conditions:

- (1) Having a good reputation and having relevant practicing experiences;
- (2) Having no record of serious violation of any law or regulation; and
- (3) Being capable of investigating and analyzing the legal systems of the registration place of the overseas company and the place where the overseas company is get listed, as well as the financial status of the overseas company.

Section 2 Application Documents and Procedures

Article 32 An equity-based takeover of a domestic company by a foreign investor shall be subject to the examination and approval of the MOFCOM. The domestic company shall not only submit the documents as required in Chapter III of these Provisions, but also the following documents:

- (1) A statement of the changes of equities and important changes of assets of the domestic company within the recent 1 year;
- (2) A takeover consultant's report;
- (3) The business opening certifications or identity certification documents of the relevant domestic and overseas companies and their shareholders;
- (4) Descriptions about the equities held by the shareholders of the overseas company, and the name list of the shareholders who hold 5 % or more of the equities of the overseas company;
- (5) The articles of association of the overseas company and a description about the guaranties it provides to outsiders; and
- (6) The recent annual financial statements upon audit and a report on the stock dealings of the overseas company in the recent half year.

Article 33 The MOFCOM shall, within 30 days after it receives a complete set of

documents, examine a takeover application. If the relevant requirements are satisfied, it shall issue to the applicant an approval document, which is given the remark that "For the equity-based takeover of a domestic company by a foreign investor, it will be valid for 6 months as of the date of issuance of a business license."

Article 34 The overseas company shall, within 30 days after it receives an aforesaid approval document, it shall modify the registration in the registration administrative organ and the foreign exchange control organ. The registration administrative organ and the foreign exchange control organ shall respectively issue to it a foreign-funded enterprise business license and a foreign exchange register certificate which are given the remark that "To be valid for 8 months as of the date of issuance".

When a domestic company goes through the registration modification formalities in the registration administrative organ, it shall, in advance, submit an equity change application, the revised articles of association, the equity transfer agreement and other documents signed by the legal representative of the domestic company, which are aimed to resume the structure of equities.

Article 35 Within 6 months as of the date of issuance of a business license, the domestic company and its shareholders shall, in regard to the matters relating to the overseas company's equities it plans to hold, apply to the MOFCOM and the foreign exchange control organ for going through the formalities for the examination, approval and registration of investments to run an enterprise abroad .

The parties concerned shall not only submit to the MOFCOM the documents as required in the Provisions on the Examination and Approval of Investment to Run Enterprises Abroad, but also a foreign-funded enterprise approval certificate with the said remark and a foreign-funded enterprise business license with the said remark. After the MOFCOM examines and approves the overseas company's equities to be held by the domestic company or its shareholders, it shall issue to the applicant a Chinese enterprise overseas investment approval certificate and replace the foreign-funded enterprise approval certificate with a remark by one with no remark.

After a domestic company obtains a foreign-funded enterprise approval certificate without a remark, it shall, within 30 days, apply to the registration administrative organ and the foreign exchange control organ, for replacing the foreign-funded enterprise business license and the foreign exchange register certificate with a remark by new ones with no remark.

Article 36 With 6 months as of the date of issuance of a business license, if the domestic and overseas companies fail to finish the equity modification formalities, the approval certificate with a remark and the Chinese enterprise overseas investment approval certificate shall be invalidated automatically. The registration administrative organ shall, according to the equity modification registration application documents submitted by the

domestic company in advance, examine and approve the modification registration and shall make the equity structure of the domestic company resume to the state prior to the takeover of equities.

In the case of failure to acquire the shares increased by a domestic company, before the registration administrative organ examines and approves the modification registration under the preceding Paragraph, the domestic company shall, pursuant to the Company Law, reduce the registered capital correspondingly and publish an announcement on a newspaper.

If the domestic company fails to go through the relevant registration formalities according to the preceding Paragraph, the registration administrative organ shall punish it in accordance with the Regulation on the Administration of Company Registration.

Article 37 After a domestic company obtains a foreign-funded enterprise approval certificate with a remark and a foreign exchange register certificate with a remark, it shall not distribute its profits to its shareholders, nor provide a guaranty to any connected company, nor make any payment to any outsider for the capital items such as the equity transfer, capital decrease or liquidation.

Article 38 A domestic company or its shareholders may, upon the strength of approval document with no remark and the business license with no remark issued by the MOFCOM and the registration administrative organ, go through the tax modification registration in the tax organ.

Section 3 Special Provisions on Special-purpose Companies

Article 39 The term "special-purpose company" refers to an overseas company which a domestic company or natural person directly or indirectly controls for the purpose of making its actual domestic company equities get listed abroad.

The provisions of this Section shall apply to a special-purpose company, which, for the purpose of getting listed abroad, its shareholders or the special-purpose company purchase (purchases) the equities of the shareholders of a domestic company or the share increase of a domestic company by paying with the equities of the special-purpose company it holds or by paying with the share-increase of the special-purpose company.

If the parties concerned makes an overseas company, which holds any equities of a special-purpose company, serve as a subject to get listed abroad, this overseas company shall satisfy the relevant requirements for the special-purpose company as described in this Section.

Article 40 The transaction for the overseas listing of a special-purpose company shall be subject to approval of the securities regulatory institution of the State Council.

The country or region where the special-purpose company gets listed shall have sound legal and regulatory systems, and securities regulatory institution of this country or region shall have signed a memorandum of cooperation and understanding with the securities regulatory institution of the State Council of China and keep an effective cooperation in the regulatory work.

Article 41 A domestic company with its equities listed abroad as mentioned in this Section shall satisfy the following conditions:

- (1) Its property right is clear. There is no dispute or potential dispute over its property right;
- (2) It has a complete business system and a good sustainable operation capacity;
- (3) It has a sound corporate governance structure and internal management system; and
- (4) The company and its main shareholders have no record of serious violation of any law or regulation.

Article 42 To set up a special-purpose company abroad, an overseas company shall apply to the MOFCOM for going through the examination and approval formalities. When doing so, the domestic company shall not only submit to the MOFCOM the documents as required in the Provisions on the Examination and Approval of Investment to Run Enterprises Abroad, but also the following documents:

- (1) The identity certification documents on the final controller of the special-purpose company;
- (2) The business plan on the overseas listing of the special-purpose company; and
- (3) The assessment report made by the takeover consultant on the price of the stocks to be issued by the special-purpose company to get listed abroad in the future.

After the party who establishes or controls a special-purpose company obtains approval document for Chinese enterprise to make overseas investment, it shall apply to the foreign exchange control organ of the place where it is located for going through the formalities for the register of overseas investments.

Article 43 The total value of the stocks of a special-purpose company listed abroad shall not be lower than the value of the equities of the domestic company upon the assessment of the relevant asset assessment institution.

Article 44 Where a special-purpose company intends to take over a domestic company by equities, the domestic company shall not only submit to the MOFCOM the documents as required in Article 32 of these Provisions, but also the following documents:

- (1) The approval documents and certificate for the investor to run an enterprise abroad at the time of establishment of the special-purpose company;
- (2) The foreign exchange register form for the overseas investments of the special-purpose company;
- (3) The identity certification documents on the final controller of the special-purpose company, or the business opening certification or articles of association of the

special-purpose company;

- (4) The business plan on the overseas listing of the special-purpose company; and
- (5) The assessment report made by the takeover consultant on the price of the stocks to be issued by the special-purpose company to get listed abroad in the future.

If the parties concerned makes an overseas company, which holds the equities of a special-purpose company, serve as a subject to get listed abroad, the domestic company shall, apart from the aforesaid documents, submit the following documents:

- (1) The business opening certification and the articles of association of the overseas company; and
- (2) The arrangement of the special-purpose company and the overseas company for the transaction of the equities of the domestic company taken over, as well as the detailed descriptions of the method to convert the equities to money.

Article 45 If the MOFOCOM approves the documents as required in Article 44 of these Provisions upon preliminary examination, it shall issue a letter of in-principle approval. The domestic company shall, upon the strength of the letter of in-principle approval, submit to the securities regulatory institution of the State Council the application documents for getting listed. The securities regulatory institution of the State Council shall make a decision of approval or disapproval within 20 working days.

After the domestic company obtains an approval, it shall apply to the MOFCOM for an approval certificate. The MOFCOM shall issue to it an approval certificate with the remark "For holding equities of overseas special-purpose company, it shall be valid for 1 year as of the issuance of a business license".

If the takeover causes the change of equities of the special-purpose company, the domestic company or natural person holding the equities of the special-purpose company shall, upon the strength of the foreign-funded enterprise approval certificate with a remark, apply to the MOFCOM for going through the formalities for the examination and approval of the change of the overseas investment to run an enterprise abroad and shall apply to the local foreign exchange control organ for modifying the foreign exchange register of overseas investments.

Article 46 The domestic company shall, within 30 days after it receives an approval document with a remark, apply to the registration administrative organ and the foreign exchange control organ for modifying the registration. The registration administrative organ and the foreign exchange control organ shall respectively issue to a foreign-funded enterprise business license and a foreign exchange register certificate with a remark "To be valid for 14 months as of the date of issuance".

When the domestic company handles the modification registration in the registration administrative organ, it shall, in advance, submit the equity change application, the revised articles of association, the equity transfer agreement and other documents signed

by the legal representative of the domestic company, which are aimed to resume the structure of equities.

Article 47 The domestic company shall, within 30 days after the special-purpose company or its connected overseas company realizes the overseas listing, report to the MOFOCOM about the information about the overseas listing and its plan on the transfer-back of the raised funds and apply for a unremarked foreign-funded enterprise approval certificate. At the same time, it shall, within 30 days after the realization of overseas listing, report to the securities regulatory institution of the State Council the information about the overseas listing and provide it with the relevant documents for archival purposes. It shall also submit to the foreign exchange control organ its plan on the transfer-back of the raised funds and execute this plan under the supervision of the foreign exchange control organ. It shall, within 30 days after it receives an unremarked approval certificate, apply to the registration administrative organ and foreign exchange control organ for replaying its foreign-funded enterprise business license and foreign exchange register certificate with a remark by a new unremarked one.

If the domestic company fails to report to the MOFCOM within the aforesaid time limit, its approval certificate with a remark shall be invalidated automatically, its equities structure will resume to the state prior to the equity-based takeover and it shall go through the formalities for modifying the registration in accordance with Article 36 of these Provisions.

Article 48 The funds of a special-purpose company raised from overseas listing shall, according to the transfer-back plan submitted to the foreign exchange control organ for archival purposes, be transferred back into China according to the existing foreign exchange control provisions. The raised funds may be transferred back into China by:

- (1) providing commercial loans to the domestic company;
- (2) setting up a new foreign-funded enterprise within China; and
- (3) taking over a domestic enterprise.

To transfer back the funds of a special-purpose company raised overseas under the aforesaid circumstances, the relevant parties shall abide by the laws and administrative regulations on the administration of foreign investments and on foreign debts. If, as a consequence of the transfer-back of the funds a special-purpose company raised overseas, the domestic company or natural person who holds more equities of the special-purpose company or the net assets of the special-purpose company increase, the parties concerned shall faithfully disclose the relevant information and apply for examination and approval. After it finishes the examination and approval formalities, it shall go through the formalities for modifying the foreign exchange register of foreign investments and the register of overseas investments.

The profit, bonus and capital change income in a foreign currency obtained by the domestic company or natural person from the special-purpose company shall be transferred back to China within 6 months after the date of obtainment. The profit or

dividends may enter into the foreign exchange account for current items or may be converted into RMB. The capital change income in a foreign currency may, upon the examination and approval of the foreign exchange control organ, be deposited in a special capital account opened for it or be converted into RMB.

Article 49 Within 1 year after the date of issuance of a business license, if the domestic company fails to obtain an unremarked approval certificate, the approval certificate with a remark shall be invalidated automatically. The domestic company shall go through the formalities for modifying the registration.

Article 50 After the special-purpose company has realized the overseas listing and the domestic company has obtained an approval certificate and a business license with no remark, if the relevant party concerned continues to take over this domestic company by paying its equities, the provisions of Sections 1 and 2 of this Chapter shall apply to this case.

Chapter V Antitrust Review

Article 51 If the takeover of a domestic company by a foreign investor is under any of the following circumstances, the investor shall report the relevant information to the MOFCOM and the State Administration for Industry and Commerce (hereinafter referred to as the SAIC):

- (1) The current-year business volume of any party to the takeover in the Chinese market exceeds RMB 1.5 billion yuan;
- (2) The foreign investor has accumulatively taken over more than 10 enterprises in the domestic relevant industries;
- (3) The market share of any party to the takeover has reached 20% in China; and
- (4) The takeover leads to the fact that the market share of the party to the takeover has reached 25% in China.

When the foreign investor fails to meet the conditions as mentioned in the preceding Paragraph, but upon request of a domestic enterprise of competitive relationship, a relevant functional department or industrial association, the MOFCOM or the SAIC believes that the takeover by the foreign investor involves a huge market share, or that there are other major factors which seriously impact market competition, it may also demand the foreign investor to prepare a report.

The aforesaid merging party includes the connected enterprises of the foreign investor.

Article 52 If the takeover of a domestic company by a foreign investor is under any of the circumstances as mentioned in Article 51 and if the MOFCOM and the SAIC believe that it may lead to excessive concentration, hamper fair competition or impair the interests of the consumer, they shall, within 90 days as of the receipt of all the documents as required, either solely convene through negotiation or jointly convene the relevant departments,

institutions, enterprises and other interested parties and hold a hearing, and shall make a decision of approval or disapproval in accordance with the law.

Article 53 Where an overseas takeover is under any of the following circumstances, the parties to the takeover shall, before announcing the takeover proposal or when submitting the said proposal to the competent authority in the country of its locality, submit the takeover proposal to the MOFCOM and the SAIC. The MOFCOM and the SAIC shall examine whether it will lead to excessive centralization in the domestic market, hinder domestic fair competition, or damage the domestic consumers' benefits, and shall make a decision on whether approve the proposal or not:

- (1) The overseas party to the takeover owns more than RMB 3 billion Yuan of assets inside the territory of China;
- (2) The business volume of the overseas party to the takeover in the Chinese market is more than RMB 1.5 billion yuan in the current year;
- (3) The market share of the overseas party to the takeover and its connected enterprises in China has reached 20%;
- (4) The market share of the overseas party to the takeover and its connected enterprises in China has reached 25% due to the overseas takeover; or
- (5) Due to the overseas takeover, there will be more than 15 foreign-funded enterprises in the relevant domestic industries with direct or indirect shares of the foreign-funded enterprises.

Article 54 Where a takeover is under any of the following circumstances, the parties to the takeover may apply to the MOFCOM and the SAIC for exemption of examination:

- (1) The takeover may improve the conditions for fair competition in the market;
- (2) A loss-making enterprise is taken over and the employment is ensured;
- (3) The takeover helps the absorption of advanced technologies and management personnel and is able to improve the enterprise's international competitiveness; or
- (4) The takeover may improve the environment.

Chapter VI Supplementary Provisions

Article 55 Where an investment company established by a foreign investor within China intends to take over a domestic enterprise, it shall be governed by these Provisions.

Where a foreign investor intends to purchase the equities of a foreign-funded enterprise within China or to subscribe to the increased capital of a foreign-funded enterprise within China, it shall be governed by the existing laws and administrative regulations on foreign-funded enterprises as well as the relevant provisions on changes of equities of investors of foreign-funded enterprise; if any matter is not covered by the aforesaid laws, administrative regulations or provisions, it shall be governed by these Provisions.

Where a foreign investor intends to combine with or take over a domestic enterprise through a foreign-funded enterprise established by it within China, it shall be governed by

the relevant provisions on the combination and split-up of foreign-funded enterprises and the relevant provisions on domestic investments of foreign-funded enterprise; if any matter is not covered by the aforesaid provisions, it shall be governed by these Provisions.

Where a foreign investor takes over a domestic limited liability company, if it transforms it into a joint stock limited company, or if the domestic company is a joint stock limited company, it shall be governed by the relevant provisions on the establishment of a joint stock limited company; if any matter is not covered by the aforesaid provisions, it shall be governed by these Provisions.

Article 56 For the submission of documents, an applicant or declarer shall classify the documents into different categories under these Provisions and accompany them with a list of documents. All documents required to be submitted shall be written in Chinese.

Article 57 A Chinese natural-person shareholder of a domestic company taken over by equities may, upon approval, continue to be a Chinese investor of the foreign-funded enterprise established after modification.

Article 58 If a natural-person shareholder of a domestic company changes his nationality, the enterprise nature of the company will remain unchanged.

Article 59 The functionaries of the government organs shall be dutiful, shall perform their duties in pursuance of the law, shall not seek any improper benefit by taking the advantage of their positions, and shall keep confidential the commercial secrets they have access to.

Article 60 Where an investor from Hong Kong Special Administrative Region, Macao Special Administrative Region or Taiwan Region intends to take over a domestic enterprise of any other region, it shall be governed by these Provisions.

Article 61 These Provisions shall come into force as of September 8, 2006.

Ningbo

NB04 Preferential Policy on foreign investment in Ningbo Science & Technology Zone.

This document includes the preferential policy on Ningbo Science & Technology Zone, Ningbo Economic and Technical Development Zone, Ningbo High-tech Industry Park, so this document is adapt the SZ04, SZ08 and SZ09.

2005-05-11 14:54:38

Income Tax for Enterprises with Foreign Investment and Foreign Enterprises:

It is prescribed by the State that the income tax on enterprises with foreign investment shall be computed on taxable income at the rate of 30%.

The income tax on the productive enterprise with foreign investment of a productive nature established in Ningbo proper and the areas within its jurisdiction shall be levied at the reduced rate of 24%. (The income tax on enterprises with foreign investment in Ningbo Economic and Technical Development Zone, Daxie Island Development Zone, Ningbo Free Trade Zone, Ningbo High-tech Industry Park, the projects within the scope of energy, communications, harbour, wharf, or other projects encouraged by the State, the projects with foreign investment exceeding USD 30 million and with long period of investment recovery, may be levied at the reduced rate of 15%), among which those with an operational period of more than 10 years shall be exempted from income tax within the first two profit-making years, and allowed a half reduction of income tax from the third to the fifth year.

Foreign invested enterprises which is engaged in Agriculture, forestry, animal husbandry may, upon approval by the competent department for tax affairs under the State Council of an application filed by the enterprises, be allowed a fifteen to thirty percent reduction of the amount of tax-payable income for a period of another ten years on the expiry for tax exemption and reduction as provided in the preceding paragraphs.

In the years following the expiration of the period for tax exemption or reduction, the

export enterprises with annual value of export products covering 70% or more of the annual value of the total products shall be levied at the reduced rate of 12%. (The enterprises in Ningbo Economic and Technical Development Zone, Daxie Island Development Zone, Ningbo Free Trade Zone and Ningbo High-tech Industry Park will be levied at the reduced rate of 10%).

Technologically advanced enterprises shall be levied at the reduced income rate of 12% for an extension of 3 years following the expiration of the period for tax exemption or reduction. (The enterprises in Ningbo Economic and Technical Development Zone, Daxie Island Development Zone and Ningbo Free Trade Zone and Ningbo High-tech Industry Park shall be levied at the reduced rate of 10% for an extension of 3 years).

Re-investment Tax Reimbursement

Any foreign investor of an enterprise with foreign investment who reinvests its share of profits obtained from the enterprise directly into that enterprise by increasing its registered capital, or who uses the profit as capital investment to establish other enterprises with foreign investment to operate for a period of no less than 5 years shall, upon approval by the tax authorities of an application filed by the investor, be refunded 40% of the reinvested amount of the income tax that has already been paid. Those who reinvest in the export enterprises or technologically advanced enterprises may obtain a refund of all the reinvested amount of the income tax that has been already paid.

Withholding Income Tax

Any foreign enterprise that has no establishment or place in China but derives profits, interest, rent, royalties or other income from sources in Ningbo, may be levied at the reduced rate of 10% (except for exemption of the income tax prescribed by law). And those provide advanced technology, or the terms of capital or equipments are preferential, exemption or reduction may be allowed upon approval.

Income Tax Concerning Remittance

The income tax shall be exempted for the amount of profits gained by the foreign investors from the enterprises in Ningbo when they are remitted out of China.

Customs Duties

The customs duties and import-related value-added tax shall be exempted on the equipment for self-use (except for those stipulated in "Catalogue of Imported Commodities not Entitled for Tariff Exemption for Projects with foreign Investment") imported by foreign investment project in accordance with "the Encouraged Foreign Investment Industries and Restricted Foreign Investment Industries (B) of the Catalogue for the Guidance of Foreign Investment Industries (promulgated on 1, April, 2002)".

NB04 宁波市科技园区鼓励国内外投资若干规定

2006-07-21 信息来源：宁波市信息中心

为鼓励国内外投资者到宁波市科技园区（以下简称科技园区）投资建设，根据国家有关法律、法规和政策，结合宁波市实际，特制订如下若干规定：

一、企业所得税优惠政策

（一）外资项目或企业所得税

1、外商投资企业的所得税税率按国家有关政策，其中：

（1）生产性企业经营期在十年以上，从获利年度起享受二免三减半政策。

（2）产品出口企业，在二免三减半期满后，当年出口产品产值达到生产产值 70% 的，可继续享受减半征收政策。

（3）对总投资在 1000 万美元以上的大项目、高新技术项目在享受上述政策期满后，第 6 至第 10 年的企业所得税地方所得部分，根据财力可能并经批准可返还 50%。

2、外商投资港口、码头、公路、电力、能源、水利、环保等基础设施项目，经税务部门批准，企业所得税减按 15% 的税率征收。经营期在 15 年以上的，经批准，从获利年度起对缴纳的企业所得税地方所得部分，头 5 年全额返还，第 6 至 10 年返还 50%。

3、被认定为高新技术企业的外商投资企业，经营期在 10 年以上的，在享受本规定有关政策的同时，自认定之日所属的纳税年度起，经批准，企业所得税超过 15% 税率的地方所得部分实行先征收后返还。

4、鼓励外商投资科研、教育、中介服务以及开发性的旅游设施项目。对此类项目建成营业后，从获利年度起，3 年内所征的所得税地方所得部分予以返还。

5、对经批准的外资银行、中外合资银行经营期在十年以上，国外投资者投入资本 1000 万美元以上的，其税率为 15%，并享受二免三减半政策。

6、国外投资者将其从企业分得的利润汇出中华人民共和国境外时，免缴汇出额的所得税。

7、外商投资企业的地方所得税，经科技园区管理委员会审定，在一定期限内给予免征。

（二）内资企业所得税政策

1、对新办的独立核算的从事咨询业（包括科技、法律、会计、审计、税务等咨询业）、信息业、技术服务业的企业或经营单位，自开业之日起两年内免征所得税。

2、对新办的独立核算的专业从事交通运输业、邮电通讯业的企业或经营单位，自开业之日起第一年免征所得税，第二年减半征收所得税。

3、对新办的独立核算的从事公用事业、商业、物资业、对外贸易业、旅游业、仓储业、居民服务业、饮食业、教育文化事业、卫生事业的企业或经营单位，自开业之日起

报经税务主管机关批准，可减征或免征所得税一年。

(三) 关于再投资的所得税政策。

国外投资者将从中国境内投资企业取得的利润直接再投资，其所得税按以下政策处理：

- 1、增加注册资本或开办其他外商企业，经营期不少于五年的，经税务主管机关批准，可退还其再投资部分已缴纳的所得税的 40%。
- 2、再投资于扩建产品出口企业或技术先进企业，经营期不少于五年的，可全部退还其再投资部分已缴纳的所得税税款。

(四) 国外投资者在中国境内没有设立机构而有从科技园区获得股息、利息、租金、特许权使用费和其他所得的，除依法免缴所得税的以外，可减按 10% 的税率缴纳所得税，其中以优惠条件提供资金、设备或转让先进技术的，报经税务主管机关批准，可享受更多的减免所得税优惠。

(五) 纳税人发生年度亏损的，可以用下一纳税年度的所得弥补；下一纳税年度的所得不足弥补的，可以在五年内延续弥补。

二、税收返回政策

(一) 在科技园区投资新办的外资企业，其缴纳的企业所得税（包括减半期间）高于国家级开发区企业所得税的部分，经地方税务主管部门批准，可按年退还。

(二) 科技园区投资新办的内资企业，其缴纳的企业所得税，参照外资企业规定退还。

(三) 凡在科技园区内投资新办的内外资企业，除按政策规定享受优惠外，其缴纳的增值税和营业税的地方收入部分，按以下办法退还：

- 1、新办的独立核算企业，自新办之日起两所内所退还 30%；
- 2、在新区内受让、租用土地或购租新区统建的标准厂房的新办生产性企业，自新办之日起两年内按年全额退还。
- 3、对购买建筑面积在六十平方米及以上的统建的经营性用房的新办商贸性内资企业，视其购房面积在五年内给予以下比例的退还：

| | |
|------------------------|----------|
| 购房建筑面积 | 增值税和营业税的 |
| 地方部分 | 退还比例 |
| 60-200 平方米（不含 200 平方米） | 60% |
| 200 平方米及以上 | 70% |

4、园区以外的国内投资者，以资金、设备及无形资产与园区现有企业联合营，来方投资在五十万元人民币以上，投资比例在 30% 以上，联合营时间在五年以上，联合营后企业缴纳的增值税、营业税在保证比原企业上缴的增值税、营业税每年增长 10% 的前提下，其超过部分，属地方部分的，两年内按年全额退还。

5、在园区内从事信息咨询的企业，自新办之日起三年内，其缴纳的营业税的地方部分，退还 50%。

三、实施推进技术创新，加快发展高新技术产业的税收扶持政策

(一) 经认定的高新技术成果转化项目，从第一次销售之日起三年内，企业所得税和增值税的留地方部分，由财政先征后返，之后两年减半返还。经认定的拥有自主知识产权的高新技术成果转化项目，自认定之日起五年内，其所得税和增值税留地方部分，由财政先征后返，之后三年减半返还。

在科技园区注册的企业，以税后利润投资经认定的高新技术成果转化项目，由财政返还相应投资额的所得税。

科研机构、高等学校等单位的科技人员，其科技成果转化的股权收益，经核准，暂

不征收个人所得税。

(二) 经认定的高新技术产品,自确认之日起三年内征收的所得税和增值税留地方部分,经批准可列收列支予以返还。高新技术产品出口,实行增值税零税率政策。对国内没有的先进技术和设备的进口,执行国家有关税收扶持政策。

(三) 经认定的高新技术企业,自认定之日起,前两年内缴纳的所得税留地方部分全额返还,后五年减半返还;按规定返还税收期满后,凡当年出口产品产值达到70%以上的,经核准,再返还50%留地方部分的所得税。

(四) 对开发生产软件产品的企业,其软件产品可按6%的征收率缴纳增值税,其职工工资支出可按实际发生额在企业所得税税前扣除;对生产具有自主知识产权的软件和基因工程产品的高新技术企业,前五年缴纳的所得税留地方部分全额返还,后五年减半返还。

高新技术企业的增值税,可以上一年为基数,新增的留地方部分,从2000年起(新认定的高新技术企业自认定之年起)三年内按50%的比例给予返还。

全市范围内首次应用发明专利技术生产的产品,经核准,自销售之日起,三年内缴纳的所得税和增值税留地方部分全额返还。

经认定的高新技术企业和重点技术改造企业,用于开发、生产高新技术产品的仪器、设备,经核准,允许按年25%计提折旧费。

四、促进企业技术进步的政策措施

(一) 企业研究开发新产品、新技术、新工艺所发生的各项费用,不受比例限制,计入管理费用。

(二) 企业技术创新的投入占销售收入的比例达到1.5%以上,技术开发费逐年增长,增长幅度在10%(含10%)以上的盈利企业,其当年实际发生的费用按规定据实列支外,年终经主管税务机关审核批准后,可按实际发生额的50%,直接抵扣当年应纳税所得税额。

(三) 企业研究开发的新产品,列入国家级试产(试制)计划的,自销售之日起3年内返还新产品所得税和增值税留地方部分;列入市级试产(试制)计划的,2年内返还新产品所得税和增值税留地方部分。

(四) 企业在技术转让过程中发生的有关专利转让、技术咨询、技术培训、技术服务等所得年净收入低于30万元的,免征所得税。超过30万元的部分,依法交纳所得税。

(五) 企业研究开发新产品、新技术、新工艺所需的关键设备、测试仪器等,单台价值在30万元以下(含30万元)的,允许一次或分期计入管理费用。

五、关税政策

(一) 科技园区外商投资企业符合《外商投资产业指导目录》鼓励类和限制乙类并转让技术的外商投资项目,在投资总额内进口自用设备,除《外商投资项目不予免税的进口商品目录》所列商品外,免征关税和进口环节增值税。

(二) 科技园区的外商投资企业为履行产品出口合同所需进口的原材料、元器件、包装材料,经有关部门批准,给予保税。

六、其它有关政策

(一) 新办的外地在科技园区的大中型企业(集团),从获利年度起五年内,按实际缴纳的企业所得税地方留成部分,实行先征后返,前二年全额返还,后三年减半返还,专项用于企业生产经营;投资高新技术产业(按国家发布的高新技术领域和高新技术企业认定),从获利年度起,对其上缴税收的地方留成部分实行先征后返,五年全额返还,专项用于企业生产经营。

(二) 科技园区内高新技术项目和高新技术改造传统产业项目,市财政给予一年期银行贷款利率的100%贴息。

(三) 外商投资企业可享受优惠地价。凡总投资在 1000 万美元以上的(含 1000 万美元)外商投资项目,其投资项目的预留地可免缴定金;允许投资者分期缴付土地价款。

(四) 对以多种形式引进的科技机构,给予一定数额的经费补助,并根据一事一议的原则给予政策支持。

(五) 积极鼓励高新技术成果中间试验,考虑到中间试验的风险性,每年安排一定额度的资金以风险贷款形式,贷款给中间试验项目实施单位。当中试成功,并取得经济效益时,企业应以同期银行利率归还本息;如中试失败,政府酌情予以减免。

(六) 积极鼓励中央部委、市外和海外留学生带高新技术成果来甬实施转化,并优先享受项目贴息或风险贷款的优惠。

(七) 对于企业自主研发或与大专院校、科研院所合作研究开发的高新技术项目,以及从市外、国外引进的高新技术成果,安排一定额度的科技三项经费,择优补助。

(八) 国内投资者的科技园区新办企业,其需用的各类专业人员、管理人员及其家属,经批准准许迁入园区落户,对高新技术企业、投资规模大的企业、经济效益好的企业从宽掌握;华侨和香港、澳门、台湾同胞在科技园区投资兴办企业或公益事业的,可以适当安排其亲属在其所投资的企业、事业单位中就业,户籍关系可以按有关规定迁入科技园区。具体实施细则由有关部门制定。

四、 本规定由宁波市科技园区管理委员会负责解释。

五、 本规定自发布之日起施行。

NB08 Preferential Policy on foreign investment in Ningbo Science & Technology Zone

This document was familiar with NB04

NB08 宁波市科技园区优惠政策

2005-07-07 信息来源: 市府办信息中心

软件类 --for software investment

1、对一般纳税人销售其自行开发生产的软件产品,增值税 2010 年前按 17% 的法定税率征收增值税,以实际税负超过 3% 的部分即征即退。

2、新创办软件企业经认定后,自获利年度起,留地方部分所得税实行“二免三减半”的优惠政策。

3、对软件企业进口所需的自用设备,以及按照合同随设备进口的技术(含软件)及配套件、备件,除列入《外商投资项目不予免税的进口商品目录》和《国内投资项目不予免税的进口商品目录》的商品外,均可免征关税和进口环节增值税。

4、软件开发企业实际发放的工资总额,在计算应纳税所得时准予扣除。

其他政策

1、对单位和个人(包括外商投资企业、外商投资设立的研究开发中心、外国企业和外籍个人)从事技术转让、技术开发业务和与之相关的技术咨询、技术服务业务取得的收入,免征营业税。

2、外商从投资企业所得的利润直接再投资于该企业,增加注册资金作为再投资开办其他企业,经营期不少于五年的,经税务机关批准,退还其再投资部分已缴纳所得税 40% 的税款。在大陆境内直接再投资兴办扩建产品出口企业或先进技术企业,期限不少于五年的,

全部退还再投资部分已缴纳的企业所得税。

3. 园区内盈利的高新技术企业, 研究开发新产品、新技术、新工艺所发生的费用, 比上年实际发生额增长达到 10% 以上的 (含 10%), 其当年所发生额的费用除规定据实列支之外, 年终经园区有关部门审核批准后, 可再按实际发生额的 50% 直接抵扣当年应缴纳所得税额。对技术含量高的高新技术企业给予财政奖励。

4. 外商投资企业在投资总额内采购国产设备, 可全额退还国产设备增值税, 国产设备价值的 40% 可按规定抵免企业所得税。

对高新技术产业的鼓励政策

园区积极鼓励发展高新技术产业, 对落户的高新技术项目将给予一定的财政补助进口关税

鼓励类的外商投资项目, 在投资总额内进口设备, 免征进口关税和增值税。

出口产品用的原材料、零部件在进口时, 免征进口关税和进口增值税。

所得税

1. 在园区设立的符合园区产业导向的外商投资生产型企业, 生产经营期在十年以上的, 从获利年度起, 实行“二免三减半”政策;

2. 外商投资的产品出口企业, 在享受税收减免政策期满后, 企业产品出口值达到企业当年总产值 70% 以上, 经有关部门核准后, 当年减半征收企业所得税。

3. 先进技术企业延长三年减半征收所得税。

集成电路类

1. 鼓励海外企业在大陆合资或独资设立 IC 企业, 对投资额超过 80 亿元人民币或集成电路线宽小于 $0.25\mu\text{m}$ 的集成电路生产企业, 企业所得税实行“五免五减半”政策, 对一般纳税人销售其自产的集成电路产品 (含单晶硅片), 2010 年前按 17% 的法定税率征收增值税, 对实际税负超过 3% 的部分即征即退, 由企业用于研究开发新的集成电路和扩大再生产。

2. 集成电路生产企业的生产性设备的折旧年限最短可为 3 年。集成电路企业引进集成电路技术和成套生产设备, 单项进口的集成电路专用设备与仪器, 按《外商投资产业指导目录》和《当前国家重点鼓励发展的产业、产品和技术目录》的有关规定办理, 免征进口关税和进口环节增值税。

3. 境内集成电路设计企业设计的集成电路, 如在境内确实无法生产, 可在国外生产芯片, 其加工合同 (包括规定、数量) 经行业主管部门认定后, 进口时按优惠暂定税率征收关税。

NB09 Preferential Policy on foreign investment in Ningbo Economic & Technology Development Zone.

This document was familiar with NB04

NB09 宁波经济技术开发区优惠政策

2005-07-07 15:03:22 信息来源: 市府办信息中心

入区企业除享受中央政府赋予国家级开发区的所有优惠政策外, 对于开发区管委会认定的属于电子信息、生物化工、精密机械加工等高新技术项目、年出口创汇 3000 万美元以上项目、引进外资额度巨大项目和对于我区开发建设有重大意义的项目, 宁波开发区管委

会还专门设立了企业发展基金和高新科技发展基金,在项目筹建、土地使用、基础设施配套、技术引进、设备改造、对外贸易、人才引进等方面给予优惠扶持。

土地

“八通一平”(通路、通电、通蒸汽、通讯、通有线电视、上水、下水、排污和土地自然平整)条件的工业用地,具有50年使用权。

所得税

外资企业所得税率为15%,国家赋予国家级开发区“二免三减半”的政策,即:外商投资的生产型企业经营期在10年以上的,从获利年度起,第一、二年免征所得税,第三至第五年减半征收所得税。

税外收费

依法治区,大幅减少税外收费,实行目录管理,杜绝乱收费。

基建补贴

企业在筹备建设期间,需要向供电部门缴纳的用电一次性电贴费,由开发区管委会给予全额补贴。

NB11 Preferential Policy in Ningbo Export & Processing Zones

This document announce that it'll be acquire preferential policy to the investment which enter into the Ningbo Export & Processing Zones, the policies include:

- duty free on machinery import;
- VAT drawback similar with export when the goods enter into this Zone;
- duty free on import materials which used on the export products and made in China;
- duty free on export goods
- don't need reporting or register the payment to the abroad on foreign exchange
- the goods can enter or exit the Zone freely, don't need any other admit
- income tax is 15%
- no VAT
- manufacturer will be get allowance from the government depend on the investment size and term.

NB11 宁波出口加工区优惠政策

2005-07-07 信息来源: 市府办信息中心

进口免税

■ 生产所需的机器、设备、模具、维修用零配件;

基础设施建设所需的机器、设备和建设用基建物资,自用的办公用品;

免征海关和进口环节税。

入区退税

■ 在中国境内的区外企业货物出口到区内可享受国家有关增值税出口退税优惠,

从区外入区的国产机器、设备、原材料、零部件、元器件、包装物料、合理数量的建筑材料

等，按出口办理退税。

进料保税

■ 加工出口产品所需进境的原材料、零部件、元器件、包装物件及消耗性材料全额保税。

出口免税

■ 加工复出口的产品免税。

出口加工区之间的进出货物免税

■ 加工区与加工区之间产品、原辅料、机器设备等进出货物免税。

外汇管理

■ 区内货物销往境外不需办理出口收汇核销手续；向境外支付不需办理进口付汇核销手续。

配额许可证

■ 货物可以在加工区和境外自由进出。除国家另有规定外，不需配额和许可证。

所得税

■ 外商投资生产型企业按 15% 计征，经营期十年以上的从获利年度起享受“免三减半”的优惠，减免期满后，属先进技术企业、产品出口企业可继续享受有关减免的优惠。

增值税

■ 区内生产型企业生产产品出口免征增值税；区内企业的应税劳务和增值税为零税。

财政补贴

■ 生产型企业按投资规模、技术先进等因素，赋予专项财政补贴。

宁波保税区(出口加工区)管理委员会以符合国际惯例的现代管理理念，负责管理区内各项事务。秉承一切为投资者着想，一切为纳税人服务的宗旨，以诚信原则为企业提供全方位、全过程、全免费的服务。宁波保税区(出口加工区)海关独立处理区内海关事务，外贸、税务、银行、保险以及各种代理服务机构配套齐全，推行“一楼办公、一站式管理、一条龙服务”的高效运作机制。

宁波保税区(出口加工区)致力于为海内外客商创造一流的投资环境为每一位投资者搭建连接世界经济合作与发展的战略平台期待着每一位有识之士抢占商机共奔宁波保税区(出口加工区)美好未来

NB13 Tax Decrate on Declaring Technology Contract by Foreign Invest Company.

This document is to the "authorized excise charge" for the import technology, the foreign investor get profit from this excise charge, the income tax will be decerate or draw back to the enterprise from government.

NB13 外资企业申报技术进口合同可减免税费

2005-05-12 信息来源：市府办信息中心

近日，国家税务总局、商务部发出通知，对技术进口所涉及的特许权使用费企业所得税减免审批程序问题，进一步作出了明确规定。对于符合规定的技术进口合同，外资企业

可以享受减免企业所得税的优惠。

按照有关规定,对外商提供属于《中华人民共和国外商投资企业和外国企业所得税法》第十九条第三款(四)项及其《实施细则》第六十六条所列举的专有技术所取得的特许权使用费,且技术先进或者条件优惠的,需减免所得税的均应报国家税务总局批准。

据宁波开发区国税局有关负责人介绍,外商申请办理所得税减免的,可委托技术进口受让方办理有关手续。受让方首先应向为其登记技术进口合同的主管部门申请办理《关于建议减免企业所得税的函》。申请时应提供技术进口合同副本、技术进口合同登记证书、技术进口合同数据表、外国企业所得税减免申请函、外国企业委托受让方办理减免税手续的委托书和受让方提出的减免税申请函。

另外,对于技术进口合同中有进口限制类技术的、合同条款中存在严重限制性条款等违背《中华人民共和国技术进出口管理条例》内容的、以提成费方式支付特许权使用费且提成率超过 5%这三种情形之一的,均不视为税法规定的“条件优惠”,原则上不得出具建议函。

One Additional Policy of Ningbo

Provisions Of Ningbo Municipality on Investment Administration Made by Investors of Enterprise With Foreign Investment

2005-04-21 10:55:41

(Promulgated by Ningbo Municipal Government on May 16th ,1994 Yong Zheng [1994]No.9 Document)

Article 1. These Provisions are formulated in accordance with the several Provisions of SAIC concerning the investment made by the various parties to Chinese - Foreign Equity Joint Venture, approved by the State Council, and other pertinent laws and regulations, meanwhile in terms of practical condition of this city, in order to protect the lawful rights and interests of investors to Enterprise with Foreign Investment and to promote sound development of Enterprise with Foreign Investment.

Article 2. Enterprise with Foreign Investment, mentioned in these Provisions, means Chinese - Foreign Equity Joint Ventures, Chinese - Foreign contractual Joint Ventures, Foreign-capital enterprises.

Article 3. In case that Enterprise with Foreign Investment is established within the district of Ningbo, the investors must comply with these Provisions.

Article 4. The total amount of investment made by Enterprise with Foreign Investment refers to the total sum of capital which required to establish a Enterprise with Foreign Investment, namely, the sum total of foundational construction capital (or fixed assets) and current funds required by the production and operation scale.

Article 5. The registered capital of a Enterprise with Foreign Investment refers to the total

sum of capital agreed to be contributed by all parties and registered by the Administrative Authorities for Industry and Commerce for establishment.

The registered capital of a Enterprise with Foreign Investment should be suit to its the production and operation scale. The proportion between registered capital and the total amount of investment should comply with the pertinent regulations.

Article 6. The investment contributed by investors to Enterprise with Foreign Investment (hereafter referred to as "investors") must be contributed in cash and owned by the investors themselves, or in form of physical goods, industrial property rights ,proprietary technology and so on, which owned by the investors themselves and have not been used to establish an security interests.

In case where physical goods, industrial property rights and proprietary technology are used as investments at the evaluated price, the investors shall present valid documents to demonstrate their proprietary and their right of disposal.

Article 7. If such physical goods as machinery equipment, are used by foreign investors as investment at the evaluated price, the examination and appraisal should be made by Ningbo Import-Export Commodity Inspection And Bureau, and the certification of price appraisal should be issued thereafter.

Article 8 . No investor to Enterprise with Foreign Investment may use loans, rented equipment or other assets that have obtained in the name of the Enterprise with Foreign Investment or assets of persons other than the investors as its own investment contribution to Enterprise with Foreign Investment; nor may it use assets or right and interests of the Enterprise with Foreign Investment, or assets or right and interests of the other parties to Enterprise with Foreign Investment as warranty for its investment contribution to Enterprise with Foreign Investment.

Article 9. The investors shall set the time limit of investment in Application And Registration Form Of Enterprise With Foreign Investment, contract and regulations. The investors should pay up their respective investment contributions to Enterprise with Foreign Investment on schedule.

Article 10. If the contract and regulations stipulates that investment contributions shall be paid up in one lump, the investors shall make the full payment of their respective investment contributions within 6 months from the date the business license is signed and issued.

If the contract and regulations stipulates that investment shall be paid by installments, the first installment paid by the investors shall not be less than 15% of the total amount of their respective investment contributions and be paid with 3 months as the date the business license is signed and issued.

Article 11. After the investors have paid the first installment, the remaining installment ,if registered capital is less than \$500,000 (including \$500,000) should be paid up within

6months ; if the registered capital is more than \$500,000 but less than \$2,000,000 (including \$2,000,000) should be paid up within 1 year ; if the registered capital is more than \$2,000,000 but less than \$10,000,000 (including \$10,000,000) should be paid up within 2 years ; if the registered capital is more than \$10,000,000 should be paid up within 3 years.

If one or two especially big Enterprise with Foreign Investment can not be performed in accordance with the said Provisions, they shall be approved by the original examining and approving authorities, in conjunction with the Administrative Department for Industry and Commerce.

Article 12. In the event that the Enterprise with Foreign Investment demands to defer investment for due reason, the director board of the Enterprise with Foreign Investment should pass a resolution and raise application, and such application should be approved by the original examining and approving authorities, in conjunction with the Administrative Department for Industry and Commerce.

Article 13. After paying every installment, Enterprise with Foreign Investment shall appoint an accountant registered in China to check and examine the accounts, and the report of assessment issued thereafter shall be submitted to the Administrative Department for Industry and Commerce as well as the original examining and approving authorities.

Failure to pass the examination of the accounts, or the examination in unconformity with the relevant State regulations, the Enterprise with Foreign Investment shall not be considered to invest.

Article 14. In the event that the investors, within the time limit prescribed in Article 10, fail to make the full payment without good cause, the Enterprise with Foreign Investment shall be considered to be dissolved of its own accord, and the approval certificate for the Enterprise with Foreign Investment shall automatically cease to be effective. Enterprise with Foreign Investment shall go through the procedures for cancellation of registration with the Administrative Department for Industry and Commerce, and submit its business license for cancellation. If the Enterprise with Foreign Investment fails to go through the procedures for cancellation of registration and submit its business license for cancellation, the Administrative Department for Industry and Commerce shall revoke its business license and make announcement to the public.

Article 15. The remaining installment, after the first installment, should be paid up by Enterprise with Foreign Investment as scheduled. Without good causes Chinese - Foreign Equity Joint Venture, Chinese - Foreign contractual Joint Venture delaying for 3 months , and Foreign-capital enterprises delaying for 1 month , fail to pay investment or fail to full investment, the Administrative Department for Industry and Commerce shall notify the investors of request of payment of investment within 1 month.

If the investors still fail to pay up the investment within the time limit stipulated in the said notice, the original examining and approving authorities has the right to revoke the approval certificate for the said enterprise, and demand it to settle claims and debts within

time limit.

The said enterprise shall go through the procedures for cancellation of registration with the Administrative Department for Industry and Commerce, and submit its business license for cancellation. If the Enterprise with Foreign Investment fails to go through the procedures and submit its business license for cancellation, the Administrative Departments For Industry And Commerce have mandatory right to revoke its business license and announce this to the public.

Article 16. The Enterprise with Foreign Investment failing to pay up investment on schedule should be limit to various license by the respective authorities concerned, not be granted with the registration on enlarging the management scope or establish new branches by the Administrative Department For Industry And Commerce, not be given preferential duties like tax reduction or tax free on its import equipment and appliance by the Customs Office, not obtain loan from banks, not be allowed the distribution of profit by fiscal authority, and not be allowed to participate in foreign exchange adjustment by foreign control department and pertinent banks pointed.

Article 17. Establishment of a Enterprise with Foreign Investment by the companies in Ningbo, the enterprises and other economic organizations or individuals from Hong Kong, Macao and Taiwan, and Chinese citizens living abroad shall be handled with reference to these provisions.

Article 18. The right to interpret these provisions resides with Ningbo Administrative Department For Industry And Commerce.

Article 19. These provisions shall go into effect on the date of promulgation.

Another additional explain on the Preferential Policies of Ningbo

Q&A of Policies of Customs on Tax Reduction and Exemption in Ningbo

2010-03-26 09:29:08

Q: What are the documents that foreign-funded enterprise should submit to the customs for tax reduction or exemption?

A: 1. The original copy of the Confirmation of Domestic-Funded or Foreign-Funded Projects Encouraged by the State for Development issued by the department in charge; 2. The approval document for the project's feasibility report; 3. The approval document for the project issued by the foreign economic and trade department; 4. The approval certificate issued by the foreign economic and trade department for the foreign-funded enterprise or the enterprise funded by an overseas Chinese in Hong Kong, Macao or

Taiwan; 5, The copy of business license issued by the industrial and commercial administrative department; 6, The project's feasibility report; 7, The enterprise's contract or articles of association; 8, Other documents required by the customs, for example, the capital verification report.

Q: What are the documents that foreign-funded enterprise should submit to the customs for tax reduction or exemption for imported equipment?

A: 1, The photo copy of the Confirmation of Domestic-Funded or Foreign-Funded Projects Encouraged by the State for Development issued by the department in charge; 2, The contract for the import; 3, the invoice for the import and the packing list; 4, The copy of business license issued by the industrial and commercial administrative department; 5, The approval certificate issued by the foreign economic and trade department for the foreign-funded enterprise or the enterprise funded by an overseas Chinese in Hong Kong, Macao or Taiwan; 6, Other documents required by the customs, for example, the instructions.

Q: What is the time limit for the handling of an application for the tax reduction or exemption for imported equipment?

A: If the application materials are complete and accord with the statutory form, the customs department in charge should make the decision on the approval or denial of the application with ten work days after the acceptance of the application. For delay under special circumstances, the customs department in charge should explain it to the applicant.

Q: What is the longest period of validity the Certificate of Tax Collection or Exemption for Imported or Exported Goods?

A: The longest period of validity the Certificate of Tax Collection or Exemption for Imported or Exported Goods is six months from the time it is printed.

Q: Can the period of validity the Certificate of Tax Collection or Exemption for Imported or Exported Goods be prolonged?

A: The period of validity the Certificate of Tax Collection or Exemption for Imported or Exported Goods can be prolonged. The application should be made before the expiration of the period of validity and it should be made for only once. The validity period is extended from that day and the extension should be no more than six months.

Q: Can a change be made to the Certificate of Tax Collection or Exemption for Imported or Exported Goods?

A: For a certain reason when an applicant needs to make a change to the destination port, the number of the contract and the certificate of origin in the Certificate of Tax Collection or Exemption for Imported or Exported Goods, the authorized customs department should verify and approve the written application of the applicant. the change should not be made until with the approval of the department. When an applicant needs to change other items, the authorized customs department should verify and approve the written application of the applicant, invalidate the Certificate of Tax Collection or Exemption for Imported or Exported Goods and then re-examine and approve the application.

Q: What should one do when the Certificate of Tax Collection or Exemption for Imported or Exported Goods is lost?

A: When the Certificate of Tax Collection or Exemption for Imported or Exported Goods is

lost and an application is made. The authorized customs department should verify and approve the written application of the applicant, to make sure the Certificate of Tax Collection or Exemption for Imported or Exported Goods has not been used. After the three-level examination, the Certificate of Tax Collection or Exemption for Imported or Exported Goods should be invalidated and then the application should be re-examined and approved.

Q: What is the period of supervision of goods entitled to duty exemption or reduction?

A: The periods of supervision of goods entitled to duty exemption or reduction are: eight years for ships, airplanes; six years for automobiles; five years for other goods.

The periods are counted from the day of clearance.

Q: Can goods in the periods of supervision be transferred?

A: If for a certain reason an applicant needs to transfer goods entitled to duty exemption or reduction in the periods of supervision, the applicant should submit written application and related documents to the authorized customs department for verification and approval. When approved, procedures should be gone through for the carrying-over and tax making-up.

Q: When the periods of supervision of goods entitled to duty exemption or reduction is over, should the goods be supervised by the customs?

A: For goods entitled to duty exemption or reduction whose period of supervision is over, the applicant should submit written application the authorized customs department verification and approval. When the application is approved, the authorized customs department should grant the certificate of the termination of supervision of goods entitled to duty exemption or reduction. In case that the period is over and the application is not made, the authorized customs department should regard it as automatic termination of supervision.

Q: Can goods entitled to duty exemption or reduction be the mortgage for loans?

A: An applicant who needs to have mortgage loans for his goods should submit written application to the authorized customs department for examination and approval. Without the approval of the customs, the mortgage of goods under the supervision of the customs or the use of the goods for covering debts, the owner of the goods shall be subject to penalty according to related regulations.

Q: What documents should be presented for application for mortgage loans?

A: 1, Written application form; 2, list of goods; 3, the Certificate of Tax Collection or Exemption for Imported or Exported Goods, the import customs declaration form, the contract, the invoices (all photo copies); 4, agreement with seals of the enterprises and bank on loans on goods entitled to duty exemption or reduction specified by the customs; 5, other documents required by the customs, for example, the letter of commitment for the tax payment.

Q: What is the maximum maturity of the mortgage loans for goods enjoying duty reduction or exemption?

A: The maximum maturity of the mortgage loans for goods enjoying duty reduction or exemption is one year. In case that a person applies to extend the loans, the authorized customs department should re-calculate the taxes and the credit ceiling and go through related formalities, the maturity of the extended loans is one year.

Q&A of Policies of Customs Clearance

2010-03-26 09:27:32

Q: What is paperless customs clearance?

A: Paperless customs clearance is an application of the China e-customs and the modern customs information management system. Different from the traditional customs clearance procedure that is based on the written the customs declaration and affixed papers submitted by the import and export enterprise, the paperless customs clearance is a customs procedure in which the customs clearance is based on the verification of the digital data submitted on-line by the import and export enterprises about the goods it reports.

Q: What are the formalities before the procedure of the paperless customs clearance?

A: Before the procedure of the paperless customs clearance, the import and export enterprise should make an application to the customs. After the acceptance of the application, the local customs should examine the application and organize the enterprise, the customs, and China e-port data center to sign an agreement on the paperless customs clearance.

Q: How does an enterprise declare a paperless customs clearance?

A: An enterprise can make the declaration by itself or trust it to a customs agent and the entrusted agency relation should be registered on the e-port. The enterprise or the agent should fill in declaration form on China e-port system, and fill in other forms required by the customs. The enterprise should make sure that the data are up to related requirements and the accuracy and validity of the data, and it shall assume related legal responsibility.

Q: What is the post submission of the customs declaration paper?

A: As is required by the customs, an enterprise should submit the customs clearance declaration paper to the customs within seven days of the clearance. An enterprise that fails to do so or fails to do so within seven days after call notice shall be suspended by the customs the paperless customs clearance.

Q: What is the territorial declaration and release at a different port?

A: An enterprise that meets the related requirements by the customs and is listed in the A-grade enterprises can choose to make the customs declaration to the territorial customs and go through the clearance procedure at the customs where the import or export goods are released.

Q: What goods are not applicable to the territorial declaration and release at a different port?

A: The territorial declaration and release at a different port does not for the time being apply to the goods whose declaration and clearance must be made at the territorial customs as is stipulated by the customs or the import and export license administration.

Q: What are the conveniences of the territorial declaration and release at a different port for enterprises?

A: There are four conveniences of the territorial declaration and release at a different port for enterprises. Firstly, time saving. This mode of "one-time declaration, one-time examination and one-time release" has less clearance procedures and therefore saves time. Secondly, it reduces the cost on logistics for the enterprises. By means of the mode of the territorial declaration and release at a different port, an enterprise can make choices of the vehicle, route and time for the goods, with no restriction that it must choose the vehicle appointed by the customs. With less procedures, this mode accelerates the goods and capital turnover and reduces the cost on logistics for the enterprises. Thirdly, it guarantees the safety of the documents and capital of the enterprises. An inland enterprise can submit much fewer original copies of business documents and therefore there is less risk for the documents sent by post. An enterprise that does not pay taxes and fees through the internet payment is no longer required to remit the capital to the agent's account in advance and this ensures that safety of the capital. Fourthly, this reflects the principle of "convenience to the law abider". In the mode of the territorial declaration and release at a different port, the customs offers timely consulting advice to the enterprises and give them priority in the procedures of the customs clearance.

Q: What enterprises can have the services of the convenient and rapid customs release?

A: The following enterprises can apply to one of several services stipulated in the Circular of the General Administration of Customs and the Ministry of Foreign Trade and Economic Cooperation on Some Issues about the Development of the High and New Technology Industry. 1, The enterprises with good credit standing, lawful operations, strict and standardized administration, no smuggling or regulation violation in half a year, and with sufficient assets or capital for the guarantee of the liabilities for the services of the convenient and rapid customs release. 2, An enterprise with the status of an independent legal entity, engaged in hi-tech industry and its products are on the list of the Export Catalogue of China's New High-tech Products by the Ministry of Science and Technology, the Ministry of Foreign Trade and Economic Cooperation, the Ministry of Finance, the State Administration on Taxation and General Administration of Customs. 3, An enterprise with import and export operation right and registered at the customs. 4, An enterprises with its annual export turnover (including processing trade and defective return after bonded transfer for deep processing) exceeding 100 million US dollars.

Q: What is the maximum maturity of the mortgage loans for goods enjoying duty reduction or exemption?

A: The maximum maturity of the mortgage loans for goods enjoying duty reduction or exemption is one year. In case that a person applies to extend the loans before the expiration, the authorized customs department should re-calculate the taxes and the credit ceiling and go through related formalities. The maturity of the extended loans is one year.

Q: Can goods enjoying duty reduction or exemption be claimed to send out of China?

A: In case one applies to send the goods enjoying duty reduction or exemption out of China within the customs surveillance period, the authorized customs department should verify and approve the written application of the applicant. After the goods are sent out of China, the authorized customs department should dispose the procedures of the duty reduction or exemption.

P+Z 13

76

Translated Response from Mr Wang Jing Gang of Changshu City Commerce Bureau in relation to Available Subsidy Programs for FIE's in Changshu Province.

Research conducted by ISS International.

Date : 9 June 2010

Client : ROH Automotive.

I. Tax Incentives:

| | Item | Tax Rate | Local Portion | Incentive Detail | |
|---|-----------------------|---|---------------|---------------------------------------|--------------|
| | | | | 1 st -5 th year | 14% refund |
| 1 | Corporate Income Tax | 25% | 28% | 1 st -5 th year | 14% refund |
| 2 | Value Added Tax | 17% | 16.5% | 1 st -5 th year | 8.25% refund |
| 3 | Property Tax | 0.84% | 65% | 1 st -5 th year | 32.5% refund |
| 4 | Individual Income Tax | | 28% | 1 st -5 th year | 14% refund |
| 5 | Import Duty | According to HS code of Customs House If can be classified as encouraged category, Import duty will be free. | | | |
| 6 | VAT export allowance | According to specific products, part or all the paid VAT can be refunded to WFOE | | | |

Translated Response from Mr. Wang Jing Gang of Changshu City Commerce Bureau in relation to Available Subsidy Programs for FIE's in Changshu Province.

Research conducted by ISS International.

Date : 9 June 2010

Client : ROH Automotive.

Remark:

Individual income tax:

At current, the statutory individual income tax is calculated according to the progressive rates, with RMB 2,000 Yuan and 4,800 Yuan deductible respectively from their wage and salary income for PRC nationals and expatriate.

Individual income Tax Rate:

| Wage & salary income (RMB Yuan) | Rate (%) |
|---------------------------------|------------|
| 0-500 | 5- |
| 501-2000 | 10 |
| 2001-5000 | 15 |
| 5001-20,000 | 20 |
| 20,001-40000 | 25 |
| 40,001-60,000 | 30 |
| 60,001-80,000 | 35 |
| 80,001-100,000 | 40 |
| Over 100,000 | 45 |

Translated Response from Mr. Wang Jing Gang of Changdeh City Commerce Bureau in relation to Available Subsidy Programs for FIE's in Changshu Province.

Research conducted by ISS International.

Date : 9 June 2010

Client : ROH Automotive.

II. Infrastructure Cost:

1) Charge for Electricity Power : (50 HZ)

① Basic Fee: RMB 28 yuan / KVA / month;

② Consumption Price: (Unit: RMB/KWH)

| Category | 1KV-10KV | 20-35KV | 35KV-110KV | 110KV |
|--------------|----------|---------|------------|-------|
| Big Industry | 0.633 | 0.627 | 0.618 | 0.603 |

Flexible charge rate applicable to different period of time each day:

Peak Hours (08:00AM-12:00AM, 17:00-21:00) : 150% of standard price;

Ordinary Time (12:00AM-17:00, 21:00-24:00): standard price;

Valley Hours (00:00-08:00AM) : 50% of standard price

2) Charge for Water : RMB 3.10/ ton for industrial use

3) Sewage Treatment:

Translated Response from Mr Wang Jing Gang of Changshu City Commerce Bureau in relation to Available Subsidy Programs for FIE's in Changshu Province.

Research conducted by ISS International.

Date : 9 June 2010

Client : ROH Automotive.

① For wastewater reaching National Sewage 1st Class Standard: Free of Charge;

② For wastewater which has reached National Sewage 3rd Class Standard:

RMB 1.8 - 3.0 / ton (specific price is fixed according to wastewater quality)

4) **Natural Gas:** RMB 3.05 Yuan/ Cubic Meter

5) **Steam:** RMB 210 Yuan/Ton

Translated Response from Mr Wang Jing Gang of Changshu City Commerce Bureau in relation to Available Subsidy Programs for FIE's in Changshu Province.

Research conducted by JSS International.

Date : 9 June 2010

Client : ROH Automotive.

III. HR Incentives:

1. Talents incentives:

Changshu municipal government formulates the most preferential policy for attracting excellent talents, that is RMB 80,000 Yuan for each PHD, RMB 30,000 for each Master.

Domestic and foreign R&D Centers, after admitted by relevant provincial level department, shall receive the research aid fund of RMB 1 million for "dependent" facilities to RMB 2 million for "independent" facilities.

2. HR Recruitment:

CSDZ will assist WFOE on the recruitment of needed talents, and ensure a 3:1 proportion of applicants selection by CSDZ; and CSDZ will establish special training center for WFOE in Changshu Vocational Training Center and Changshu Institute of Science & Technology, and integrate WFOE's special requirements on engineers and technicians into the curriculum of the training programs.

CSDZ is close to Changshu urban area, only 10 minutes' drive, and has 4 bus routes connect every site in the zone to down town, convenient for HR recruitment and daily work.

| Part One - Main Taxes | | | |
|-----------------------|---|---|---|
| Turnover Tax | | | |
| Category | Items | Tax Rate | Notes |
| Business Tax | Variable Rate Services, Transfer of Immovable Properties and Movable Assets | Transport and construction industry, post and telecom industry, culture and sports tax etc. | 0% |
| | | Finance and insurance services, real estate services, transfer of immovable properties and movable assets | 5% |
| | | Entertainment industry | 20% |
| Value Added Tax | Sales of goods, processing, repairing service and import goods into China | General category | 17% (except 16%) 12% (as 16%) |
| | | Special rate of goods and services | 6% (as 16%) |
| Consumption Tax | Incomes of production, processing and import into 14 categories of special consumption taxes according to the Preliminary Rules on Sales Taxation | Proportional tax rate 5%-15% | 14 categories of special consumables according to the Preliminary Rules of Consumption Taxation: tobacco, alcoholic beverages, ethyl alcohol, cosmetic, luxury skin care products, jewelry, precious gemstone and diesel and other petroleum products, automobile tires, motorcycles, automobiles, golf equipment, yacht, luxury watch, disposable chopsticks and wooden floorboard |
| | | | Special rate of goods and services |
| Import | Goods imported into China | | Subject to the Customs Law |

Income Taxes

| Tax | Scope | Rate | Notes |
|-----------------------|--|---|--|
| Corporate income tax | Incomes arising from (including or other incomes of a corporation) | Basic rate 25% Reduced tax rate 20% for those small A-share profit enterprises | Refer to Chart I of Part I for details |
| Individual income tax | All taxable incomes of individuals | Tax rates vary for the different kinds of income | For Hong Kong and States, please refer to Chart A for applicable tax rates |

Chart A - Individual Income Tax Rate

| Rate | Monthly taxable income | Tax rate | Monthly tax |
|------|------------------------|----------|-------------|
| 1 | 0 | 0% | 0 |
| 2 | 0-5,000 | 5% | 250 |
| 3 | 0-10,000 | 10% | 1,000 |
| 4 | 0-15,000 | 15% | 2,250 |
| 5 | 0-20,000 | 20% | 4,000 |
| 6 | 0-25,000 | 25% | 6,250 |
| 7 | 0-30,000 | 30% | 9,000 |
| 8 | 0-35,000 | 35% | 12,250 |
| 9 | 0-40,000 | 40% | 16,000 |
| 10 | 0-45,000 | 45% | 20,250 |
| 11 | 0-50,000 | 50% | 25,000 |
| 12 | 0-55,000 | 55% | 30,250 |
| 13 | 0-60,000 | 60% | 36,000 |
| 14 | 0-65,000 | 65% | 42,250 |
| 15 | 0-70,000 | 70% | 49,000 |
| 16 | 0-75,000 | 75% | 56,250 |
| 17 | 0-80,000 | 80% | 64,000 |
| 18 | 0-85,000 | 85% | 72,250 |
| 19 | 0-90,000 | 90% | 81,000 |
| 20 | 0-95,000 | 95% | 90,250 |
| 21 | 0-100,000 | 100% | 100,000 |

Monthly taxable income is calculated after a standard monthly deduction of RMB 500 for individuals not domiciled in the PRC or individuals domiciled in the PRC; the standard monthly deduction is RMB 3,500.

If the individual income tax is borne by the employer, a different tax rate table will be used to reflect the tax cost effect.

| Income taxes | | | |
|--------------------------------|---|--|--|
| State | Local | Federal | |
| Urban Real Estate Tax | Real estate | 12% calculated on the base of 70% original value of the real estate for self-use 12% of taxes | |
| Land Appreciation Tax | Land use right and real property transactions | 4 classes progressive rates from 31% to 60% | |
| Death Tax | Purchase or sale of or exchange of land and land use rights or real properties | 3% to 6% | The transferee assumes it the taxpayer |
| Urban and farming land use tax | Landowners who utilize land within the area of city, county, township and village activities | Determined by the local government | |

Part Two - Main Items of Preferential Tax

I. Corporate Income Tax

| Article | Favorable Policy / Measures | Favorable Policies | Detailed Treatment and Explanation |
|------------|---|---------------------------------|---|
| | Basic public infrastructure projects | Tax holiday | 3 years exemption and 3 years half reduction from 1st income-generating year |
| | Energy and water conserve projects and environmental protection projects | Tax holiday | 3 years exemption and 3 years half reduction from 1st income-generating year |
| | High-tech enterprises | Reduced tax rate | 15% |
| | Income derived from development of agriculture, forestry, animal husbandry and fishery projects | Tax reduction | Income tax exempted or reduced by 50% |
| Article 27 | Income derived from processing projects with an investment scale of more than 10 million RMB in companies that are national high-tech zones or NEV (comprehensive utilization of resources) | 10% reduction of income | 10% reduction of income for annual tax calculation purpose |
| Article 28 | Newly built projects (except for projects for power generation, water conservancy and water supply, and other projects) | Investment tax credit | 10% investment can be credited against tax payable |
| | Income earned from investing in listed small & medium-sized high-tech enterprises | Reduction of taxable income | 10% investment can be credited against taxable income from enterprise carry-forward |
| | Income from qualified technology transfer | Tax reduction or exemption | Exempted for income portion's RMB5M (1st reduced by income portion 500,000) |
| | Interest income of foreign governments by providing loans to Chinese government | | WHT exemption on the interest to foreign governments |
| | Interest income of International Financial Organizations by providing loans, non-preferential interest to Chinese government / PRC companies | Withholding tax exemption (WHT) | WHT exemption on the interest to International Financial Organizations |

| Value Added Tax | | | | |
|----------------------------------|---|--|--|---------------------------------|
| Area | Scope | Preferential approach | Preferential VAT Return Rates | |
| Commercial (including all areas) | Foreign invested products enterprises | Export VAT refund: if the enterprises export the products or goods processed with the Chinese raw materials, components of which VAT has been levied. Export Credit and Refund in kind is applied. | Main VAT refund rates of export goods: 17% refund rate for major machinery equipment, some IT products, and biological medicinal products as well as those high-tech products encouraged by the state industrial policies. 13% refund rate for certain products processed using primary agricultural products. 11% refund rate for non-ferrous metal (iron ore) (minerals) and certain commodities. | |
| | Foreign invested software development enterprises | | For VAT general taxpayer sales self-developed software or processes the imported software, the VAT rate is 17%. After that, the portion of input (or exemption) VAT of the taxable income shall be refunded upon leaving. | VAT refund applies on 0% (2010) |

| Area | Applicable tax item |
|------------------------------|---|
| Customs (import of goods) | Urban real estate tax which is extended for 3 years from the date that building is completed or purchased by the foreign-invested enterprises. |
| | For the foreign-invested projects that technology transfer in the high-encouraged categories of the "Provisional Directory for Foreign Investment", the self-owning imported items within the total investment amount (except for the goods listed in the "List of Restricted Imported Goods of Foreign Investment") should be granted duty exemption and import VAT exemption. |

LS P+Z2



... SEARCH ...

中文 | Français | Deutsch | 日本語 | Русский язык | Español | العربية | Esperanto | BIG5

- HOME
- WEATHER
- CHINA
- INTERNATIONAL
- BUSINESS
- CULTURE
- GOVERNMENT
- SCI-TECH
- ENVIRONMENT
- SPORTS
- LIFE
- PEOPLE
- TRAVEL
- WEEKLY REVIEW
- Letters to Editor

- Learning Chinese
- Learn to Cook
- Chinese Dishes
- Exchange Rates
- Hotel Service
- China Calendar

- Hot Links
- China Development
 - GateAV
 - Chinese Embassies

These Regulations are formulated in accordance with the state policies for further encouraging foreign investment and expanding export, and related policies of this province, with an aim of utilizing foreign capital more actively, rationally and effectively, and promoting the sound development of foreign investment in Fujian.

- Print This Page
- Email This Page

1. Delegating more examination/approval powers to lower levels:

1) The policies included in the document, Written Reply of the State Council to the Proposals of Fujian Province on Deepening Reform, Expanding Opening-Up and Accelerating the Development of Outward-Looking Economy (Guo Han No.58 [1988]), shall be implemented continuously. Projects with total investment of \$30 million or more, which do not involve charged operations and are capable of independently balancing their construction and production operation conditions, shall be examined and approved by the provincial government, with relevant matters submitted to the State Development Planning Commission (SDPC), the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Cooperation for the record. Projects with total investment of less than \$30 million shall be examined and approved by governments of prefectures and cities at the same level (hereinafter referred to as "prefectures/cities"). Departments/bureaus directly under the provincial government shall be responsible for examining and approving the foreign investment projects of enterprises under their jurisdiction, in accordance with the regulations on the competence of prefectures/cities.

2) Foreign-invested real estate projects involving renovation of old city proper, and construction of housing geared to low-income urban residents, ordinary commercial housing, office buildings and industrial factory buildings, with total investment of less than \$10 million (excluding \$10 million), which do not involve the projects listed in Part B of the State's Catalog of Industries Restricting Foreign Investment, shall be examined and approved by the governments of prefectures/cities. The corresponding examination and approval powers of the province's Development Planning Commission, Foreign Economic and Trade Department, Construction Department, Department of Land and Resources and relevant competent departments shall also be delegated.

2. Overhauling non-tax charges.

3) Any charge involving foreign-invested enterprises should be collected in accordance with the "List of Non-tax Charge Items in Relation to Foreign-Invested Enterprises of Fujian Province" promulgated by the provincial government. Measures shall be taken to strictly control initiation of new non-tax charge items for foreign-invested enterprises. Items that are truly necessary shall be agreed by the Provincial Finance Department, jointly with the Provincial Price Bureau and the SDPC. In the future, an official document shall be released for any new charge item relating to foreign-invested enterprises, and levies may begin only after three months or more of publicity and explanations.

4) The following exemptions and reductions shall be implemented for foreign-invested enterprises as of the date of promulgation of these Regulations:

- a. Exempting all employees of foreign-invested enterprises from the temporary residence management fees;
- b. Exempting the fire equipment installation fees;
- c. Exempting the employment regulatory fees for employment of local

laborers, and reducing the fees by half for hiring laborers from outside the province;

d. Exempting all enterprises from social undertaking development fees as of January 1, 2002;

e. Reducing any other charges involving foreign-invested enterprises, except for the cost of certificates and licenses, by half based on their standard rates set by the provincial government;

f. Collecting at the lowest rate the charges explicitly prescribed in the state laws and regulations of the State Council, the Ministry of Finance and the SDPC.

Governments at all levels should support the work in relation to the fee exemptions and reductions.

5) The intermediary service charges involving foreign-invested enterprises shall be regulated. Charges linked with transferred government department functions are prohibited. Price departments shall lead in thoroughly overhauling and rectifying, together with related departments, intermediary service charges involving foreign-invested enterprises.

The Office of the Provincial Customs and Coastal Defense Management Committee, and the Department of Communications shall join the Price Department to overhaul port operational charges. Arbitrary charges shall be banned, repetitive charges be eliminated, and the general level of charges in the process of import and export be lowered.

3. Encouraging foreign-invested enterprises to engage in technological development and innovation.

6) Regarding foreign-invested companies engaged in projects listed in the "Catalog of Industries Encouraging Foreign Investment" or in "Part B of the Catalog of Industries Restricting Foreign Investment," foreign-invested enterprises, research and development (R&D) centers of technologically advanced or export-oriented, shall be exempted for the equipment they imported for their own use in the technical updating and transformation with self-possessed funds beyond the limit of their total investment, shall be exempted import tax and relative value-added tax of the equipment and related technologies, accessories and spare parts, in case they cannot be made domestically, or the performance of domestically made products falls short of demand, except for the items listed in the "Catalog of Import Items by Domestic Investment Projects Not Eligible for Duty Exemption".

7) Foreign-funded companies producing items listed in the "State Catalog of High and New Technology Products" are exempt import duties and value-added tax for their import of technologies, accessories and spare parts when they are imported together with the equipment under contract.

In case a foreign-invested enterprise has to pay software fees to overseas exporter under contract when it imports the advanced technology as described in the "State Catalog of High and New Technology Products," customs duty and import-stage VAT shall be exempted for the imported technology.

8) If the products exported by a foreign-invested enterprise are listed in the "Catalog of Chinese Hi-tech Export Products" promulgated by the Ministry of Science and Technology and the MOFTEC, and the export rebates rate is

lower than the tax rate, rebates shall be paid in accordance with the tax rate and the current export rebates management regulations, with the examination and approval of the State Administration of Taxation, after the products have been exported.

9) A foreign-invested enterprise, which engages in the projects listed in the "Catalog of Industries Encouraging Foreign Investment" or in "Part B of the Catalog of Industries Restricting Foreign Investment," shall have VAT paid for domestically made equipment refunded of the full amount, if the imports of the same type of equipment are subject to duty exemption.

10) The R&D expenses that a foreign-invested enterprise finances to non-related scientific research institutions or universities and colleges shall be dealt with in accordance with the provisions on taxation relating to donations prescribed in the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises. The full amount

shall be deducted when the enterprise, which provides the aid, computes its taxable income.

11) A foreign-invested enterprise shall be exempted from business tax for technology transfer into the province; it shall be exempted from business income tax with the approval of the competent tax department, if the technology is advanced or is transferred at favorable terms. Foreign-invested enterprises, including R&D centers, shall be exempted from business tax on the income derived from technology transfer, technology development, and related technical consultancy and services.

12) When a foreign-invested enterprise's technology development spending increases 10 percent or more over that of the previous year, another deduction shall be allowed for its taxable income of the year at a rate of 50 percent of the amount of actual expenditures on technology development, with the approval of the competent tax department. This shall be implemented in accordance with the "Provisions for Management of Deduction of Enterprises' Technology Development Expenditures Before Tax."

4. Strengthening financial and monetary support for foreign-invested enterprises

13) Other preferential policies for encouraging foreign investment issued by this province before promulgation of these Regulations shall be implemented continuously. The preferential policies for encouraging expansion of export shall be applicable to any foreign-invested enterprise. The province's special funds, such as that for encouraging foreign trade, venture capital for science and technology and funds for pillar industries, which have been established by the provincial government, are eligible for any foreign-invested enterprise encouraged for development by this province.

14) Foreign businesses are encouraged to invest in mountainous areas for agricultural projects. In line with the principle of non-overlapping and non-cross levying of the agricultural tax and the agricultural special product tax, only the special product tax shall be levied on the special products yielded from the taxable land subject to non-agricultural taxes, and the agricultural tax shall be levied alone on the special products yielded from the taxable land subject to the agricultural tax.

15) When a foreign-invested enterprise raises funds through financing within the territory of China, Chinese-capital commercial banks shall be allowed to accept the guarantee of a foreign shareholder. Foreign-invested enterprises shall be allowed to apply for an RMB loan, with foreign exchange as pledge, from an appointed Chinese-capital foreign exchange bank in China. All foreign exchange funds of a foreign-invested enterprise may be used as a pledge. Financial institutions outside China or foreign-invested financial institutions in China may provide credit security for the RMB loan under foreign exchange guarantee. Special restrictions on the procedures of registration of loans under

foreign exchange pledge and guarantee and on the credit rating of the foreign-capital bank that provides foreign exchange guarantee shall be withdrawn. The RMB loans secured by a foreign shareholder or foreign exchanges shall conform to the trade policies. They may be used for meeting the needs of fixed assets investment and fund circulation, but may not be used for buying foreign exchange.

Financial institutions shall appropriately raise the line of credit for foreign-invested enterprises within the permitted scope of policies.

16) Chinese-capital commercial banks in China are allowed to grant medium-term circulating fund credit to foreign economic and trade enterprises that perform well with good credibility and repayment guarantee, in accordance with the lending provisions concerning Chinese investors in joint ventures.

17) A foreign-invested enterprise within the territory of China is allowed to offer the overseas assets of its foreign investor to the overseas branch of a Chinese-capital bank in China as a mortgage for loans granted by either overseas or domestic branches of the Chinese-capital commercial bank.

18) Foreign-invested enterprises shall be vigorously supported to raise funds through capital market. An eligible foreign-invested enterprise shall be encouraged to apply for A- or B-share issues to expand sources of funds.

19) With approval, insurance services, such as that for political risk and performance risk and contract guarantee insurance, may be provided to

foreign investors in the energy, communications and other key industries encouraged by the State.

20) Chinese-capital commercial banks in China shall, in accordance with the "Interim Provisions on Management of Closed-End Loans for Foreign Economic and Trade Enterprises," grant closed-end loans for the export of an eligible foreign-invested enterprise. Regarding the export of a foreign-invested enterprise, which is suffering from losses for the time being, but has orders and repayment guarantee, the commercial banks may support it through such credit means as packing credit and negotiation of export bill.

21) Examination and verification of the export proceeds collection, foreign exchange settlement and entry into the account book of enterprises shall be withdrawn. Enterprises may directly go through the procedures at banks for settlement and entry of exchange receipts under current account into account books.

Convenience shall be given to enterprises who have acquired a high rating in the appraisal of export proceeds collection. The quota of exchange that may be retained in the foreign exchange settlement account shall be increased from 15 percent to 30 percent of the total export value of the enterprise.

22) The offer of export verification and cancellation forms shall be liberalized so as to solve the difficulty for enterprises to get them. Procedures shall be simplified and intermediate links reduced, to increase the efficiency of examining and verifying the genuineness of transactions under current account. The online declaration form examination system for examination and verification of the genuineness of exchange sales under current account shall be further improved, to shorten the time for the examination and verification. Regarding those that need examination through correspondence instead of the online declaration form examination system due to special circumstances, the pace of examination shall be quickened, and fees on verification and cancellation forms shall be withdrawn. A foreign-invested enterprise may go through the procedures of exchange sale and payment for technology import, by the technology transfer agreement and approval documents at its establishment. Within a set quota, foreign-invested enterprises may switch the savings in their exchange settlement account into fixed term deposit. In accordance with the principle of local management, the power to examine and approve the settlement of foreign exchange receipts under capital account shall be delegated. The record filing and registration system for the foreign exchange receipt settlement under capital account shall be eliminated.

5. Further defining and implementing the preferential policies for land use

23) Regarding foreign-invested projects in agriculture, infrastructure, hi-tech, pillar industries and key industrial projects for development, designated by the competent foreign economic and trade department, related land use fees shall be collected at the lower rate of charge standards prescribed by the state. ~~Favorable land price shall be granted, according to circumstances, to foreign-invested projects on barren hills, unutilized beaches and wastelands.~~

24) The foreign-invested enterprise that has acquired the land-use right by means of purchase shall not need to pay the land-use fee.

25) Regarding those, which had been established before the issue of the "Circular of the Central Committee of the Communist Party of China and the State Council on Further Strengthening Land Management to Conscientiously Protect Cultivated Land" (Zhong Fa No.11 Document [1997]) but have not yet gone through the land-use examination and approval procedures, the land department shall take active measures to solve the remnant problems according to law as soon as possible, to meet the needs of foreign-invested enterprises for development.

6. Further improving management and services for foreign-invested enterprises.

26) The variety of equipment imported by foreign-invested enterprises subject to compulsory value appraisal shall be reduced stepwise and appraisal methods

shall be improved. The equipment imported by an exclusively foreign-invested enterprise shall be free from compulsory value appraisal. A registration and record filing system shall be implemented and value appraisal charges shall be withdrawn. The property value appraisal shall be confined to the physical assets contributed as investment by the overseas investor (including those from Hong Kong, Macao and Taiwan) of an equity joint venture or a contractual joint venture, or the assets purchased abroad with investment funds by a foreign investor entrusted by the foreign-invested enterprise. Any equipment imported by a foreign-invested enterprise, which has been appraised abroad by agencies designated by the State Administration for Entry-Exit Inspection and Quarantine (now the General Administration of Quality Supervision, Inspection and Quarantine of China [AQSIQ]) and has been examined and verified by the AQSIQ agencies of the delivery areas, shall be confirmed and be free from any other value appraisals within the territory of China.

27) Fields for foreign investment shall be broadened continuously. Competitive industries shall be further opened up and the scale of utilization of foreign capital in petrochemical and construction industries shall be expanded. Foreign capital shall be absorbed into projects of development and utilization of mineral resources in a discriminative manner, with priority given to key projects. The opening up of the service trade shall be accelerated stepwise and experiments with utilization of foreign capital in such fields as tourism and waterway transportation, shall be conducted vigorously. Active efforts shall be made to try out the opening up of domestic commerce, foreign trade and travel services in selected enterprises. Service sectors such as accounting, legal consultancy, air transportation and agency business shall open wider. The experiments in the financial and telecommunication sectors shall be conducted step by step in a controlled manner and an effective regulatory mechanism shall be established and strengthened.

28) An investment company shall be allowed to sell products made by its invested enterprise on both domestic and overseas markets by means of agency or commission sale. Such companies shall be allowed to provide their invested enterprises with comprehensive services including transportation and storage, and permitted to purchase commodities not subject to export quota and licensing control for export.

29) The environment for customs clearance shall be further improved. Management procedures for various import and export links shall be simplified. On the premise of strict control, customs and inspection and quarantine departments shall conscientiously implement the "Notice of the Fujian Provincial Government on Endorsement of the Measures Formulated by the Customs Office of the Fujian Provincial Government and the Inspection Department on Improving Service and Optimizing Customs Clearance Environment," enhance the sense of service, improve service quality and quicken the pace of clearance.

30) For every US\$500,000 of actual investment in Fujian, an overseas investor may have one of his or her relatives or friends in Fujian Province acquire registered permanent residence in cities of the area where the investment was made; but for each investor, no more than five people can have their urban permanent residence registered in this way.

When a foreign-invested enterprise's annual self-managed exports reaches over US\$2 million in the coastal area and over US\$1 million in the province mountainous area, or the exports by its entrusted export agent in the province exceeds \$2.5 million, its Chinese managers may apply to the public security department or the foreign affairs department for a multiple entry-exit pass to Hong Kong and Macao, or a multiple entry-exit visa to the Hong Kong Special Administrative Region.

When the annual exports of a foreign-invested enterprise reaches over US\$1 million, or the exports by its entrusted export agent in the province exceeds \$1.2 million, one to three of the Chinese staff members of the enterprise may apply for a multiple entry-exit business visa to Hong Kong.

31) Governments at all levels and departments in relation to examination, approval and management of foreign investment shall strictly regulate administration, enhance service functions, simplify working procedures and increase efficiency. Systems of post responsibility, publication of working procedures, and information and service consultation shall be strengthened.

procedures, open administration and service commitment shall be implemented in a comprehensive way. Any working procedures, basis, requirements, standards and time limit in relation to the examination, approval and management of foreign investment affairs must be made known to the public. The post responsibility, name and post of each office workers and complaint matters must be publicized, so as to receive supervision and provide foreign investors with a regulated, transparent, highly efficient and high-quality investment environment.

Violators of these regulations shall be given corresponding administrative warning or disciplinary sanction by the supervisory department according to relevant regulations.

32) Within one month as of the date of promulgation of these Regulations, the province's Development Planning Commission, Economic and Trade Commission, Department of Science and Technology, Public Security Department, Department of Justice, Finance Department, Department of Labor and Social Security, Department of Land and Resources, Construction Department, Department of Communications, Foreign Economic and Trade Department, Local Taxation Bureau, Price Bureau, Tourism Bureau, Office of the Customs and Coastal Defense Management Committee, Civil Aviation Bureau, Bureau of Posts and Telecommunications, Fuzhou Central Branch of People's Bank of China, Fuzhou Branch of the State Administration of Foreign Exchange and General Fire Force, and other relevant departments must issue specific rules for implementation in accordance with these Regulations and

their respective functions.

33) The right to interpret these Regulations resides in the Fujian Provincial People's Government.

34) These Regulations shall go into effect on the day of their promulgation.

[↑ Top](#)

 [Print This Page](#) |  [Email This Page](#)

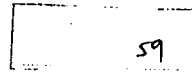
[About Us](#) [Site Map](#) [Feedback](#)

Copyright © China Internet Information Center. All Rights Reserved
E-mail: webmaster@china.org.cn Tel: 86-10-68326688

UNCTAD/ITE/IPC/Misc.3

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Geneva

ASIT Advisory Studies
No. 16



Tax Incentives and Foreign Direct Investment
A Global Survey



UNITED NATIONS
New York and Geneva, 2000

2. China

(a) Regional incentives

Special incentives are granted for investment in Shantou, Shenzhen, and Zhuhai in Guangdong province; in Xiamen in Fujian province; and on the island of Hainan. These areas are known as special economic zones (SEZs). The rate of income tax levied on production-oriented foreign investment enterprises (FIEs) in SEZs is 15 per cent. An FIE is defined as a Chinese-foreign equity joint venture, a Chinese foreign cooperative joint venture, or a wholly foreign-owned enterprise established in China.

Similar reduced rates are granted for foreign investments in economic and technological development zones (ETDZs), which include the following coastal cities: Beihai, Beijing, Dalian, Fuzhou, Guangzhou, Lianyungang, Nantong, Ningbo, Qingdao, Qinhuangdao, Shanghai, Tianjin, Wenzhou, Yantai, and Zhanjiang. Other regions are following the successful models of the SEZs and ETDZs. For example, the Pudong new development area, adjacent to the city of Shanghai, was approved in 1990 to offer incentives to foreign investors, and six free trade zones have been established, one each in Dalian, Guangzhou, Shanghai, and Tianjin and two in Shenzhen. Areas throughout China are being designated as high- or new-technology development zones. Zones similar to the ETDZs are to be created in the mid-western regions.

(b) Sectoral incentives

Foreign investment enterprises scheduled to operate for at least 10 years, and engaged in production-oriented activities, are entitled to an exemption from income tax for two years, starting with the first profit-making year. This is followed by a 50 per cent reduction of the usual income tax rate (30 per cent, 15 per cent, or 24 per cent) over the subsequent three years. However, the State Council is authorized to issue separate exemption and reduction regulations for FIEs engaged in the exploitation of resources such as petroleum, natural gas and rare or precious metals.

Foreign investment enterprises engaged in agriculture, forestry, or animal husbandry, or located in a remote undeveloped area may, with the approval of the State Council, be allowed a 15 - 30 per cent reduction in the usual income tax rate for a further 10 years after the expiration of the initial tax exemption and reduction period described above.

Those FIEs that the Ministry of Foreign Trade and Economic Cooperation has certified to be technologically advanced enterprises may be granted a 50 per cent reduction of the usual income tax rate in the three years following the expiration of the initial tax exemption and reduction period, provided they remain technologically advanced. A technologically advanced enterprise must possess technologically advanced production techniques and equipment, and these techniques and equipment must either be in short supply in China or the enterprise must develop new products, products that replace existing domestic products, or products that will expand exports or serve as import substitutes.

If foreign investment exceeds US\$ 5 million, an FIE that is established in an SEZ, that is engaged in a service industry, and that has a scheduled term of operation of at least 10 years may, on approval by the tax authorities of the SEZ, be granted an exemption from income tax in its first profit making year, followed by a 50 per cent reduction of the usual income tax rate in the next two years.

A Chinese-foreign equity joint venture with a scheduled term of operation of at least 10 years, that is confirmed as a high- or new-technology enterprise and that is established in a high- and new-technology development zone may, on approval by the local tax authorities, be granted an exemption from income tax for two years, starting with the first profit-making year.

Subject to conditions, tax exemption and reduction periods are also available to Chinese-foreign equity joint ventures engaged in harbour and wharf construction, and to foreign bank branches and Chinese-foreign joint venture banks set up in SEZs, FIEs established in the Pudong new development area and engaged in construction projects, and FIEs engaged in infrastructure projects or agricultural development in the Hainan SEZ.

(c) Export incentives and free trade zones

Export-oriented enterprises (FIEs that produce goods mainly for export and balance their foreign exchange revenue and expenditure or that earn a foreign exchange surplus) may also be entitled to further tax reductions after the expiration of the initial tax exemption and reduction period. In any year in which the FIE exports at least 70 per cent of its total output, it may be granted a 50 per cent reduction of the usual income tax rate. If, however, the FIE is established in a SEZ or ETDZ in which the rate is already 15 per cent, it will pay tax at 10 per cent instead of at 7.5 per cent.

Free trade zones are entitled to the following advantages:

- ?? Goods imported into the zone from abroad are exempt from customs duty. However, if the goods are subsequently transferred to another part of China that is not a free trade zone, customs duty will be levied; and
- ?? Products manufactured in a free trade zone are exempt from customs duty when sold inside the free trade zone or shipped outside China.

(d) Other incentives

A foreign investor that directly reinvests its share of profits derived from a FIE may obtain a refund of 40 per cent of the tax already paid by the FIE on the reinvested amount, subject to the approval of the tax authorities. To obtain the refund, the foreign investor must either use its share of the profits (before the profits have been distributed) to increase the capital of the FIE or use the profits (after distribution) as capital to establish another FIE. The profits must be reinvested for at least five years. If the reinvested amounts are withdrawn within five years, the foreign investor must repay the tax refunded. A 100 per cent tax refund is granted to foreign investors if profits are reinvested in an export-oriented enterprise or a technologically advanced enterprise.

(e) Tax incentives legislation highlights

Income tax law of the People's Republic of China for enterprises with foreign investment and foreign enterprises, Articles 7 to 10.

Detailed rules for implementation of FEIT Law, Articles 69, 73, 75, and 80-82.

(f) Statutory tax rate

The standard income tax rate applicable to enterprises with foreign investment in China is 30 per cent. The local governments and municipalities levy a 3 per cent tax on net taxable income in all areas other than the SEZs. This may be waived or reduced at the discretion of the local governments. The effective corporate tax rate is therefore 33 per cent (30 per cent income tax plus 3 per cent municipal tax).

In principle, withholding tax at the rate of 20 per cent is levied on dividend income received by foreign companies, enterprises and other economic organizations that do not have permanent establishments or sites in China. However, dividends received from FIEs are exempt from tax on that income which is not effectively connected with a permanent establishment.

Withholding tax on interest is 20 per cent. Interest payments made to international finance organizations on loans granted to the Government of China or China's state banks, and on interest payments made to foreign banks on loans granted at a preferential interest rate (as defined) to China's state banks may be exempt from tax.

The rate of withholding tax on royalties is 20 per cent. Royalties paid for the use of technology that is held to be advanced, or provided on preferential terms, may be exempt from tax. The rate is reduced to 10 per cent on royalties paid for the use of certain proprietary technology for specific important development areas and paid by foreign investment enterprises located in specified investment zones.



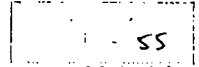
P+ 2 3
Bill Davidson <bill.davidson@roh.com.au>

Catalogue of Foreign Investment Advantageous Industries in Central and Western China AND Foreign Investment Industrial Guidance Catalogue

Bill Davidson <bill.davidson@roh.com.au>
To: Toby Forwood <issint@ozemail.com.au>

Mon, Mar 29, 2010 at 5:11 PM

This is the location of one of YHI's China factories. List of benefits included below.



Xinzhuang Industrial Zone

发布时间 : 2007-2-15 21:12:26

● Briefing Introduction

Shanghai Xinzhuang Industry Park, a municipal level industry park, was established in August 1995 with the approval of Shanghai Municipal government. It is situated in the center of Shanghai, with a planning area of 13.65 square kilometers. The Administrative Committee of Shanghai Xinzhuang Industry Park and the Economic and Technological Development Co., Ltd., authorized by the Minhang District Government, are in charge of the development and construction of the park. It has always been our objective to create an Industry Park with biological typed green environment, and now we have been certified under the certificate of ISO14001 environment management system ISO9001 quality management system and OHSAS18001 Occupational Health and Safety Assessment Series. This makes us become the first industry zones in China with triple excellent certificates.

● Advantages

1. Expressway for Customs clearance

With approval of Shanghai Customs Administration Bureau, SHXIP is able to provide enterprises settled in the industry park with expressway for customs clearance. For some specific industry, importer/exporter can clear customs within one day with the help of the Commodity Inspection & Quarantine Station in the Industry Park.

2. Advantages Geographic Location and Convenient transportation

Lying in the southwest of Shanghai downtown, Shanghai Xinzhuang Industry park enjoys an advantageous geographic location with 18 km to the People's Square. Xinzhuang Interchange is a transportation pivot in the surrounding area. Besides that, Xinzhuang Industry Park also enjoys an convenient transportation with 12 km to Hongqiao Airport, 35 km to Pudong Airport, with 6 km to Container Wharf of Longwu Port which have eight 10000-ton berths, with 36 km to Wusong (ZhangHuaBing), with 7 km to Xinlonghua Cargo Marshal Station. The state highways in the surrounding area, such as State Highway No.312, No.318 and No.320, lead to different big cities across the country. Shanghai-Nanjing Expressway and Shanghai-Hangzhou Expressway are just within 15 minutes and 5 minutes ride respectively. The terminal of Metro Line 1 is connected to Xin-ning light railway at Xinzhuang Station and Yindu Station and Zhuanqiao Station.

3. Abundant Human Resources

With more and more corporations developing from labor-oriented to technology-oriented, the modern theory

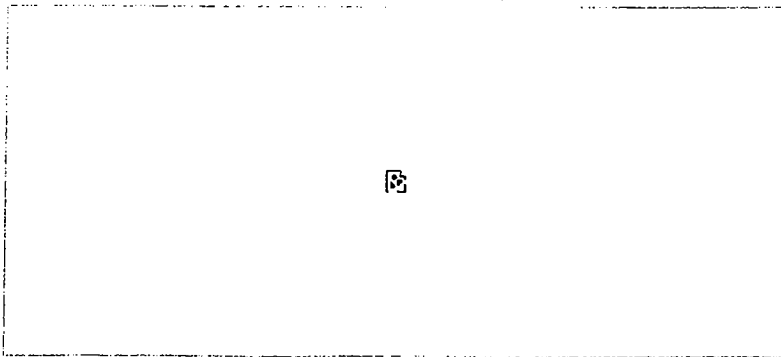
of profit growth lays great emphasis on the role of human capital accumulation. When new technological developments give some organizations a competitive advantage, their rivals try to catch up by adopting and improving on the new technologies. This is, however, largely depending on the human resource departments of the companies, who are responsible for hiring people with the knowledge to bring new technology into a company.

The Minhang District has rich in human resources with a registered population of 720,000, many of which are high-level talents, skilled workers and experienced technicians, who can be human resources to all enterprises settled down in the District. The main structure of human resources is as follows:

- (1). There are universities and institutes of higher learning surrounding in the district. These universities and institutes are currently seeking the integrated way of producing, studying and researching, thus fostering a lot of high-level talents in management, research and technology.
- (2). Surrounded by the state-level Chaohejing Hi-tech Park, Minhang Economic and Technological Development District, Hongqiao Economic and Technological Development Zone the area has been developed very well. High-level talents in science and technology, management, and technicians and skilled workers are available in the areas.
- (3). As a veteran base of electric machinery and aerospace industries, there are plenty of experienced and skilled workers, providing a strong quality labor force.
- (4). According to the plan of the municipal government, Minhang District 人口 population is increasing by 40,000 to 50,000 annually, as one of the major resettlements. All kinds of talents and labors from the city are attracted to the Xinzhuang Park, and settle down because of different kinds of beautiful residential buildings and convenient traffic condition.

● **Industry Characteristics**

With the joint effort of the constructors and investors in the area, Shanghai Xinzhuang Industry Park has set itself on a sound pace of development. By December 2004, 280 domestic and foreign investment enterprises have settled down in the area, of which about 217 are foreign investment enterprises. A group of transnational companies, 29 of which are Fortune 500 have set up their enterprises in the area. With 60 companies having an investment over USD 10 million, the total foreign investment volume in the industry park has exceeded USD 3.21 billion. The three major industries have taken shape in the Park, including information and the related industry, electric appliance and auto parts industry, and new material industry.



● **Developing project**

Stepping into the new century, the land with a history of 4000 years, where Xinzhuang Industry Park is

located, will display its unprecedented dynamic and vitality. We are striving to build the area into an urban industry park with the investment center for transnational corporations, research and development center and sales center grouping together.

Based on the TFT-LCD production line, Industry Park will greatly develop FPD Industry, forming a Photoelectric Industry Base. With the Aviation New Area settled, SHXIP will construct an Aviation Industry Base concentrated Aviation Industry satellite implementation and sun-energy electricity industries.

● Environmental Investment

1. Triple excellent certificates

Xinzhuang Industry Park are certified under triple excellent certificates (ISO9001 Quality management systems, ISO14001 Environmental management systems and OHSAS18001 Occupational health and safety assessment series) that makes us become the first industry zones in China with three triple excellent certificates.

2. Rational layout and infrastructures

The government and public utilities have formed a complete supporting outfit since Industry Park was established, such as electricity, water, rain drainage, sewage, natural gas, steam, telecommunication in some areas in the Park. Besides the government and public utilities, within the industry park, there is a complete system of service facilities ranging from inspection & quarantine, finance, industry & commerce administration, taxation, postal, entertainment residential quarters.

3. Timely, efficient and value-added Service

Chamber of Commerce Shanghai Xinzhuang Industry Park (CCXIP) was established in June 28th 2002. It is a non-governmental organization formed by settled enterprises. It is a bridge and pivot between government functional departments and enterprises. The mission of CCXIP is doing service to all the members, enhancing connections in every possible field between the enterprises in SHXIP, modifying the environmental investment and promoting the development of settled enterprises.

The Shanghai Xinzhuang Industry Park Enterprise Development Co. Ltd. (EDC) is aiming to provide all kind of services to the enterprises in the SHXIP, the service item include: Consulting, Constructing and maintaining, Heating Supplying, Environment protection, Laundry and cleaning, Logistics and Expressing, Business Affairs and Advertising, Security Supporting, Auto Services.

The Xinzhuang Talent Service Center is affiliated to Shanghai Minhang Talent Service Center, which is affiliated to Shanghai Minhang District Personal Bureau. According to the concerned policy of Shanghai Minhang Personal Bureau and the principle of easy access, convenience the Xinzhuang Talent Service Center provides recruiting services to all enterprises.

Specializing in providing clients with policy consulting service on company establishment, taxation, labor resource, etc., help them choose the best investment project and make decision of investment.

1. To conduct registration of enterprises and go through all related formalities for investors.
2. To go through all related formalities during basic construction period for enterprises.
3. To help investors coordinate relations with departments of different functions.
4. To provide different supporting services for enterprises invested in the industry park.
5. To provide expressway of customs clearance for enterprises.
6. To help investors seek chance of cooperation on the basis of the enterprises in the industry park..

● Preferential Policies

Preferential Policies for Enterprises Invested

1. Manufacturing enterprises invested by foreign investors (including extent ones), whose taxes are collected by Minhang District, could enjoy the encouragement as three-year exemption and four-year half rate of cooperate income tax from the first profitable year for local proportion.
2. The companies registered with capital over US\$ 10 million in Minhang District, or their predominant party of foreign investment listed in Fortune 500 in or after 2002, could enjoy the encouragement as three-year exemption and six-year half rate of cooperate income tax from the first profitable year for local proportion.
3. For foreign investors to reinvest as second phase investment after incentive ended up, if the amount of new increasing investment of the manufacturing enterprises exceeds US\$ 1 million, and the business has been run more than 5 years, the first reinvestment regarding the company income tax of the year before increasing as coefficient, 70% of the exceeding part which is local proportion be returned as bonus to foreign invested enterprises for next 5 years.

Preferential Policy On Regional Headquarters

1. Tax Incentive Plans Adopt case by case policy
2. Foreign Currency Freely wire transfer foreign currency in China
3. Foreign Trade Joint venture Engaged in foreign trade, wholesale and retail
4. Finance Centralized internal management system Establish financial co. to offer financial support and management to subsidiary co.
5. Customs Bonded warehouse Expressway for Customs clearance
6. Distribution Sell products manufactured by either subsidiary or related co.
7. Import Equipments required by production of subsidiary co. Products as pre-marketing in China from parent co., Relevant parts and assembled by subsidiary co. for final sale. All parts used for after-sale service.
8. Export All commodities except that involved with quota and export license.

Preferential Policies for Foreign-Invested R&D Centers

- a. Self-use equipment and matching technology, parts and components (excluding the commodities specified in the Catalogue of No-Tax-Exemption Import Commodities for Foreign-invested Enterprises, Vessels, Aircraft, Special Kinds of Vehicles and Construction Machinery) imported within the total amount of investment shall be exempted from the import tariff and the import-stage taxes, if they are used only by laboratories that do not reach a production scale or fall into the scope of intermediate experiment.
- b. For technology renovation by way of using their own funds, imports of self-use equipment and matching technology, parts and components within the previously approved scope of business that meet the conditions specified in the preceding paragraph shall be exempted from the import tariff and import-stage taxes.
- c. Proceeds obtained from transfer of technology developed as a result of their own research and development shall be exempted from the business tax.
- d. If the expenditure for technology development increases by over 10 percent (including 10 percent), 50 percent of the actual amount of technology development expenditure can be used to deduct the current years amount of taxable income with the approval of the taxation authorities.
- e. Other incentives is provided by the state.

Preferential Policies for Foreign Investment Commercial Fields

I The allowed business activities for foreign investment commercial-oriented enterprises:

1) brokerage; 2) wholesales; 3) retail; 4) franchised tax

Foreign investment commercial-oriented companies may engage in one or above sales activities after approved by the competent government authorities. The commodity variety should be specified in the business scope of the contract and Article of Associate.

II The validation commences from Dec 11 2004.

III The other foreign investment companies should modify its business scope if they intend to engage in the commercial activity as specified in I.

● **Famous Transnational Companies in Xinzhuang Industry Park**

SAINT-GOBAIN ADVANCED CERAMICS 圣戈班/SPAN>SHANGHAI 圣戈班?

SPAN> CO., LTD

SHANGHAI HERCULES CHEMICALS CO., LTD

EAGLE OTTOWA (CHINA) CO., LTD.

SHANGHAI MICROSEMI SEMICONDUCTOR CO., LTD.

SHANGHAI STAL PRECISION STEEL CO., LTD.

SHANGHAI SVA NEC LIQUID CRYSTAL DISPLAY CO., LTD.

SHANGHAI DAIKIN AIR-CONDITIONING CO., LTD.

DAIKIN FLUORO COATINGS (SHANGHAI) CO., LTD.

SHANGHAI DIC INK CO., LTD.

SHANGHAI NISSAN GAS CO., LTD.

SHANGHAI KANEBO COSMETICS CO., LTD.

SHANGHAI ZITENG PACKAGE MATERIAL CO., LTD

POLYMATECH (SHANGHAI) CO., LTD.

SIKOKU KAKEN (SHANGHAI) CO., LTD.

SHANGHAI RIKEN TECHNOS CORPORATION

TOSHIBA MECHINE (SHANGHAI) CO., LTD

TOYOTA INDUSTRIES (CHINA) CO., LTD

SHANGHAI MATSUSHITA ELECTRIC WORKS INFORMATION
EQUIPMENT CO., LCD

SACHS AUTOMOTIVE COMPONENTS & SYSTEM (SHANGHAI) CO.,
LTD.

BASF SHANGHAI COATINGS CO., LTD

ZF INVESTMENT (CHINA) CO., LTD.

HERAEUS MATERIALS TECHNOLOGY SHANGHAI LTD

RHODIA (CHINA) CO., LTD.

SHANGHAI XIN WEI SPORTS CO., LTD.

SHANGHAI ALSTOM TRANSPORT ELECTRICAL EQUIPMENT CO., LTD

SHANGHAI SEB ELECTRIC APPLIANCES CO., LTD.

AIR INTERNATIONAL (SHANGHAI) CO., LTD

SHANGHAI DBTEL INDUSTRY CO., LTD

UNIVERSAL ELECTRONIC (SHANGHAI) CO., LTD.

ICP ELECTRONICS INC

YHI MANUFACTURING (SHANGHAI) CO., LTD

ITAL SOFA (SHANGHAI) CO., LTD

SICPA SHANGHAI INKS CO., LTD.

CLARIANT MASTERBATCH (SHANGHAI) CO., LTD.

SARNAFIL WATERPROOFING SYSTEMS (SHANGHAI) CO., LTD

FIRMENICH AROMATICS (CHINA) CO., LTD.

HUNTER DOUGLAS INDUSTRIES (CHINA) CO., LTD.

50

ENGAL MACHINERY (SHANGHAI) CO., LTD

AT&S (CHINA) CO., LCD

HILTI (SHANGHAI) LTD

SHANGHAI SUNWIN BUS CORPORATION

The Investment Promotion Projects

Land Leasing

Within China, any companies, enterprises, and other institutional or individual investors at home and abroad (except for those stipulated by law otherwise) are entitled to get the right to use and operate the land development in the form of land leasing in accordance with the laws and regulations concerning land letting or transferring.

The maximum leasing term for different usage is as follows:



When the leasing contract expires, except stipulated in the contract otherwise or outside the permission of the municipal planning, the grantee may apply for the extension of the right. If the grantee from the foreign enterprise is an overseas investor, he shall not fulfill the stipulation on leasing fees for land using in the document "The Administration of Land Use for Jointly-funded Business Establishment of Shanghai", but just pay the fee for land using, which includes two parts: land fee and the facility fee, the former is paid directly to the municipal government, and the latter is charged by Xinzhuang Industry Park.

Standard Factory Building Leasing

Investors may choose a variety of standard factory buildings for production provided by the IndustryPark. They need to pay for the rental of the factory buildings & construction site, initial installment fees and material and equipment management fees.

Before the Premises are handed-over to the investors, the investors should asked the qualified departments related to assess on the factory building and provide 款污nvironment Assessment Report款?

Customized Factory Building Leasing

For investors who may have special requirements on workshops, the industry park shall build the workshops for the investors according to their requirements and then rent the factory buildings to them. The rental shall depend on the cost of the workshops.

Service systems

Xinzhuang Industry Park provides one stop efficient service 箱?/SPAN>expressways for the project approval and service.



● **Ways of connection**

Leader in charge: Mr. Chen Jianping

Responsible department: Investment Consulting Dept.

Person in charge: Ms. Jenny Wang

Telephone: 54421111 54425442 ext. Investment Consulting Dept. 54421547

[Quoted text hidden]

—

Bill Davidson

Shanghai Songjiang Industrial Zone



INTRODUCTION

Shanghai Songjiang Industrial Zone (SJIZ) is the first municipal-level industrial zone approved by the People's Government of Shanghai. It is located in the southwest of Shanghai and in the east of downtown Songjiang—a 1,000-year-old city. The planned area of SJIZ is 27 square kilometers, since launching in July 1992, 25 square kilometers' area has been developed. The zone is completely equipped with all necessary infrastructure facilities such as water, power, telecommunication and so on. By June 2003, more than 400 foreign-funded projects have been approved here, with a total investment of over US\$ 5 billion. 85% of those enterprises are already built up and under operation, with excellent economic performance. Among all the investors, more than 60 are world-famous multinationals and over 50 are listed the Fortune 500 corporations around the world.

Authorized by the People's Government of Songjiang, Industrial Zone Management Committee exercises integrated administration over the whole zone. The Foreign Investment Service Company provides a complete set of services on project application, registration, modification, annual check and so on. The enterprises here can enjoy the whole set of services and handle all relative formalities without going out of the zone.

PREFERENTIAL POLICIES COMPARISON

| ITEM | | | SJEPZ | SJIZ AND SJSTP |
|------------------------|------------------------------------|--|--|---|
| Enterprise Income Tax | Tax exemption and reduction period | First and second year after making profit | Exempted for manufacturing enterprises with a business term of over 10 years | Exempted for manufacturing enterprises with a business term of over 10 years. |
| | | Third, fourth and fifth year after making profit | Half reduction | Half reduction |
| | Tax reduction in a normal year | | Tax rate is reduced to 10% if the export value in this year is over 70% | Tax rate is reduced to 12% if the export value in this year is over 70% |
| Extended tax reduction | | | Enterprises classified as hi-tech titles by the Shanghai Science Commission should extend 3 years for half deduction | Enterprises classified as hi-tech titles by the Shanghai Science Commission should extend 3 year for half deduction |
| VAT | | | Exempted for export | Full refund for export, 17% for domestic sales |

| | | |
|-------------------------|--|---|
| Taxation | Raw materials, parts and components used for export processing are fully bonded | Deposit funds are required for each classification of raw materials, parts and components imported for export processing |
| | The machinery, equipment, modules, construction materials, office articles for self-use in SJEZ are exempted from duties | Customs duty(s) shall be levied on the import. Only self-use manufacturing facilities for the projects encouraged by the State and for 100% export-oriented enterprises will enjoy duty free. |
| | Processed products shall be re-exported, or levied as finished products if approved for domestic sales. | Imported materials for domestic sales shall be levied accordingly. |
| Supervision | No deposit or bonded booklet will be required for processing. EDI declaration is adopted. | Deposit booklets and are required. The contract filing management will include four related departments. |
| Customs declaration | Once declaration is required by the customs. Once review of documents and once inspection of commodities will be done at customs. 24-hour customs declaration services are available. *Declaration in advance and express delivery to the airport is applied to reduce the time at customs to the minimum. | Regular declaration formalities for non-local and transferred products are complicated. |
| Refund declaration | Refunded immediately after getting into the zone. | Refunded after final export. |
| Foreign currency policy | No clearance formalities are needed. Enterprises can keep all its foreign currency in full amount. | Clearance and settling are required. |

For more information, please feel free to call us : 86-21-52110188 , 52110388

LEHMAN BROWN

雷博國際會計
International Accountants

Insights - Lehmanbrown's client - focused e-Newsletter

The Latest Insight | Recent e-Newsletters | Upcoming LB Events | Services of Lehman Brown | Contact Us | Poll

The Latest Insight

Shanghai Incentives to attract Foreign Investments

Recently, in conjunction with changes to various taxation and customs regulations the Shanghai authorities have also undertaken measures to further attract foreign investment and trade.

In early 2009 the Shanghai authorities opened an online network for overseas investors to track their application for establishing a new venture or making modifications to existing businesses. This is the first step by the government to improve public services to attract foreign investment during the economic crisis and beyond. The website aims to increase investors' awareness of each step of the application procedure; and to improve efficiency of the approval procedures within the government departments. Foreign investors previously used to face difficulties with multiple variants of documents and complicated document preparation and approval processes. This often led to long delays and unexpected results.

The improvement of public services is one of the steps taken by the city government to seize any opportunities from the current economic challenge. Further improvements are planned for later 2009. These changes will allow further access into industries such as logistics, commerce and trade, information services, research and development and other high value-added services. It is hoped these measures will stimulate merger and investment activity in the above sectors. Foreign investors currently working with Chinese partners or in a joint venture can take this opportunity to acquire their Chinese partner's stake and expand their development in the local China market once the detail related policies are announced.

In addition to the above stimulus, there are several economic zones located in suburban parts of Shanghai and these are still providing incentives to enterprises that choose to register there. Foreign investors can take this opportunity to check and update their business strategy and take advantage of such incentives. Such measures as, decoration or fit-out allowances along with various rebates are being offered. Outlined below are some further examples of other possible allowances that are applicable from time to time, though it should be noted that these are being constantly updated:

✓ In Qingspu, high and new technology enterprises can be refunded with land usage fees and exempted from utility fees during the construction period for any new buildings being erected.

The high-tech intangible assets that are to be treated as part of the capital injection of a company are allowed to be valued as high as 35% of the capital when compared to companies establishing outside of Qingspu. The intangible assets contribution as part of the capital injection is normally limited to no higher than 20%.

In Jinshan, an export company and/or a high-tech enterprise can enjoy the same low-price utility fees as a state-owned enterprise. In addition, these types of enterprise may establish a

Upcoming LB Events

China Individual Income Tax (IIT) Workshop
25 June 2009
Singapore

P+24

2009 16th Annual Mergers & Acquisitions In China Summit
25 & 26 June 2009
Shanghai

Comparison between IFRS and Chinese GAAP
21st July 2009 Singapore
22nd July 2009 Malaysia

Poll

Has your company considered and/or undertaken an internal audit since the economic downturn?

Yes

No

View Results

Polladdy.com

1346

loan with a smoother process through a green channel; after approval confirmation from the People's Bank of China.

Besides the above mentioned items companies may be eligible for tax refunds or rebates in the various economic zones. This is based on the collection and ownership of the various taxes and the below table indicates who collects and owns the various tax amounts. Local government then decides how these funds are utilized.

Chart I

| National/Local Government | Value-added Tax | | Corporate Income Tax |
|---------------------------|-----------------|--------------|----------------------|
| | Value-added Tax | Business Tax | |
| National Government | 75% | 10% | 60% |
| Local Government | 25% | 100% | 40% |

Shanghai is composed of ten urban districts and eight suburban districts. Each of them has sub-level government, and these various levels of government take part in the tax re-distribution.

Below is a chart to reflect the tax incentives provided in various suburban districts of Shanghai.

Chart II

| Suburban Districts in Shanghai | Possible Tax Refund Rate (% of that paid) | | |
|--|---|--------------|----------------------|
| | Value-added Tax | Business Tax | Corporate Income Tax |
| Chongming Island | 8%-10% | 45%-50% | 18% |
| Jinshan District and Fengdan District | 6%-8% | 30%-35% | 16%-18% |
| Mirhang District, Jiading District, Qingpu District, Nanhui District, and Songjiang District | 4%-6% | 15%-25% | 10%-16% |

The tax refund rate is flexible based on the investment dimensions of the registered capital and business nature of the company that is being established etc. Foreign investors are able to take advantage from all these incentives when investing in a zone. The same incentives are not usually available for investment outside of these special zones.

Therefore, despite the various changes which are trying to standardise the various regulations it can be seen from the above examples that there are possibilities for companies to take advantage of various rebates and allowances that are still being used to attract investment into China. It is strongly recommended that companies review their current situation and what is currently on offer, to see if there is any possibility to take advantage of these items, which help to improve either their cost position or tax positions.

In light of the various changes taking place, companies should also consider seeking professional advice, which could assist in reviewing and comparing the possibilities that may be open to them, and of course to help negotiate on these.

LEHMANBROWN

雷博國際會計
International Accountants

Insights - Lehmanbrown's client - focused e-Newsletter

The Latest Insight | Recent e-Newsletters | Upcoming LB Events | Services of LehmanBrown | Contact Us | Poll Results

The Latest Insight

China increases the Export Value-Added Tax Refund Rates for Textile Products, Certain Electronic Products and Other Commodities

[29th April, 2009 Issues 8]

In order to alleviate the financial difficulties faced by enterprises under the current global economic crisis, the PRC Ministry of Finance and State Administration of Taxation jointly issued a notice, Caishui [2009] No.43 (hereafter referred to as 'Circular 43') on 27 March 2009. Circular 43 sets out the type of commodities such as textile products, certain electronic products and other commodities, which can enjoy a higher export VAT refund rates since 1 April 2009.

For enterprises, which export commodities listed in Circular 43 and with an export date stipulated in the Export Commodity Customs Declaration Form (specially used for export VAT refund purpose) of 1 April 2009 or thereafter, they can enjoy the higher export VAT refund rates.

This is the sixth time the Chinese government has increased export VAT refund rates since the second half of 2008. Under Circular 43, the adjustment affects a number of commodities amongst 3,802 HS codes. The further raising of export VAT refund rates demonstrates the Chinese government's determination to make economic growth a top priority.

Commodities affected by Circular 43

Under Circular 43, the following commodities can enjoy higher export VAT refund rates:

- Export refund rates for CRT colour televisions, certain television spare parts and components, optical fiber cables, and uninterrupted power suppliers would be raised to 17%;
- Export refund rates for textile products and garments would be raised to 16%;
- Export refund rates for certain chemical products such as sodium hexafluoroaluminate, perfums, certain rubber products, certain leather products, paper products such as envelopes, articles made with porcelain or china, certain glass products such as glass moulds for CRT display, steel products such as precise welded steel, non-ferrous metal products such as aluminum profiles, certain rock drilling tools and metal furniture would be raised to 13%;
- Export refund rates for methanol (methyl alcohol), certain plastic products and products made from plastic, wooden products such as wooden frames for photos, glass products such as rear-view mirrors for vehicles would be raised to 11%;

Upcoming LB Events

Doing business with the China of 2009

Venue: UK

Dates: 14th, 19th, 20th, 21st, May 2009

North American Conference

Venue: Washington, USA

Date: 14th & 15th May 2009

The art of cost control under financial crisis - budget making and effective evaluation

Venue: Shanghai

Date: 17th June 2009

Comparison between IFRS and Chinese GAAP

Venue: Singapore & Malaysia

Dates: 21st & 22nd July 2009

Poll

The following results were registered in response to the question:

What do you expect China's growth to be in 2009?

Above 10%

7%

8.1 - 10%

23%

6.1 - 8%

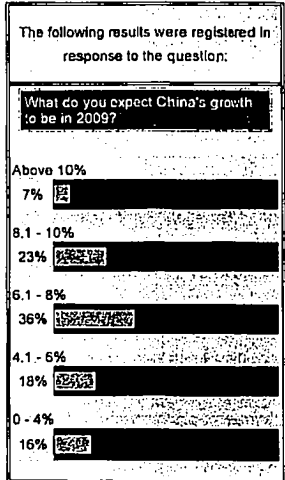
36%

4.1 - 6%

18%

0 - 4%

16%



- Export refund rates for certain chemical products, ceramics used for construction, sanitary ceramics, finished hardware such as padlocks and locks, copper plates and imitation jewelry would be raised to 9%.
- Export refund rates for calcium hydrochloride, hypochlorites and sulphates of zinc would be raised to 5%.

The detailed list of commodities, which can enjoy higher export VAT refund rates is annexed to Circular 43.

Our Observation and Suggestion

The increase of VAT export refund rates would reduce the production costs of export-oriented enterprises and strengthen their competitive capability. At the same time, enterprises should pay attention to their VAT compliance for the purposes of complying with the latest PRC tax regulations and fulfilling the requirements of PRC tax authorities.

Enterprises should be diligent in presenting sufficient and valid documentation such as export invoices, customs clearance records, foreign exchange receipts and verification/cancellation forms etc. to the PRC tax authorities so as to obtain VAT export refund.

Besides tax compliance, enterprises may wish to evaluate the mix of their domestic sales and export sales, the location of their operations, the flow of their supply chain, and other factors in order to make maximum use of preferential tax treatments.

Enterprises are recommended to consult tax advisors so as to devise a tax efficient operational structure and to perform regular tax health checks.

Author

Carl Poon, Tax Director, LehmanBrown International Accountants

Recent e-Newsletters

- Measures for Determining Value of Goods and Articles Contravening the PRC Customs Regulations
- The Objectives and Benefits of an Internal Audit
- New transfer pricing regulations and their impact on foreign businesses in China
- Business Tax - Enlargement of scope of charge
- Shanghai: New provision on the establishment of regional HQs by foreign MNCs

[Go to Top](#)

"Providing an alternative in China"

Insights is LehmanBrown's official client-focused e-newsletter. It offers updates on the latest business news, taxation and accounting regulations in the People's Republic of China. It is designed to provide you with interesting and informative information to assist in your dealings with China or any China-related issues that you may encounter.

Business-related enquiries can be emailed to boijing@lehmanbrown.com.



4/29/11 11 Fri.

简体中文 日本語 英文

[Back To Homepage](#)

Weihai Overview

- ▶ Geographic Location
- ▶ Historical Evolution
- ▶ Natural Condition
- ▶ Special Resources
- ▶ Map of Weihai
- ▶ Picture of Weihai

Economic

- ▶ Comprehensive Economy
- ▶ Industry
- ▶ Agriculture
- ▶ Foreign Trade and Economic Cooperation

Investment

- ▶ Investment Environment
- ▶ Investment Policies
- ▶ Investment Priority
- ▶ Investment Projects
- ▶ Investment Procedures
- ▶ Service Organizations
- ▶ Development Zones

Capital and Tourism

- ▶ Leading Enterprises

Scenic Spots

- ▶ Scenic Spots
- ▶ Hotels
- ▶ Travel Agency
- ▶ Traffic Informations

[Home](#) >> [Investment](#) >> [Investment Policies](#)

Enterprises Income Tax

1. The income tax rate of the productive foreign-funded enterprises is 24%. A reduced rate of 15% is granted in the enterprise income tax for the technology-intensive and knowledge-intensive projects, projects with the foreign investment over US\$30 million, projects with a long return period and for the projects of energy, communications and harbor construction.
2. A reduced rate of 15% in the enterprise income tax and exemption from local income tax are granted for the productive foreign-funded enterprises located in the Economic and Technical Development Zone. A reduced rate of 15% is granted in the enterprise income tax for foreign-funded enterprises that are confirmed to be high and new technology enterprises set up in High and New Technology Development Zone.
3. The productive foreign-funded enterprises with actual operation term of over 10 years are exempt from the enterprise income tax for the first two years and are granted a 50% reduction of the enterprise income tax from the third through the fifth year since the profit-making year on.
4. After the period of exemption and reduction of enterprise income tax granted in accordance with the stipulations of the tax law, a reduction of 50% is granted in the enterprise income tax for the export-oriented foreign-funded enterprises whose value of exported products accounting for over 70% of the output value of the products for the same year. The enterprises that accord with the above demands may pay the enterprise income tax at a reduced rate of 10% if they have paid tax at a rate of 15%, and at the same time they are exempt from local income tax.
5. Technology-advanced foreign-funded enterprises may continue to enjoy an extended three-year-period of a 50% reduction in the enterprise income tax when they are still technology-advanced enterprises after the period of exemption from or reduction of enterprise income tax granted according to the stipulations of the tax law. If the tax rate is lower than 10% when the enterprises enjoy a 50% reduction, they should pay the enterprise income tax at a rate of 10%, and at the same time they can enjoy an exemption from local income tax.
6. With the application of the enterprises and the approval of the tax authorities, 40% of the enterprise income tax already paid for the reinvestment shall be returned to the foreign investors in case that the foreign investors invest into the existing enterprises so as to increase the registered capital or set up another foreign-funded enterprise by means of the shared-profit. If the direct reinvestment is for the establishment or expansion of an export-oriented and a technology-advanced enterprise, the total of the enterprise income tax already paid for the reinvestment shall be returned.
7. The foreign investors are exempt from income tax for the profits gained from the foreign-funded enterprises, no matter if they remit the money out of China.

Taxation Preferential Policies

- [Enterprises Income Tax](#)
- [Local Income Tax](#)
- [Taxation on the Imported Equipment](#)

Copyright © 2002 Weihai Municipal Government. All Rights Reserved

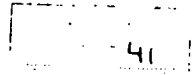
Weihai Information Center Tel: 0631-5685100 5660366
E-mail: wehainfo@weihai.gov.cn



简体中文 日本語 한국어

[Back To HomePage](#)

[>>Home](#) [>>Investment](#) [>>Investment Policies](#)



Local Income Tax

The foreign-funded productive enterprises are exempt from the local income tax if they are related with the projects of energy, communications and harbor construction and with the projects belonging to any of the following industries:

Machinery building and electronics ;metallurgy, chemistry and building materials ;light industry, textiles and packing ;medical apparatus & instruments and medicine production; Agriculture, forestry, animal husbandry, cultivating & processing; architecture

Taxation Preferential Policies

- [Enterprises Income Tax](#)
- [Local Income Tax](#)
- [Taxation on the Imported Equipment](#)

Overview

- ▶ [Geographic Location](#)
- ▶ [Historical Evolution](#)
- ▶ [Natural Condition](#)
- ▶ [Special Resources](#)
- ▶ [Map of Weihai](#)
- ▶ [Picture of Weihai](#)

Economy

- ▶ [Comprehensive Economy](#)
- ▶ [Industry](#)
- ▶ [Agriculture](#)
- ▶ [Foreign Trade and Economic Cooperation](#)

Investment

- ▶ [Investment Environment](#)
- ▶ [Investment Policies](#)
- ▶ [Investment Priority](#)
- ▶ [Investment Projects](#)
- ▶ [Investment Procedures](#)
- ▶ [Service Organizations](#)
- ▶ [Development Zones](#)

Leading Enterprises

- ▶ [Leading Enterprises](#)

Tourism

- ▶ [Scenic Spots](#)
- ▶ [Hotels](#)
- ▶ [Travel Agency](#)
- ▶ [Traffic Informations](#)



简体中文 日本語 한국어

[Back To HomePage](#)

[>>Home](#) [>>Investment](#) [>>Investment Policies](#)



Weihai Overview

- ▶ Geographic Location
- ▶ Historical Evolution
- ▶ Natural Condition
- ▶ Special Resources
- ▶ Map of Weihai
- ▶ Picture of Weihai

Conditions

- ▶ Comprehensive Economy
- ▶ Industry
- ▶ Agriculture
- ▶ Foreign Trade and Economic Cooperation

Investment

- ▶ Investment Environment
- ▶ Investment Policies
- ▶ Investment Priority
- ▶ Investment Projects
- ▶ Investment Procedures
- ▶ Service Organizations
- ▶ Development Zones

Industrial Enterprise

- ▶ Leading Enterprises

Travel Guide

- ▶ Scenic Spots
- ▶ Hotels
- ▶ Travel Agency
- ▶ Traffic Informations

Taxation on the Imported Equipment

For the foreign-invested project belonging to the encouraged or restricted B project of the guiding catalogue for the foreign-invested industry and involving the technology transferring, the imported equipment with the price less than the total investment of the project can be exempt from the customs duty and the import value added tax except for those equipment listed in the catalogue of the non-duty free imported commodities.

Taxation Preferential Policies

- [Enterprises Income Tax](#)
- [Local Income Tax](#)
- [Taxation on the Imported Equipment](#)



Consolidated Statement of Cash Flows

For the year ended 31 March 2010

| Note | 2010 HK\$'000 | 2009 HK\$'000 |
|-----------------------------|------------------|------------------|
| Investing activities | | |
| | (4,363) | (6,065) |
| | (74,435) | (224,356) |
| | (7,853) | (4,602) |
| | (40,102) | (8,566) |
| | (19,049) | - |
| | (6,286) | 34,449 |
| * | * | |
| | 39,236 | - |
| | 651 | 2,165 |
| | 2,773 | - |
| | 1,678 | 3,921 |
| | - | (55,261) |
| | - | (3,086) |
| | - | 5,607 |
| | - | (9,091) |
| | - | 952 |
| | (107,750) | (263,933) |
| Financing activities | | |
| | 5,741 | 1,059 |
| | 250,005 | 773,458 |
| | (258,000) | (423,797) |
| | 46,064 | (56,951) |
| | 40,000 | - |
| | 1,273 | 17,700 |
| | - | (27,346) |
| | 85,083 | 284,123 |
| | 66,034 | 157,319 |
| | 1,775 | 2,161 |
| | 330,265 | 170,785 |
| | 398,074 | 330,265 |

Note:

During the year, patents of HK\$3,420,000 included in intangible assets were contributed by a minority shareholder of a subsidiary as capital contribution.

P+Z 9, 10, 11, 12

China-Singapore Suzhou Industrial Park Development Co., Ltd

Start-up Procedure

Investors who wish to set up their operations in Suzhou Industrial Park may select from the following options:

- 1) Buy land to build their own factories;
- 2) Rent ready-built factories of different types, such as: Terrace Factory, Workshops, Freestanding Factory and Multi-storey Factory.

If the enterprise is export oriented, we recommend you consider to locate in Export Processing Zone (EPZ), where the above options are also available.

Tax Incentives

The preferential tax incentives available to foreign manufacturing enterprises and infrastructure developers in the park are shown in the table below.

| Corporate Income Tax | Tax Rate | Reduction/Exemption Policy |
|---|-------------|--|
| Foreign Invested Enterprises of manufacturing Nature | | |
| General | 15% | Exempted from 3% Local Corporate Income Tax. |
| Period of operation exceeds 10 years | 15% | As above. In addition, 2 years exemption plus 3 years half tax at the rate of 7.5% from the first profit-making year. |
| Exporting enterprises | 15% | As above. After first 5 years of enjoying the additional tax incentive, if export value in any year exceeds 70% of output value, tax rate is reduced to 10%. |
| Technologically advanced enterprises | 15% | As above. After first 5 years of enjoying the additional tax incentive, further 3 years of Corporate Income Tax rate at 10%. |
| Others | | |
| Enterprises developing harbors, wharves & other infrastructure | 15% | If intended period of operation exceeds 15 years, exemption for 5 years from the first profit-making year and reduced tax rate of 7.5% for another 5 years. |
| Financial Institutions with more than US\$10 million capital investment | 15% | Must exceed 10 years period of operation Exemption for 1st profit-making year and reduced tax rate of 7.5% for another 2 years. |
| Tax Rebates for re-investments | | |
| Re-investments in the same enterprise, or a new FIE | 40% Rebate | New FIE must have an operation period of more than 5 years; Rebate amount is 40% of corporate income tax that has been paid on sum re-invested. |
| Re-investment in export-oriented or advanced technology enterprises | 100% Rebate | New FIE must have an operation period of more than 5 years; 100% rebate on corporate income tax that has been paid on sum re-invested. |
| Withholding Tax | | |

| | | |
|--|-----|--|
| Dividends remitted to foreign shareholders | 0% | Complete Exemption |
| interests, rental, leasing payment, capital gains, or franchise fees | 10% | May be further reduced depending on Double Taxation Agreements signed between China and other countries after payment of 5% business tax |

Legal Services

There are tens of partnership law firms in Suzhou, which are recognized by China's Ministry of Law. They are specialized in corporate law, finance (bank, securities) law, foreign investment law, property law, and intellectual property law, etc.

Zhapu Economic Development Zone

2004-5-12

Brief Introduction of Jiaxing Port & Development Zone

Jiaxing Port & Development Zone includes Zhapu Economic Development Zone, Zhapu Port and Zhapu Town with 54-square-kilometer governing area.

Zhapu Economic Development Zone: Zhapu Economic Development Zone is one of the first provincial development zones ratified by Zhejiang Municipal Government with 16.1-square-kilometer planned area. Four Industrial parks with unique characteristics have been established as following: Zhejiang Zhapu Petrochemical Industrial Park, Metal Products Industrial Park, Timber Processing Park and Garment Processing & Exporting Park. There are 389 enterprises in the zone, among which 12 foreign funded and Chinese-foreign enterprises.

Zhapu Port: It has 70.5-kilometer-long coastline, of which ports and 100 berths can be established on 40-kilometer-long coastline. Zhapu Port is a natural excellent one with annual handling capacity over 10million ton as a first class opening port. There are 10 berths of 1 thousand to 10 thousand tons for LPG, coal and general cargoes.

Zhapu Town: It has the reputation of "Throat of West Zhejiang" and "Important Town of Southeast China" with 61.8-square-kilometer area. In 2000, GNP of the town is over RMB 0.1 billion, of which the second industry makes up 80%, developing very fast at an added ration of 30%. The total population of the town is 53 thousand. In zone, there are complete organizations e.g., port affairs, customs, commercial inspection and marine affairs, government functions such as national tax, local tax, industrial & Commercial Administration, finance. Basic facilities such as hospital, school and accommodation are available. Jiaxing Municipal Government is applying for Zhapu Processing & Exportation Area, inventing more conditions for the extra ward-oriented enterprises.

Taxation

Foreign-invested enterprises in China or foreign enterprises receiving income from China are liable to pay some of the following taxes: Foreign-invested enterprises (FIE) corporate income tax, Value Added Tax, Business tax, Consumption tax, Contract tax, Real estate tax, Land value appreciation tax, stamp tax, Vehicle and vessel license tax; moreover, customs duties should be paid in case of import and export business. State Taxation Bureau is responsible for Foreign-invested Enterprise Income Tax, Value Added Tax and Consumption Tax. The Local Taxation Bureau is responsible for Business Tax, Land Value Appreciation Tax, Individual Income Tax, Real Estate Property Tax, Vehicle and Vessel License Tax, Contract Tax and Stamp Duty. Customs is responsible for Customs Duties and Value Added Tax on importation.

Categories

FIE Corporate Income Tax

Taxation Foreign-invested enterprises in China or foreign enterprises receiving income from China are liable to pay some of the following taxes: Foreign-invested enterprises (FIE) corporate income tax, Value Added Tax, Business tax, Consumption tax, Contract tax, Real estate tax, Land value appreciation tax, stamp tax, Vehicle and vessel license tax; moreover, customs duties should be paid in case of import and export business. State Taxation Bureau is responsible for Foreign-invested Enterprise Income Tax, Value Added Tax and Consumption Tax. The Local Taxation Bureau is responsible for Business Tax, Land Value Appreciation Tax, Individual Income Tax, Real Estate Property Tax, Vehicle and Vessel License Tax, Contract Tax and Stamp Duty. Customs is responsible for Customs Duties and Value Added Tax on importation. Categories Categories FIE Corporate Income Tax In general, FIEs in China pay an income tax rate of 33%, comprising 30% of national tax and 3% of local income tax. In JXPZD the income tax rate is 15% and the local income tax rate is 1.5%. 1) Major items which are deductible from the net income for enterprises income tax accounting purpose are: Real asset depreciation, Amortisation of intangible assets, Amortisation of pre-operating expenses, Administrative expenses, Interest expenses, Entertainment expenses (within limits), Irrecoverable bad debt, Exchange rate losses on business transactions, Staff welfare. The following items are not deductible: Acquisition of fixed assets, Costs of intangible assets, Interest on loans for capital contributions, Income tax payments, Donations other than those for public welfare or relief in China, Royalties paid to head office, Expenses not related to the company's business, Compensated losses, Overseas social security payments for staff, Fines and surcharges for illegal business

Non-confidential attachment C-1.2.7

operations and losses due to confiscation of property. Management fees (except for non-investment set-ups paying management fees to their head office), Overdue fines and other fines for tax payment, Other expenses not related to the production and business operations. 2) Depreciation and Terms In general, depreciation is computed using the straight line method. No further depreciation can be provided for fixed assets which have been fully depreciated. The minimum asset depreciation periods are: Buildings and structures 20 years Machinery and other productive equipment 10 years, Electronic equipment, means of transport (except train and ship), other appliance and tools, and furnishings related to production or business operations 5 years 3) Corporate Income Tax Incentives The income tax rate of foreign-funded enterprises in JXPZ is 15%. Foreign-funded enterprises with production nature with an operation term exceeding 10 years is exempted from the corporate income tax for 2 years starting from the first profitable year and allowed for a 50% reduction for the following 3 years. The income tax paid from the 3rd to 5th profitable year will be refunded. High-tech enterprises identified by Zhejiang provincial government with an operation term over 10 years, is exempted from the income tax for 2 years starting from the first profitable year and allowed for a 50% reduction for the following successive 3 years, the part paid from the 3rd to 5th profitable year will be refunded. The income tax paid from the 6th to 10th profitable year will be refunded at a rate of 50%. When the granted incentives term is expired, export-oriented enterprises (70% of the products exported) will continue to enjoy a reduced rate of 10% Foreign-funded enterprises engaged in service industries such as tourism, amusement business, communication and transportation, storage and freight agent, information consulting etc., with an investment no less than \$ 2 million and an operation term over 10 years are to be fully refunded the income tax paid in the 1st and 2nd profit-making year and enjoy a 50% rebate for the following 3 years. The local income tax is paid at a reduced rate of 1.5%. Enterprises of production nature are exempted from the local income tax for 5 years starting from the first profitable year. Export-oriented and high-tech enterprises are exempted from the local income tax.

Value Added Tax (VAT)

VAT is levied on the transfer of taxable goods and services at each stage of the production and sales process. It is also charged on goods imported into China. VAT is payable under the following circumstances: When a company sells its goods in China, the seller collects the VAT from the buyer. When a company imports goods from overseas, it has to pay VAT to customs, which collects on behalf of the National Taxation Bureau.

1) The VAT Rate

The VAT rate for most goods is 17%. The exceptions are: Basic necessities such as foodstuff, edible oil, drinking water, heating, books, newspapers, magazines, animal feed, fertilizers etc. which are subject to a VAT rate of 13%.

Small scale taxpayers which are subject to a VAT rate of 6%. Small scale taxpayers are manufacturing (100% or majority) enterprises with less than RMB 1 million in annual sales, or trading companies with less than RMB 1.8 million in annual sales.

2) VAT Computation - General Formula

VAT Liability = VAT payable on domestic sales + VAT payable on export sales - VAT paid on locally-sourced materials (I) - VAT (deemed paid) on bonded raw materials (II) VAT Rebate = VAT rebate on export sales (III) - VAT rebate on bonded raw materials

- (I): Includes utilities costs but not depreciation costs
- (II): Raw materials may be imported bonded i.e. free of import duty and exempted from VAT if they are on consignment to fulfill an export order. This involves an additional customs procedure in the "Processing Trade Logbook"
- (III): The current rate of rebate of most manufactured goods is 13-17%.

Business Tax

1) The business tax is payable by enterprises that provide taxable services, assign intangible assets and sell immovable property.

- Construction Cultural activities and sports Post and telecommunications Transportation 3%
- Assignment of intangible assets 5%
- Dancing Hall, Bar, Karaoke, etc. 13%
- Video Game, Billiards Ball, Golf, Bowling, etc. 10%
- * Exempted for enterprise-operated kindergartens, hospitals, clinics, schools etc.

2) Business Tax Incentive:

Projects with an operation term over 10 years as following: high-tech enterprise with a investment no less than \$ 2 million, project encouraged by state with an investment no less than \$ 5 million and others with investment no less than \$ 10 million, will be refunded 50% of the business tax which paid in the 1st to 5th operation year starting when the registered capital is contributed.

Non-confidential attachment C-1.2.7

3) VAT incentive.

Projects with an operation term over 10 years as following: high-tech enterprise with a investment no less than \$ 2 million, project encouraged by state with an investment no less than \$ 5 million and others with investment no less than \$ 10 million, will be refunded 50% of the VAT of local remains which paid in the 1st to 5th operation year starting when the registered capital is contributed. (Note: VAT collected 75% goes to the State government, 5% goes to the provincial government, 20% for local use, i.e. the rebate rate: $17\% \times 20\% \times 50\% = 1.7\%$)

Consumption Tax

Consumption tax is a tax imposed on producers or importers of luxurious products, products considered as bad for health or bad for the society at large, etc. Examples of products affected are: cigarettes, alcohol, cosmetics, jewelry, firecrackers, fireworks, cars, motorcycles, petrol, diesel oil, car tyres, skin-care products and hair-care products.

Products Consumption Tax

Alcohol 5-25% RMB 220-240 per ton

Cars 3-8%

Car tyres 10%

Cigarettes, cigars and tobacco 30-45%

Cosmetics 30%

Diesel oil RMB 0.10 per liter

Jewelry 10%

Motorcycles 10%

Petrol RMB 0.20 per liter

Skin-care and hair-care products 17%

Exempted for enterprise-operated kindergartens, hospitals, clinics, schools etc.

1) Business Tax Incentive:

Projects with an operation term over 10 years as following: high-tech enterprise with a investment no less than \$ 2 million, project encouraged by state with an investment no less than \$ 5 million and others with investment no less than \$ 10 million, will be refunded 50% of the business tax which paid in the 1st to 5th operation year starting when the registered capital is contributed.

Real Estate Tax or Property Tax

Property tax is an annual tax on the value of properties, payable by the property owner. The payable tax rate is 1.2% of the assessed value of the property, or 18% calculated on the basis of rent.

2) Investors in JXPDZ who construct or purchase a new building for their own use can be exempted from the tax for 5 years.

Land Appreciation Tax

The Land Appreciation Tax is imposed on the transfer of land use rights. The tax rates varies according to the sellers' gains on a transfer of land.

Appreciation Amount Tax Rate

< 50% of cost 30%

> 50% but < 100% of the cost 40%

> 100% but < 200% of cost 50%

> 200% of cost 60%

Contract Tax or Deed Tax

The once-off contract tax is payable whenever there is a change in the ownership or the right to use land/properties through sale, mortgage, gift or exchange. The tax rates are as follows:

Transaction Contract/Deed Tax

Sale 3% of the sales price

Mortgage 3% of mortgage price

Gift 3% of current price of land/property

Non-confidential attachment C-1.2.7

Exchange Exempted if the two properties are of same price. Tax is collected on price difference if any.

Stamp Duties

Enterprises or individuals who execute or receive legal documents may be subject to stamp duties. Dutiable documents include:

Contracts on sale of goods, processing, construction, leasing of properties, transportation of goods, warehousing, loan, insurance, technology transfer.

Documents on transfer or subdivision of copyrights, trademarks and patents

Business books of account.

Permits and licenses including sales permit, trademark license, land use certificate.

Other documents as stipulated by the Ministry of Finance.

Stamp duties differ for different documents and Vehicle and Vessel License Tax. The Vehicle and Vessel License Tax is imposed on owners/users of vehicles and vessels. The tax rates are determined by individual Provincial Government. Tax Table (omitting vessels)

Categories RMB per year per set

Passenger Vehicle No more than 7 seats 180

8 to 30 seats 220

More than 31 seats 240

Motor Tricycle ii 60

Motorcycle ii 48

Truck ii RMB 56/ton*year

The tax is computed based on: i) number of vehicles including passenger cars, two and three-wheeled motorcycles and motorised vehicles. ii) tonnage of vehicle/vessel - e.g., trucks and motorised vessels

tonnage carried - non-motorised vessels. Customs Duties) Customs duties are collected at the point of imported goods entry in China. The amount payable is based on the assessed value of imports, which is the final price inclusive of price of goods, transportation charges, insurance and Other Fees before unloading. The duty rate of goods varies significantly. The average rate is about 17%. 2) Incentives: i)

Foreign-funded enterprises engaged in "encouraged foreign investment industries" or "restricted foreign investment industries (B)" that enumerated in "Catalogue for the Guidance of Foreign Investment Industries" may import production equipment within the volume of investment for their own use and the related technology, auxiliary materials, spare parts according to the Import contract without paying customs duty and VAT (excluding those listed in "Catalogue of Imported Commodities not Entitled for Tariff Exemption for Projects with Foreign Investment"). Catalogue of Imported Commodities not Entitled for Tariff Exemption For Projects with Foreign Investment:

- 1 Television
- 2 Video Camera
- 3 VCR
- 4 Video Player
- 5 Stereo System
- 6 Air-conditioner (Excluding Centralized Air-conditioner)
- 7 Refrigerator
- 8 Wash Machine
- 9 Camera
- 10 Copy Machine
- 11 Digital Telephone Switch Board
- 12 Micro-computer and Attachment
- 13 Telephone
- 14 Beeper
- 15 Fax Machine
- 16 Electronic Calculator
- 17 Typewriter and Word Processor
- 18 Automobile
- 19 Motorcycle
- 20 Other

Non-confidential attachment C-1.2.7

All H.S. codes of Chapter 1-83 and 91-97 in China Import Customs Duty Regulations (Excluding the attached technology, auxiliary materials, spare parts imported with equipment of the project)

The above policy is also applied on projects using whole foreign funds of loans from foreign government or international financial organizations (such as World Bank) and enterprises importing non-fixed price equipment for processing trade. Export products is exempted from export tax except those restricted by the state government.

Other Tax Incentives

1) Tax-refund for Reinvestment

An existing foreign-funded enterprise making reinvestment with its profits to add registered capital or set up a new foreign-invested enterprise with operation period of no less than 5 years will receive a 70% rebate on the corporate income tax paid on the basis of the amount reinvested with the approval by the tax administration. When the reinvestment mentioned above is made for establishment of an export-oriented or high-tech enterprise with an operation period of no less than 5 years will obtain a full rebate of the corporate income tax paid on the amount reinvested.

2) Withholding Income Tax

Foreign investors with no operations in China have income on interest, rent charge, royalty for the right of special permission and other resources in JXPDC may pay income tax at a reduced rate of 10% besides those exempted by law.

3) Remittance Abroad Income Tax

Foreign investors remit abroad their profit from their companies in JXPDC is exempted from the remittance abroad income tax.

4) Preferential Policies Applied on High-tech Projects by the Zhejiang Provincial Government

From 1999 to 2002, high-tech projects recognized by Zhejiang provincial government can be exempted from paying to the local the net profit of the land transfer fund and the volume increasing fee for power supply as well as water, steam etc during the construction stage.

Abundant Tourism Resources

Nine-dragon Mountain Scenic Spot lies in the development zone E—which is honored as "South Beidai River" with hills, island and beaches together. In here, there are verdant forest, singing birds and fragrant flowers. The fishing vessels are sailing on the rippling and sparkling lakes. Within the spot, there is State-owned Forest Park, Ancient Artillery Fort, The Memorial Pavilion etc. On the whole, It is a beautiful Tourism Spot with entertainment, vacationing and recuperation. Beside it, around the development zone, there is Pinghu Danghu Scenery Area famous for the Manor Mo, Jiaxing Nanhu Tourism Area with Nanhu Scene as the center, Haining Qianjiang Tide Spot of the tide culture, Haiyan South&North Entertainment Area with the sea scenes, Tongxiang VIP culture Tourism and Jashan Lakes Tourism Area.

Basic Facilities

Basic facilities are available for the enterprises to settle in Zhapu Economic Development Zone.

1) Road

Great Oriental Road, Longwang Road, Zhapu Road, Yashana

Road, Zhongshan Road, Hangzhou Express Way of 40-60 meters wide having been established.

2) Power

There is a 220KV substation, and a 35KV one which will be boosted to 110KV. Another 110KV substation will be built. There is Qunshan Nuclear Power Plant of 6.9millionKW and Jiaxing Power Plant of 4.2millionKW near the area.

3) Telecommunication

Available are such services as C3 local net and mobile net, DDA, DDD, IDDD, IP telephone, telex, fax, mobile phone and wireless calling, EMS and so on. The telephone capacity in Zhapu Area is 50thousand, which communicate with more than 180 countries and regions in the world and over 200 domestic cities.

4) Water Supply

A There is a 10thousand-ton surface water plant and a ground water plant of daily capacity of 10thousand tons. A 50thousand surface water plant will be established for industrial and life use of the enterprises soon.

B Hydraulic pressure 3-3.5kgs.

5) Waste disposition

Jiaxing Wastewater Disposition Plant with 300thousand tons per day is 3kms far away from Zhapu Area. There is wastewater pipe net of which the diameter is 450cm, pressure 0.05MPa, water speed 0.635M/S.

6) Vapor

A 4*12000KW heat & power plant which can provide 400T/N gas for the enterprises.

Ningbo Economic and Technological Development Zone

2004-5-11

The lifeline of Ningbo Development lies in the investment attraction, which is obviously the top priority among all our responsibilities and cares. As our industrial development strategy focus evenly on the development of modern port industries and high-tech industries, we have been trying to captivate investments by taking active measures such as making door-to-door presentation, sending invitations, undertaking collective investment attraction efforts for one type of trade or industry, strengthening the business attraction network and improving investment attraction team etc. As a result, our efforts paid off for we have achieved great success in investment captivation. Ningbo Development Zone has now become the strategic area and important base to captivate foreign investments in Ningbo and Zhejiang province. The zone has also been densely populated by multi-national companies, large-scale projects, high-tech enterprises and Taiwanese enterprises.

By the end of 2001, over 4700 enterprises have settled in Ningbo Development Zone. We have approved investments from 39 countries and regions and the accumulated investments reach 5.86 billion USD, among which 4.59 billion USD are the stated figures in the contracts and 1.68 billion USD are actually acquired investments. We have also observed the following features of foreign investment activities here:

- 1) There are many large-scale foreign investment projects. We have 112 large-scale foreign investment projects that are worth 10 million USD and 64 comparatively large-scale foreign investment projects that are worth between 5 million and 10 million USD.
- 2) Taking advantage of the near-by harbor, conglomeration of modern industries has come into being and has brought deep impact on the industrial restructuring in Ningbo and Zhejiang.
- 3) High-tech industries are guiding the industrial development in an ever more discernible way. Since 2000, we have witnessed active investments happen in the area of high-tech industries.
- 4) Worldwide leading multi-national enterprises have showed special favor for our Development Zone. 16 out of TOP 500 worldwide multi-national companies set up their ventures here, which includes Esso, Dow Chemical (from US), Mitsui, Mitsubishi Itochu, Marubeni, Asahi Chemical, Kanematsu, Sumitomo, Iwai (from Japan), Hoechst, Mannesman (from Germany) and Samsung (Korea) etc.
- 5) Our Development Zone has been a new investment focus for Taiwanese investors after Dongguan and Southern Jiangsu.
- 6) Enterprises here have showed strong desires to make additional investment because of their successful performance. Therefore, their healthy growth has been attracting more and more foreign investments.

Port Industries

By fully utilizing the advantage of Beilun Harbor, the deep-water harbor near by, we have been concentrating our efforts on developing port industries and now formed a gigantic industrial belt alongside the coastline, which means that we have started having an industrial conglomeration. The leading industries in this port industrial structure cover power generation, chemical, stainless steel, shipyard, automobile, modern paper-mill, electrical, textiles, grain and oil products, plastic & rubber and construction materials etc.

Power Generation Industry: 1) Ningbo Beilun Power Generation Plant, the key project in the 8th and 9th national five-year plans, that has 3 million KW as total power generating capacity, has now completed 12.37 billion RMB-worth investments. 2) We have been also building two thermo-power stations in the key industrial areas here. The picture shows Beilun Thermo-power Generating Co., Ltd in Sifang area, Da Gang, which generates 144 million KWH annually and provides 0.533 million MKC heat.

Chemical Industry: 1) Exxon Mobile Group (US) totally invested 67million USD on the establishment of 3 projects including

Non-confidential attachment C-1.2.7

lubricant, asphalt and liquid gas here. 2) Zhejiang Pacific Chemical Co., Ltd, a sole-venture of Dow Chemical (US) is a 65.89 million USD-worth project. 3) He Qiao Chemical Co., Ltd, established by Jian Long Chemical Co., Ltd (Taiwan) and other investors, decided to make an additional investment (20 million USD) to build a new He Qiao Chemical Co., Ltd, which will be in operation in the first quarter of 2001. 4) Tian An Corporation (Hangzhou) and Messer Gambh (Germany) founded the Messer Sunshine (Ningbo) Gas Products Co., Ltd.

Stainless Steel Industry: Ningbo Bo Xin Stainless Steel Co., Ltd, which has 210 million USD investments in total and produces 80,000 MT cold-rolled steel plates, has just started its 2nd phase construction to double its production scale.

Shipbuilding Industry: Samsung Heavy Industries (Ningbo) Co., Ltd. was set up by Samsung Heavy Industries Co., Ltd (Korea) alone. The 1st phase project (23 million USD in total), which mainly produces steel structures and hull parts, has been completed and put into operation. The 2nd and 3rd phase projects will be concentrating on the building and repairing of ships.

Automobile Industry: 1) Ningbo Meri Automobile Manufacturing Co., Ltd is the first private enterprise that assemble whole vehicles in China. The 1st phase project costs 1 billion RMB and produces 50,000 units of cars for family use. 2) Taiwanese investors have established machinery companies such as Mingfu Machinery, Yumin Machinery and Xintai Machinery etc and formed the production base for key automobile spare parts.

Modern Papermaking Industry: Asian Paper & Pulp Co., Ltd founded 3 companies including Ningbo Asia Paper Products, Paper Packaging and Green Paper Products. Its total investment exceeds 70 million USD.

Electrical Industry: 1) Fitters Investment Co., Ltd (US) and Ningbo Xin Le Air Conditioner Plant established their joint-venture-Fitters Xin Le Co., Ltd, which produces 0.5 million units of air conditioners annually. 2) Ningbo Ubukata-Hengdian Electrical Co., Ltd, a Sino-Japanese Joint Venture, produces key spare parts for air conditioners.

Textile Industry: 1) Reward (Ningbo) Wool Industrial Co., Ltd., established by Mr. Ying Changji from Taiwan, produces 6,000 MT of wool top and carbon wool. 2) Ningbo Shenzhou Weaving Co., Ltd is one of the largest knitwear manufacturing companies in China and produces over 5.6 million units of various knit wears a year. 3) Koyo Zhedong (Ningbo) Blanket Co., Ltd, a Sino-Japanese Joint Venture, is one of the largest acrylic fiber blanket makers in Asia and produces 1.5 million pieces of blankets annually. 4) Ningbo Nishidashin Dyeing and Weaving Co., Ltd, established solely by Nishidashin Co., Ltd (Japan) produces 1 million pieces of acrylic fiber blankets.

Food and Oil Product Industry: 1) Chia Tai Co., Ltd. (Thailand) invested 80 million USD to establish Ningbo Chia Tai Food Oil Co., Ltd. 2) Dorian Investment Co., Ltd (UK) is the sole owner of Golden Foodstuff (Ningbo) Co., Ltd. 3) Peijie Development Co., Ltd (Hong Kong) alone invested 40 million USD to set up Ningbo Malt Co., Ltd, which produces 200,000 MT malt annually.

Plastic & Rubber Industry: 1) Ningbo Chia Tai Samsonite Trunk and Bag Co., Ltd produces "Samsonite" trunks and bags, which are renowned to be top brand in US. 2) Ningbo Formosa Rubber Co., Ltd. invested 27.6 million USD to establish Ningbo Formosa Co., Ltd. and mainly produces rubber products and air-filling products.

Construction Materials Industry: Ningbo Conch Cement Co., Ltd, whose total investment is 397 million RMB, has just decided to make a 50million RMB additional investment in order to add another 800,000 MT to the present 690,000MT production capacity.

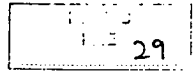
Visions and Plans

Regional function and target of Ningbo Development Zone are set as follows: first class development zone of national level, important energy, raw material, chemical industry base in Eastern China and important wing for Shanghai International Transportation Center, important base for foreign investment attract and an important display window for opening to the world in Ningbo and Zhejiang, a model area for conversion of scientific research results and technical innovation, and new of socialist modern international port city.

The major index of the Development Zone's 10th five-year plan: urban population: 0.25 million. Industrial output value: 50 billion RMB. GDP:15.5billion RMB, among which the service sector will have 5 billion RMB as output value. Export will be 1.2 billion USD and accumulated actual foreign investment 2.6 billion USD.

By 2020, Ningbo Development Zone's long term plan is to convert here into a modern, international port city and a model show case area that is well-incorporated into the global economy, which has sound economy, advanced technology and beautiful environment. The target are in the following details:

1) completed the construction of infrastructure development for the Development Zone in the main. In the economic



Non-confidential attachment C-1.2.7

Ningbo Free Trade Zone

2004-5-11

Non-confidential attachment C-1.2.7

General Information

Approved by Chinese Central Government, Ningbo Free Trade Zone (NFTZ) was established on Nov. 19, 1992. In compliance with the common practice of free trade zones defined in "International Kyoto Treaty", NFTZ enjoys special policies of "exempt from tax, exempt from license, bonded tax" and has economic functions of international trade, import & export processing, bonded warehousing and etc. NFTZ is a special economic area operating in the way of "inside the boundary, outside the customs". In one word, it is so far the most opened area in China to the outside world with most preferential policies. With the current developed area of 2.3

Square kms, NFTZ is expecting its expansion in the near future. 10 years effort has built NFTZ into a hot spot for foreign investors in East China Great Shanghai Economic Region with completed infrastructure, prosperous economy, satisfied investors, and accumulated capital. Up to the end of 2001, there have been more than 3700 enterprises incorporated, invested from 35 countries and territories, with the total investment of USD2.52 billion.

Ningbo Free Trade Zone was approved by State Council on 19 Nov., 1992, vested with special policies of "Tax-free, Bonded tax and license-free". Its major function comprises export processing, foreign trade, bonded warehousing. So far, as the only Free Trade Zone in Zhejiang Province, Ningbo Free Trade Zone is among the regions with the highest level of openness in Mainland China.

Backed against the largest deep-water berth in Mainland China, Shanghai Ningbo Beilun Combo Port, adjacent to the "Golden Waterway", Yangtze River, supported by the economically developed Yangtze Delta Region, Ningbo Free Trade Zone boasts a highly favorable investment climate. Ningbo Free Trade Zone is within a stone's throw from Beilun Port and strategic alliance has demonstrated its momentum at the current stage. With a half to 3-hour traffic circle stand 4 international airports and now direct customs-clearance vehicle system has linked Shanghai Pudong Airport with Ningbo Free Trade Zone. Through the green channel, logistics efficiency is greatly improved.

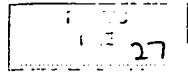
Ningbo Free Trade Zone has witnessed rapid development during the past decade. By the end of 2001, 0.48 billion RMB has been utilized for the purpose of infrastructure construction, with 1.98 million square meters developed, and basic utilities installed. Now, more than 3000 enterprises have set up their factories and offices in NFTZ, of which 500 enterprises are foreign funded with a total investment value hitting \$1.61 billion, contractual foreign investment reaching \$1.22 billion and factual investment amounting to \$0.45 billion. In the year 2001 alone, NFTZ has realized its GDP £=2.58 billion and import & export volume of \$0.76 billion, of which \$0.41 billion export-bounded. NFTZ has become the new economic growth point for Ningbo municipality with its special status as the main area for foreign investment absorption.

Aiming at the process of project-ratification, construction, and management, NFTZ has established economic service center, construction item service center, foreign investment service center and human resources service center with service agency system, 24-hour service system, time-limit service system in an effort to provide enterprises with whole-process, whole-perspective service on a toll-free basis.

In the past years, NFTZ is aiming at developing hi-tech industry and modern logistics, establishing electronics information park, semiconductor photoelectric park, international software park, overseas scholar pioneering park and modern logistics center. The above-mentioned parks have introduced some 80 hi-tech enterprises with

total investment exceeding \$0.9 billion.

Pursuant to international practice, aiming at creating world-class investment climate, NFTZ welcome enterprises at home and abroad to invest and pursue a brighter future.



Non-confidential attachment C-1.2.7

Development Plan

Ningbo Free Trade Zone aims to promote the economy and trade in the Zone and boost the export-oriented economy of its surrounding area. Through a thorough and creative implementation of special policies granted by the State, the Zone follows the market mechanism and international practices in a wide spectrum of flexible cooperation with domestic and overseas customers. It is determined to build the Zone into a first class free trade zone that is geared to both the domestic and international market and that has the complete and efficient service facilities, a zone that serves as an important center of computer manufacturing and IC packaging and testing in Zhejiang, the largest production base of monocrystalline silicon and polycrystalline silicon in China and a distribution center for modern logistics of Zhejiang.

Investment Orientations

Ningbo Free Trade Zone encourages overseas businesses to invest in international trade, export-oriented processing, modern logistics and other related services in the Zone.

Key export-oriented industries to be promoted: IT, auto parts, precision equipment & machinery, biological engineering, fine chemicals and other high-tech or high value-added industries; light industry, textile, foodstuff, machinery and other traditional industries using advanced equipment and oriented toward export.

Key international trade operations to be promoted: processing from imported material, entropot trade and import and export of general goods.

Key logistics facilities and operations to be developed in the Zone: logistics parks, independent logistics service, international transportation and shipping, storing and processing of bulk cargo, import & export warehousing and other related services.

ADMINISTRATIVE COMMITTEE OF NINGBO FREE TRADE ZONE

Add.: Free Trade Zone Mansion, Ningbo, P.R.C.
Post Code E9315800
Tel. E986-574-86884850, 86880139
Fax E986-574-86883518
E-mail nftz@nftz.gov.cn
Website http://www.nftz.com/

Backing policies

NFTZ locates in the middle of China's East Coastline. Adjacent to the Metropolitan, Shanghai, and the most developed Yangtze River Delta (East China Economic Zone), NFTZ is the strategic key area for development identified by the central government of China. Domestically, NFTZ is accessible to the most prosperous market of East China and Mid-China, including 9 Provinces and 1 city: Shandong, Jiangsu, Zhejiang, Jiangxi, Anhui, Fujian, Henan, Hunan, Hubei and Shanghai. Overseas, NFTZ is accessible to the East Asia and the Pacific region.

Cities nearby

NFTZ is adjacent to Shanghai (the metropolitan city in China and Hangzhou (the world-renown TRIPist city).

Shanghai

--- the most prosperous international metropolitan in China;
---- famous international financial center, trade center, and shipping center;

Non-confidential attachment C-1.2.7

---- a window for NFTZ enterprises to penetrate China market;

Hangzhou

--- world famous TRIPist city in the heaven, there is paradise, on the earth, there is Suzhou & Hangzhou
 ---- a good TRIPist resort for entrepreneurs in NFTZ;

Ningbo

---- an important seaport for Yangtze River Delta, an important part of Shanghai International Shipping Center; an international port city in the East Coastline; total area: 9,365 km²; population: 5.3 million
 ---- a strategic key area for opening up to the outside world, under the direct jurisdiction of the Central Government; enjoy the same right as that of a province in economic management and stipulating local laws
 ---- economic center, financial center and shipping center of east China;
 ---- a historic cultural city in China; the birthplace of Hemudu Culture dating back 7000 years; famous for business and trade since the ancient time; over 300 thousand successful businessmen living in more than 60 countries and regions
 ---- famous TRIPist resorts (Putuoshan Mountain-the famous Buddha resort, Tiantong Temple, A Yuwang Temple, Xikou Scenic Spot, Dong Qian Lake Scenic Spot)

Transportation Port

NFTZ is Adjacent to Beilun Port, an important port to Shanghai International Shipping Center and enjoying the fame of East Rotterdam. It has 24 ten thousand tonnage berths and direct voyage to 519 ports in more than 100 countries and regions. In 1999 the handling capacity of goods amounted to 100 billion, containers 1 million TEU, ranking the second in China. The container wharf (north to NFTZ) with 3 million TEU of designed handling capacity is under construction.

--- the best container port for big tonnage containers (50,000-80,000 tonnage);

--- the biggest port for loading and unloading ore in China (300,000 tonnage);

--- the biggest crude oil port in China (250,000 tonnage);

--- the biggest liquid chemical port in China (50,000 tonnage);

Highway

--- Westward, it takes 1.5 hours to reach Hangzhou and 3 hours to reach Shanghai by expressway,
 --- Southward, there are expressway leading to Fujian and Guangdong;
 --- Northward, it takes 1 hour to get to Shanghai through Ningbo-Shanghai Sea Bridge (under construction);
 --- Southwestward, Ningbo-Jinhua Expressway connects Beijing-Kowloon railway.

Railway

--- Xiaoshan-Ningbo double railway has stretched to NFTZ wharf, and is incorporated into China railway net.

Airport

--- 5 international airports can be reached within 1 to 2.5 hours, including Lishe Airport, Xiaoshan Airport, Jianqiao Airport, Hongqiao Airport, and Pudong Airport; they have both national and international voyages and can provide the most convenient transportation services.
 --- Concerning special characteristics of free trade zone, the Provincial and Municipal Government has established Green Path for goods delivered from overseas through Lishe airport and Xiaoshan Airport to NFTZ.

Non-confidential attachment C-1.2.7

Backing Industries

Energy, raw material industry: power, steel, chemical and other heavy industries are quite developed, which can provide ample energy and raw material supply to light industry;

IT Industry

development base for semi-conduct material (mono-crystal silicon, chips) in China; R&D and processing base for mobile communication and family communication products; R&D and processing base for computer products and parts & components; processing base for other IT products and parts & components;

Automobile Industry

the production and R&D base for whole-car (German Volkswagen-Shanghai Santana, American GM-Shanghai Buick, Japan Nissan-Dongfeng Bluebird, American Ford-Jiangling Coach). The whole car R&D has driven the development of auto parts processing, and thus provides a nice upstream and downstream automobile industry.

Machinery Industry

developed plastic injection machinery, sewing machine, and parts processing.

Plastic Industry

with the fame of Plastic Kingdom, Ningbo is the area most developed in plastic injection and moulds processing.

Biotech-pharmacy

one of the important R&D and production bases of biotech-pharmacy industry.

Other Industries

processing of textile and fashion.

Market

... the most prosperous market and most complete market system in China

... the highest GDP per capita; is the most populated; with the most potential market

Personnel

... Has more than 100 famous higher institutes, among which Zhejiang University, one of the leading universities in China, has the largest number of students & faculty, the most complete subjects and research institutes;

... Has more than 100,000 college graduates of all majors each year.

... Has a large amount of skilled workers with high qualification, as the result of prosperous market economy and developed processing trade.

Ningbo Daxie Development Zone

Non-confidential attachment C-1.2.7

With approval of the State Council, Ningbo Daxie Development Zone was set up as a State-level development zone on March 5, 1993, and China International Trust and Investment Corporation (CITIC) undertakes its overall development.

Situated at the east of Ningbo City, Ningbo Daxie Development Zone is 40 Km distant to the downtown area. Naturally sheltered by Zhoushan Archipelagoes and backed by the southern mainland that is less than 500m away, it is in the middle of the harbor area of Beilun, one of the four noted deepwater transshipment harbors in China, and in immediate approximation to the international navigation route. By a mere strip of water, it is separated from Ningbo Economic and Technical Development Zone and Ningbo Free Trade Zone. Daxie Island alone has an area of 30.84 Km², and boasts 10.7 Km deepwater coastline with 150m offshore draft up to 20-30 meters. Daxie water area features in deep water, smooth current and mild wave, and is free from ice or silt all year long. What is boasted by Daxie makes it a perfect spot for development of mega-port and port-related industrial projects.

Ever since CITIC initiated Daxie development, large amount of capital has been directed in infrastructure facilities like water and power supply, road, bridges, telecommunication and etc. With investment environment improving in general, Daxie sea-spanning rail and highway bridge, the landmark project, opened to traffic in 2001. Daxie, a Class-A opening port approved by the country, is facilitated with all the institutions related. Daxie Customs Administration and Daxie Maritime Superintendence Authority formally started operation in April 2001. Office buildings for institutions like commodity inspection and quarantine authority, frontier inspection authority and etc. are to be put into use one after another in the year 2002. Daxie's advantage in foreign-oriented economy is growing on a daily basis.

Daxie, the former sea island, turns out to be a hot development spot for international investors. It has made great breakthroughs in attraction of investment in port and related industrial projects: so far, projects settled includes the BP LPG terminal for East China from the UK, the crude oil transshipment base by SINOPEC and Ningbo Port Authority, the high-grade bitumen project by Luanan Petrochemicals, and etc. In Daxie Industrial Park, which is oriented to light industries, dozens of manufacturing projects from domestic and abroad are settled, covering the fields of medicine, fine chemicals, new material, mechanic, home appliances and etc.

Development Plan

CITIC's target is to turn Daxie into an international mega-port and world first class foreign-oriented economic zone, which is to be headed by port, based on industry, and supported by export processing, domestic and foreign trade, storage and transportation; it is to be sound in environment, rational in layout, fully functional, and with pretty developed tertiary industry. Rong Yiren, former Vice President of China, rather briefly outlined the scheme as "Turn Daxie into a first-rate economic and trade zone with world first-class port". Specifically, the master plan is reflected in the following aspects:

1. Through exploration of the port advantage, set up port-related zones for giant industries, for high tech and for export processing.
2. Establish large-scale transshipment bases for liquid chemicals, crude oil, oil products and other materials.
3. Turn Daxie, along with the construction of Beilun Port, into the pivotal port for container transportation of Shanghai International Shipping Center, and the large-scale transshipment base for international container transportation.
4. Vigorously develop the tertiary industries such as finance, commercial and trade, storage, tourism, etc., and make Daxie a prosperous economic and technological development zone.
5. Endeavor to perfect facilities, beautify environment, upgrade service, create friendly investment environment, and pursue economic efficiency, and turn Daxie into a foreign-oriented economic zone.

Non-confidential attachment C-1.2.7

The planned functional areas are: Administrative and Commercial Area; Harbor and Storage Area; Industrial Area; Living and Residential Area; Recreation and Holiday Area. Thirty berths ranging from 20,000 to 300,000 DWT are planned, with annual throughput of 100 million tons, in which container throughput is 3.15 million TEUs. Tourist-catering spots and facilities, such as an oceanic tourism zone, golf courts, villas, etc. are also planned.

Encouraged investment

Infrastructures

- Harbor, wharves, warehousing, transportation and transfer
- Storage and distribution of crude oil, oil products and liquid chemicals
- Building and repairing of ships and containers
- Oil refining, metallurgy, mechanical and electrical facilities
- Construction materials
- Telecommunication facilities and biographical technology
- Environment protection technology and information technology
- Fine chemical engineering and textile
- Grain, plant oil, and aquatic products processing
- Real estate
- Tourism and other tertiary industries.

Major Projects

LPG Break-bulk Terminal Project for East China

Total investment USD 96.5 million, with BP as the major share-holder. It covers an area of 23.6 hectares, including two 250,000 m³ underground caverns, one 50,000 DWT berth, two 5,000 DWT berths, and relevant supporting facilities. It is designed to import LPG 1.6 million tons per year, being the largest LPG terminal in Asia. It was put into operation in June 2002.

Crude Transhipment Terminal for Ningbo Port It is a joint venture between Ningbo Port Authority and SINOPEC. It covers an area of 51.8 hectares, including one 250,000 DWT crude oil jetty, one 50,000 DWT oil jetty, one 20,000 DWT jetty, and a tank farm of 2,000,000 m³. Phase I of the project, which covers one 250,000 DWT crude oil jetty and six 55,000 m³ tanks with investment RMB 500 million, has been completed in September 2001. Phase II, which includes five 100,000 m³ tanks, is to be completed in September 2002. With operation of the project phase by phase, Daxie is to be the oil concentration and distribution center for East China and the reaches of the Yangtze River.

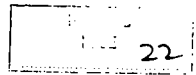
High-grade Bitumen Project by Liwan Petrochemicals

Invested by Hong Kong Liwan Group and using imported Olumulsion crude from Venezuela and home produced SZ36-1 crude as feed, it is to produce 0.3 MMTPA high-grade bitumen for highway paving, of which 0.106 MMTPA is SBS modified bitumen. Covering a total area of 11 hectares, it is to build a 80,000 DWT oil jetty, 200,000 m³ tank farm and bitumen processing units. Investment for Phase I, which is to be put into operation in March 2003, is USD 10 million.

20,000 DWT General-purpose Jetty It was put into operation in May 2002. Ships up to 50,000 DWT can be received by this jetty.

Soken Chemicals

It is a joint venture between the Japanese Soken Chemicals Co. and CITIC Daxie Development Co producing adhesive tapes of various kinds. Total investment for Phase I is USD 9,400,000. Phase II, which involves investment of USD 4,200,000 for production of specialty glues used in liquid crystal and plasma monitors, is in construction.



Non-confidential attachment C-1.2.7

Jianxin Medicine

It is a sole investment of USD 30,000,000 by Hong Kong Baoshan (Holding) Group, covering an area of 15 hectares. The product is a State-level new injection of Class C for curing asthma.

Chengnian Medicine

Invested by Beijing Chengnian Medicine Science and Trade Co., it covers an area of 5 hectares for Phase I and involves an investment of USD 10,000,000. It is to be developed into a Chinese Medicine Park integrating R&D and marketing, with its Chengnian capsules for curing diabetes and hyperthyroidism (State-level new medicine of Class C) as the main products. Phase I is to be put into trial production in September 2002. Phase II and Phase III are targeted at establishment of a modern medicine industry park with main orientation in bio-medicine and oceanic medicine.

Add.: Ningbo Daxie Development Zone, Ningbo, China

Post Code: 315812

Tel.: 86-574-86768458, 86768969

Fax: 86-574-86768433

E-mail: cbcdx@mail.nbptt.zj.cn

Website: <http://www.ciuc-daxie.com/>

Infrastructure

Island-mainland Communication

A sea-spanning floating bridge with allowed access vehicle weight 80 tons was built in 1995. Daxie Sea-spanning Highway & Railway Bi-functional Bridge started construction in April, 1997, and will open to traffic in the second half of 2000.

Water and Power Supply

The present water supply capacity is 20,000 tons per day, and will be expanded to 130,000 to 150,000 tons per day when Daxie Sea-spanning Rail & Highway Bridge, with which two 1m steel water pipelines are installed, is completed. For the power needed by Daxie, it is provided via the Eastern China Electricity Grid. The present operational substation in Daxie is 35 kV, and a 110kV substation for Daxie is soon to be built. As planned, a 220kV substation will be set up in the middle term of Daxie development.

Road

The road network reaching every major areas has covered the whole Daxie Island.

Telecommunication

The present programmable switchboard in Daxie can serve 8,000 lines, another 60,000 line communication cable has been laid, and is ready for use any time. The wireless communication station and DDN network are in service.

Location

Daxie Island locates in the middle section of China's coastline, at which the golden waterway of the Yangtze River intersects with the golden seashore of the country. In municipality, Daxie Island belongs to Ningbo City, Zhejiang Province, China. It is about 40 km east to the downtown of Ningbo, and 100 km south to Shanghai. East to Daxie Island is the East Sea, and west to Daxie Island is the famous Beilun Port. Looking across Daxie Island to the north is the Zhoushan Archipelagoes, and the southern end of Daxie Island is less than 500m off the mainland. Daxie Island is immediate proximate to the international sea route.

Investment guide

Preferential corporate income tax rate of 15% for production-oriented projects by foreign investors.

Corporate income tax is exempted for the first two profit-earning years and half reduced to 7.5% for the forthcoming three

Non-confidential attachment C-1.2.7

years, provided the operation period of the investment project is above 10 years.

For investment in infrastructure like port, jetty, bridge, highway, railway, and etc, corporate income tax is exempted for the first five profit-earning years and half reduced to 7.5% from the sixth year to the tenth year, given the operation period of such an investment project is above 10 years.

For production-oriented foreign investment, local income tax is exempted for the first five profit-earning years; provided the operation period is above ten years and criteria for local income tax exemption is met, local income tax can be exempted for the next five years subject to the approval of the tax authority of NDDZ.

Profit gained by foreign investors from the investment enterprise can be remitted outside China, free of income tax.

For re-investment in NDDZ with profit gained by a foreign investor from its investment enterprise, given the operation period of the reinvestment project is above 5 years, 40% of the income tax previously levied on the re-investment portion can be refunded; provided the re-investment is on export-oriented production or hi-tech enterprises in NDDZ, all the income tax previously levied on the reinvestment portion can be refunded.

For investment falling into the category of the Encouraged and the Restricted(B) in the National Industry Direction Directory, customs duty and import-related value added tax are free for import of self-contained production equipment that is within the total sum of investment.

For production-oriented projects that are coherent to the master plan of Daxie development and industry direction, Daxie local fiscal authority is to grant a variety of financial support.

Encouragement areas.

Infrastructures

- Harbor, wharves, storage, warehousing, transportation and transfer
- Storage and transfer of crude oil, oil products and liquid chemicals
- Manufacture and maintenance of ships and containers
- Oil refining, metallurgy, mechanical and electrical facilities
- Construction materials
- Power, telecommunication facilities, biographical technology, environment protection technology, and information technology
- Fine chemical engineering, plant oil, and aquatic products processing
- Real estate
- Tourism and other tertiary industries
- Other

Wenzhou Economic and Technological Development

2004-5-11

Brief Introduction

Wenzhou Economic & Technological Development Zone(WETDZ), ratified by the State Council on March 16th, 1992, is the only state-level development zone in the south of Zhejiang Province. After ten years development, a planned area of 5.11 square kilometers have been completely developed and become the modern industrial base and new economic growth point in Wenzhou. The total domestic production in 2001 reaches RMB 3 billion Yuan, total industrial output value reaches RMB 7.5 billion Yuan and financial revenues reaches RMB 500 million Yuan.

The administrative committee of WETDZ, on behalf of Wenzhou municipal government, exercise the leadership of the zone, Wenzhou Hi-tech Industrial Park and Binhai Industrial Park.

Wenzhou Economic & Technological Development Zone has formed three service systems: "a coordinate process" service system on introduction of projects; all-round service system on development of projects; regular service system on operation of projects.

"Is it not a joy to have friends come from afar?" This old saying is given a new meaning by WETDZ. We are making our great efforts to create a better environment with our great enthusiasm and excellent service. Warmly welcome entrepreneurs from home and abroad to invest in WETDZ for a promising future!

Infrastructure

Non-confidential attachment C-1.2.7

Water Supply: the present water supplying capacity in the Zone is 30 thousand tons per day, jointly supplied by Zhuangyuan Waterworks and Wenzhou East waterworks.

Power supply: the power in the Zone is directly supplied by the East China Power Network. There are two transformer substations in the Zone. One has a capacity of 35 thousand volts and the other 220 thousand volts.

Communication: the Zone has built a branch of the postal and telecommunications bureau, boasting 15000 program-controlled telephones and a complete set of modern postal and telecommunications equipment.

Drainage: the Zone has developed a perfect drainage system according to the principle of split-flow of rainwater and sewage.

Preferential Policies of State-Level Development Zone

1. For foreign-funded productive enterprises, the income tax is paid at the reduced rate of 15%, of which the enterprises with the business operation of over ten years, the tax will be free for two year starting from the profit-making year and reduced to 50 percent and levied at 7.5 percent of the rate from the third to the fifth year.
2. After the expiration of the aforesaid reduction and exemption period, for the technically advanced enterprises, the period of income tax payment at 50 percent of the rate will be extended for another three years. And for export-oriented enterprises, if their annual exports amount to 70% or plus of their yearly turnover, the income tax will be paid at 10% of the rate.
3. For foreign-funded productive enterprises, the local income tax will be paid at the reduced rate of 1.5% and will be free for two years starting from the profit-making year and reduced to 0.75% of the rate from the third to the fifth year.
4. If a foreign-funded enterprise has suffered a loss for a given year, the deficit can be made up for by drawing the same amount from the profit earned in the following year. If this is not sufficient to cover the loss, the compensation can be continued in the same manner for following five years.
5. If foreign investors reinvest the profit earned in this or other enterprise with the operation period of over five years in the development zone after paying the enterprise income tax, they will have a draw-back 40% of the Income tax already paid for the reinvestment amount. If they reinvest in the enterprises manufacturing products for export or providing advanced technology in the development zone, they will have a total draw-back of the income tax already paid for the reinvestment amount.
6. The products manufactured for export by enterprises are free from export duties and value added tax, except that other regulations will be stipulated by the state.
7. The products manufactured by foreign enterprises can be sold in China through approval.
8. The rates for state land lease are lowered by RMB 10,000 to 50,000 Yuan per mu depending on the size of investment and status of paid-in capital, and for such hi-tech projects as confirmed by the Provincial or Municipal Scientific Commission, the rates can be lowered by RMB 30,000 Yuan to 60,000 Yuan per mu.
9. Enterprises can apply for raising a mortgage on foreign currencies or fixed assets in accordance with regulations stipulated by banks. The funds needed by enterprises manufacturing products for export or providing advanced technology can be granted preferentially from banks.
10. Enterprises have the right for recruitment of the workforce on their own according to laws. They have the right to decide on the establishment of set-ups and personnel, the right to hire or dismiss workers and staff members, the right to decide on the forms of wages, the pay scales and the rewards, penalties and subsidies for their workers and staff members. Enterprises implement the contract work system.
11. Enterprises can simultaneously enjoy a series of preferential terms stipulated by the state, provincial and municipal laws and regulations. In addition to the above preferential terms, the enterprises funded by overseas Chinese and Hong Kong and Taiwan compatriots will be allowed to make proper arrangement for the employment of their relatives, whose residence registration can be changed from the countryside to the development zone, according to the state regulations concerned.
12. Internally joined enterprises in the development zone can also enjoy certain preferential policies in accordance with the concerned regulations and with reference to foreign-funded enterprises.

Department

Wenzhou Economic & Technological Development Zone(WETDZ), ratified by the State Council on March 16th,1992, is the only state-level development zone in the south of Zhejiang Province. After ten years' development, a planned area of 5.11 square kilometers have been completely developed and become the modern industrial base and new economic growth point in Wenzhou. The total domestic production in 2001 reaches RMB 3 billion yuan, total industrial output value reaches RMB 7.5 billion yuan and financial revenues reaches RMB 500 million yuan.

The administrative committee of WETDZ, on behalf of Wenzhou municipal government, exercise the leadership of the zone, Wenzhou

Non-confidential attachment C-1.2.7

Hi-tech Industrial Park and Binhai Industrial Park.
 Wenzhou Economic & Technological Development Zone has formed three service systems- "a coordinate process" service system on introduction of projects; all- round service system on development of projects; regular service system on operation of projects.
 "Is it not a joy to have friends come from afar?" This old saying is given a new meaning by WETDZ. We are making our great efforts to create a better environment with our great enthusiasm and excellent service. Warmly welcome entrepreneurs from home and abroad to invest in WETDZ for a promising future!

Investment Orientation

Electromechanical Equipment Industry:
 Hi-tech printing machines, packing machines, electronic medical equipment, energy-saving motors, micro motoes, low-voltage electrical apparatuses, control components and devices, intelligence automation control systems, precision moulds, etc.
Electronic and communication Equipment Manufacturing Industry:
 Computer peripheral equipment, applied software, micro-electronics and elements, new sensory, office automation equipment, communication and data transmitting equipment, etc.

Chemical and Pharmaceutical industries:
 Fine chemicals of new technologies and varieties, including dyes, auxiliaries, aluminum-silicon and catalytic agents, molecular sieves, rubber products, food and beverage additives, anti-staling agents, household detergents, biomedicines, new-type specific chinese and western patent medicines, diagnostic reagent and medicine, blood hemodialysis system, etc.

Construction Matenal industry:
 Building ceramics, fiber glass reinforced products, granite products, and other new-type and light-duty building materials.

Textile Industry:
 Export-oriented shoes and leather products, luggage cases, hardware, fine arts and crafts, plastics, clothing, foodstuffs and packing materials, etc.

Real Estate Development and Urban Inban Infra-structural Facilities:
 Industrial workshops, ports and docks, storage and service facilities, sewage processing projects, etc.

Find the Right Type of Industrial Zone in China

Know which zones offer the incentives that fit your business

by Patrick Nawa, Asia Pacific Properties on Wed, 2009-04-08 15:00

- [China industrial park](#)
- [China industrial real estate](#)
- [China Industrial Zones](#)
- [China investment incentives](#)
- [Feature story](#)

Free Trade Zone Export Processing Zone, High-Tech Industrial Development Zone. The different types of industrial zones and parks can be confusing even to experienced investors. Patrick Nawa, a director at Asia Pacific Properties' Shanghai office advises on how to find the type of investment environment that fits your needs and ensure that your company gets the biggest incentives.

How Industrial Zones Developed in China

In the early 1980s, China jump-started its economy by encouraging manufacturing and trade in Special Economic Zones. The Special Economic Zones started in 14 coastal cities in which special incentives such as decreased tax rates and exemptions from other government fees and duties were offered to foreign investors to encourage investment.

Since then, the government has developed new and more specialized forms of industrial zones to encourage particular industries or groups of investors. There are now several types of industrial parks and zones in China, and it is estimated that there are now more than 4,500 industrial zones in the country.

Types of Zones

While all zones can offer a good deal to the right investors, most zones have particular industries that they encourage (and offer greater incentives to). The government has created four primary types of zones designed to encourage different kinds of investment:

- **Economic and Technological Development Zones (ETDZ)** – these are the most broadly defined zones and generally welcome the widest spectrum of investors. Some ETDZ, such as the Nantong ETDZ will have several more specialised subsidiary zones, such as dedicated chemical or other industry specific zone, and an EPZ.
 - **High and New Technological Development Zones (High Tech Parks)** – these zones encourage investment in high technology businesses by offering incentives to enterprises who commit to developing new technology and employing highly trained staff. An example of a High Tech Park in the Shanghai area is the Caohejing Hi-Tech Park.
 - **Export Processing Zones (EPZ)** – the advantage of the EPZ is to eliminate or streamline most customs procedures for businesses which are primarily involved in manufacturing for export.
 - **Free Trade Cooperation Zones (FTZ)** – Free Trade Zones are intended to encourage investment by bringing down tariff barriers. The FTZ in China offer many of the same tax advantages as the EPZ, however, investors are not restricted to producing for export only. However, some important EPZ advantages such as immediate refund of customs duties are not available to FTZ investors.
- Beside encouraging particular industries, all zones will have other industries that are restricted from activity in the zone.

The advantages of the various zone types are outlined in the following chart. To be certain of which industries are encouraged or restricted in a particular zone, investors should contact the zones directly or enquire through their agents.

A Quick Guide to Finding the Right Zone for Your Business

| | Economic & Technological Development Zones (ETDZ) | High-Tech Industrial Development Zones (HIDZ) | Free Trade Zones (FTZ) | Export Processing Zones (EPZ) |
|---|--|--|--|--|
| Corporate Income Tax Rate (For high tech enterprises) | 15% instead of 25% | Same | Same | Same |
| Corporate Income Tax Rate (For export oriented enterprises) | For enterprises whose export ratio is more than 70% in each fiscal year corporate income tax will be 10%, instead of 15% | Same | Same | Same |
| Custom Duty & Value Added Tax (VAT) (on self-use equipment and spare parts) | Custom duty and VAT exempted for encouraged industries. | Custom duty and VAT exempted for encouraged industries. | Exempted | Exempted |
| Custom Duty and VAT (on raw materials and parts) | Only enterprises involved in the processing trade are exempted | Only enterprises involved in the processing trade are exempted. | Exempted | Exempted |
| VAT Tax Rate | 17% | Same | Same | Same |
| VAT Rate Licences for equipment, raw materials and office equipment (for processing enterprises) | For enterprises in the category of encouraged industries, licenses are exempted. | For enterprises in the category of encouraged industries, licenses are exempted. | Licenses not required for all processing trade enterprises | Licenses not required for all processing trade enterprises |
| Tax on finished products using duty-free raw materials. | Levy on finished products | Levy on finished products | Levy on imported raw materials and parts only | Levy on finished products |
| VAT Refund for finished products using domestic | VAT will be refunded following export of shipment. | VAT will be refunded following export of | VAT will be refunded following export of | Immediate VAT refund for domestic raw materials |

| raw materials. | | shipment | shipment | upon entering the zone |
|---|---|---|--|--|
| Ratio Between Export and Domestic Sales. | No restriction as long as projects are excluded from export license and quota management. | No restriction as long as projects are excluded from export license and quota management. | No restriction | Exact percentage varies between zones |
| Transport of products in the zone | Unrestricted | Unrestricted | Only by a transport company licensed in the zone and registered with customs | Only by a transport company licensed in the zone and registered with customs |
| Bonded cargo control | Not applicable | Not applicable | Bonded warehouse receiving register (EDI with the customs house) | Export processing zone border crossing cargo record statement (EDI with the customs house) |

Briefing body (photos)

Chairman: Tie Jianshe
 Vice Chairman: Xu Shan
 Vice Chairman: Lin Jun
 Secretary-general: Wang Yufu

photos

Functions of Divisions

International Relations Division

1. Keep and promote contact with economic and business communities all over the world, especially with chambers of commerce, economic and trade promotion organizations, relevant international bodies as well as representative offices of foreign economic & trade organizations stationed in China.
2. Invite and host foreign delegations, business groups or personages from economic and trade circles, chambers of commerce, etc. to visit China.
3. Organize economic and trade or investment delegations to visit other countries or regions.
4. Sponsor or organize economic and trade seminars, business talks, bilateral or multi-lateral business conferences to promote mutual friendly economic relations, two-way trade and investment.
5. Conduct market research and analysis, provide relevant information to enterprises both at home and abroad.
6. Host foreign investment promotion activities and provide information to foreign investors.
7. Assist foreign government or economic and trade bodies to organize investment environment seminars in Zhejiang.
8. Provide assistance and service to member companies or local business to invest or explore business opportunities abroad or to be listed in overseas stock markets.

Deputy Director: Ms. Wu Ping
 Tel: 0571-85811929
 Fax: 0571-85811931
 E-mail: wp@ccptzj.gov.cn

International Exhibition Division

1. Designated by the provincial government, coordinate & administer overseas exhibitions from the province. Examine & approve exhibition held in

Non-confidential attachment C-1.2.7

- Zhejiang province by foreign parties
- 2. Make annual plans of exhibitions abroad.
- 3. Develop and keep good working relations with organizers of expositions in countries and regions worldwide.
- 4. Hold Zhejiang export commodity exhibition abroad and organize companies in the province to attend international trade affairs.
- 5. Host or organize economic, trade and technological exhibitions in Zhejiang sponsored by foreign countries or regions.

Director : Mr. Ye Junbao
 Tel:0571-87797187
 Deputy Director: Mr. Shen Dongli
 Tel:0571-87797159

Legal Service Division (Certification and Authentication)

- 1. Provide foreign legal consulting and options, organize legal service training, seminars and exchange activities.
- 2. Participate in drafting local foreign economic and trade rules and regulations.
- 3. Handling trade-related intellectual property legal services.
- 4. Issue certification of origin of the People's Republic of China, certificate of processing and certificate of re-export.
- 5. Attest foreign trade documents which were used for customs-clearance and foreign exchange settlement.
- 6. Provide International Commercial documents for foreign trade, attract foreign investors, import of technology and equipment, set up overseas offices, tender for projects, labor services, technologies, products registered abroad, trademark and patent registration documents, issue,
- 7. Issue ATA documents for customs-clearance
- 8. Undertake the affairs of legalization by embassy or consulate for foreign trade documents and certificates.
- 9. Provide guidance to the agencies for issuing certificates of origin of the People's Republic of China in the province.

Director : Mr. Wu Zhaoping 0571—85811921
 Deputy Director : Ms. Ma Sai 0571—85811950
 Deputy Director : Ms. Pan Lian 0571—85811928

Membership Affairs Division

- 1. Review and approve the establishment of CCPIT Zhejiang & Zhejiang ICC subsidiaries in the province, guide & coordinate the activities of the province's local CCPIT branches, county ICC; arrange working meetings among subsidiaries and their members.
- 2. Organize working conferences or seminars of CCPIT Zhejiang and Zhejiang ICC, arrange member congress.
- 3. Conduct training on different skills needed by members.
- 4. Undertake the day-to-day work of the Secretariat of Zhejiang ICC.
- 5. Responsible for recruiting new members and providing services for them.
- 6. Construct and maintain website on the internet, and provide business information for members.

Director: Mr. Li Bao'er
 Deputy Director: Mr. Li Xinshu

Administrative Office

- 1. Coordinate the internal day-to-day work.
- 2. Manage human resources and finance.
- 3. Collect information and write working report to department concerned.

Director: Ms. Wu Lifen

Directory of affiliates

CCPIT Zhejiang Intermediation Center
 Mediate foreign commercial disputes, handling complaints by foreign-invested enterprises, issue legal advice paper, provide legal consulting and non-litigation legal services
 Secretary-general: Mr. Wu Zhaoping 0571-85811928

Non-confidential attachment C-1.2.7

Vice Secretary-general Ms. Ma Sai 0571-85811950

China International Economic and Trade Arbitration Commission Zhejiang Office

Conduct foreign economic and trade arbitration cases, legal representation, legal services, conduct non-litigation legal matters, accept and intercede foreign-invested enterprises complaints

Subsidiaries Company

Zhejiang World Trade Information & Services Co., Ltd.
Zhejiang International Trade & Exhibition Co., Ltd.

Deloitte.

德勤

Tax

Tax Analysis.

NTC Tax Analysis Issue P12/2007 – 21 June 2007

Indirect Tax Services

Desmond Yeung
Tel: +86 21 6141 8888
ext. 1088
Email:
desyeung@deloitte.com.cn

Daisy Kwun
Tel: +86 20 8393 6339
ext. 1059
Email:
dkwun@deloitte.com.cn

Kevin Ng
Tel: +86 10 8520 7501
Email:
kevng@deloitte.com.cn

PRC Tax

Indirect Tax Services

China Export Rebate Policy—Major Reductions in VAT Refunds

China's multi-year ballooning foreign trade surplus has caused the Chinese government on 19 June 2007 to announce major downward adjustments to export VAT refund rates. This means that profits of exporters in many industries will fall significantly.

The announcement makes clear that the reductions of refund rates, and even the complete elimination of the export VAT refund in some cases, will apply to a broad range of products. These will include not only products that are socially or environmentally harmful (e.g. pollution-inducing, high energy or natural resource-consuming) and products from low value-added industries (e.g. clothing and shoes), but also for some strong export products. The changes come into force on 1 July 2007.

Background

On 19 June 2007, the Ministry of Finance and the State Administration of Taxation jointly issued a circular that may seriously increase the tax burden on many exporters. This circular, "Notice Regarding the Adjustment in Export Reform Rate for Certain Commodities" (Caishui [2007] No. 90, hereinafter referred to as "Notice") imposes from 1 July 2007 new lower VAT refund rates for a broad range of commodities. The Notice was issued after consultation with the National Development and Reform Commission, the Ministry of Commerce as well as the General Administration of Customs.

Audit. Tax. Consulting. Financial Advisory.

The wide breadth of these refund rate reductions is demonstrated by the fact that they cover 2,831 specific commodities, which represent 37% of the total harmonized tariff codes. This major adjustment, which follows previous adjustments in 2006 and earlier this year, reflects the Government's continuing use of VAT export refund measures as an important tool in implementing governmental policies. This new Notice differs from the earlier adjustments both in the size of the refund rate reductions, and in the inclusion of a large number of low value products and controversial goods that tend to stir international trade disputes. Similar to the earlier adjustments, high polluting and high energy and natural resource consuming goods have been singled out for harsh treatment.



Similar, but more moderate, rebate policy adjustments were implemented in September 2006 and April 2007. These adjustments lowered the VAT export refund rates for certain products and also widened the scope of goods prohibited from the benefits of the "processing trade" arrangement. The principal goal of these adjustments was restricting the growth of industries generating adverse environmental effects. As such, high polluting and high energy and scarce natural resource consuming goods were primarily affected. Considering the still ballooning trade surplus, it is evident that these policy adjustments did not substantially affect China's export growth.

According to statistics from China's Customs service, the country's total exports during the period from January and May of 2007 increased by 27.8% over last year, reaching USD443.5 billion. The aggregate trade surplus reached USD85.7 billion, having increased 83.1% for the same period of 2006 (see statistics for these and other years in the chart on the right). With historical trends indicating that exports peak during the second half of the year, experts project that China's trade surplus for 2007 will exceed USD250 billion.

With this growth of trade surplus, trade disputes have continued to escalate between China and its trading partners. In this environment of trade tensions, the Chinese Government has issued this "Notice" to respond in an affirmative manner as well as to further address environmental concerns and improve quality of exports.

Major Changes

1. The VAT export tax refund has been fully repealed for 553 "high energy consuming, high polluting, and scarce resource-consuming" products. This means that there will be no refund of VAT paid on inputs. For these commodities, it is expected as well that output VAT will be required despite they're being exports. This change covers: leather, chlorine, dyes and other chemical products, certain industrial chemicals (not including refined chemical products), some fertilizers, metal carbide and activated carbon products, certain lumber and one-time-use wooden products, unalloyed aluminum poles and other non-ferrous metal processed goods, segmented ships and non-mechanical boats. The above listed products previously had export refund rates between 5% and 13% before this Notice.
2. The VAT export refund rate has been reduced for 2,268 commodities likely to trigger trade disputes. These include: some electronic machinery, clothing, shoes and hats, bags/luggage, toys, plastics, rubber and rubber products, certain chemical products, some base metals and their products, bicycles, motorcycles and other auto vehicles, vegetable oils, etc. These products will have their VAT export refund rates reduced by percentages ranging from 2% to 8%.

Changes in Export Rebate Rates - Categories of Goods Most Affected

| Commodity | Rate before Adjustment | Rate Post-adjustment | Rate Change |
|--|------------------------|----------------------|-------------|
| Clothing | 13% | 11% | 2% |
| Certain electronic machinery, machine tools, auto vehicles | 17% / 13% | 11% / 9% | 2%-8% |
| Toys | 13% | 11% | 2% |
| Plastics, rubber and their products | 13% | 5% | 8% |
| Hats and shoes | 13% | 11% | 2% |
| Certain base metals and their products, such as copper, zinc, molybdenum | 13% | 5% | 8% |
| Certain Chemical Products | 13% / 11% | 9% / 5% | 2%-8% |
| Vegetable oils | 13% / 11% | 5% | 6% / 8% |

3. The VAT export tax refund has been fully repealed for 10 items, but their export sale will still be VAT exempt. These 10 items include: peanut kernels, oil paintings, engraved plaques, etc.

4. All above changes are effective from 1 July 2007, using the export date listed on the "Customs Declaration Form (Export Rebate Only)" as the date of reference.

Transitional Arrangement

These VAT export refund policy and other changes are specifically not covered by any transitional rule, with one exception for contracts covering the export of ships and equipment and building materials involved in long term construction projects. Where the contracts have been bid or signed before 1 July 2007 without the possibility of any price adjustments and have been registered with the relevant tax authorities prior to 20 July 2007, the original VAT export refund rates will apply. In the absence of meeting these requirements, the new lower refund rates will apply.

International Practice

Generally around the world, VAT is a tax that applies, in principle, to all commercial activities involving the production and distribution of goods and the provision of services. VAT is considered to be a consumption tax, implying that it is borne by the final consumer and thus is not a charge that is economically borne by companies.

With the exception of some types of income such as interest, most countries apply a "zero rate" to export transactions. This means that export sales are not only not subject to VAT, but in addition all input VAT incurred by a company on its purchases may be either credited against other VAT liabilities or refunded. The rationale behind this is two-fold. First, it ensures the neutrality of VAT for the company and forces the ultimate consumer to bear it. Second, "zero rating" effectively acts as an incentive for exports since commodity prices to foreign customers are free of VAT.

In contrast to this common international approach, China's VAT system imposes additional tax costs on exporters. Although China's system is not exactly the same as other countries, but China is renowned for its respect to and adoption of international practices and principles. Whether the use of VAT refund rate adjustments as major economic measures by China will continue for a considerable length of time remains yet to be seen.

The Effect of the Adjustments

The export refund rate schedule has been altered from the original 17%, 13%, 11%, 8% and 5% to 17%, 13%, 11%, 9% and 5% post-adjustment. In general, these adjustments are extensive in commodity coverage and material in rate reduction. They will raise the tax costs for many exporting enterprises. Considering the extent of some of the decreases in the refund rates (as much as 8%), the profit and loss of some exporters could be devastated.

The adjustments in the policy will bring different implications. The repealing of export refund means that exports are to be treated as domestic sales and output VAT will be imposed. The reduction of refund rates may mean that the maximum additional tax burden could be as high as the difference of the applicable VAT rate and the refund rate applying to the FOB value of the product. This obviously means increase of export costs and reduction of profit margin. On the other hand, the changing of export rebate to exemption will mean that input VAT on domestic purchases and supplies will not be recoverable, hence again increasing export costs.

Based on the principles of a 2006 circular (Caishui [2006] No. 139), it is expected that commodities no longer qualifying for any VAT export refund (the items described in paragraph 1 under Major Adjustments above) may be added in the near future to the list of products prohibited from the processing trade procedure. They may also have import tariffs and import link tariffs imposed in the process of importation. Accordingly, enterprises engaged in the processing trade for these items may confront a higher tax burden.

Actions to be Taken

Exporters adversely affected by these reduced refund rates and other changes may be able to plan to minimize their detrimental effects. Aside from simply raising prices to foreign customers, the following are possible actions to consider.

- *Tariff coding*: the description and tariff codes of the exported goods should be reviewed to ensure that all commodities are correctly labelled;
- *Supply chain model*: the tax efficiency of the currently used export business model in the supply chain should be evaluated, e.g. the effect of contract manufacturing versus toll manufacturing;
- *Functions and risks*: the functions and risks undertaken by the China operation should be revisited to see if some functions could be performed and risks assumed outside China in order to lower FOB prices of related-party exports;
- *Transfer pricing*: some benchmarking exercise could be conducted on the functions and risks undertaken in China to ensure that the existing transfer pricing policy for related-party exports is proper;
- *Special purpose vehicles*: special purpose vehicles, e.g. the use of Chinese foreign-invested commercial enterprises could potentially reduce the impact of the refund reductions;
- *Designated zones*: designated special purpose zones, e.g. export processing zones could be considered to reduce the potential impact;
- *Increase of bonded imports*: increase of imports or conversion of domestic purchases into imports can also reduce the VAT cost increase (the use of bonded logistics parks can help facilitate this process);
- *Vertical integration/segregation*: changes in the operations undertaken in China potentially may change the exported products and, hence, the applicable tariff code for each product.

Owing to the complexity of the subject, professional advice is strongly recommended when enterprises are conducting such reviews.

For more information or advice on the Circular and its impact on your business, please feel free to contact our Indirect Tax professional team.

Tax Analysis is published for the clients and professionals of the Hong Kong and Chinese Mainland offices of Deloitte Touche Tohmatsu. The contents are of a general nature only. Readers are advised to consult their tax advisors before acting on any information contained in this newsletter. For more information or advice on the above subject or analysis of other tax issues, please contact:

Beijing

Kevin Ng
Partner
Tel: +86 10 8520 7501
Fax: +86 10 8518 1326
Email: keving@deloitte.com.cn

Shanghai

Vivian Jiang
Partner
Tel: +86 21 6141 8888
Fax: +86 21 6335 0003
Email: vivjiang@deloitte.com.cn

Hong Kong SAR

Calvin Lam
Partner
Tel: +852 2852 6773
Fax: +852 2541 8019
Email: callam@deloitte.com.hk

Tianjin

Vincent Lo
Partner
Tel: +86 22 2320 6688
Fax: +86 22 2320 6699
Email: vinlo@deloitte.com.cn

Nanjing

Frank Xu
Partner
Tel: +86 25 5790 8880
Fax: + 86 25 8691 8776
Email: frakxu@deloitte.com.cn

Guangzhou

Constant Tse
Partner
Tel: +86 20 8393 6339
Fax: +86 20 8348 7157
Email: contse@deloitte.com.cn

Dalian

Gang Te Mu Er
Partner
Tel: +86 411 8371 2888
Fax: +86 411 8360 3297
Email: muegangte@deloitte.com.cn

Suzhou

Frank Xu
Partner
Tel: +86 512 6762 1238
Fax: + 86 512 6762 3338
Email: frakxu@deloitte.com.cn

Shenzhen

Lawrence Cheung
Partner
Tel: +86 755 8246 3255
Fax: +86 755 8246 3222
Email: lacheung@deloitte.com.cn

National Technical Centre

Eastern Region

Zhang Li Guo
National Director & Partner
Tel: +86 21 6141 1038
Fax: +86 21 6335 0003
Email: ligzhang@deloitte.com.cn

Northern Region

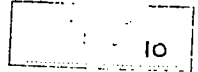
Angela Zhang
Partner
Tel: +86 10 8520 7526
Fax: +86 10 8518 1326
Email: angelazhang@deloitte.com.cn

Southern Region (Chinese Mainland)

Miao Zhi Cheng
Director
Tel: +86 755 3331 0993
Fax: +86 755 8246 3222
Email: zmiao@deloitte.com.cn

Southern Region (Hong Kong SAR)

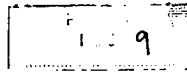
Fergus Wong
Director
Tel: +852 2852 6751
Fax: +852 3693 4496
Email: ferwong@deloitte.com.hk





Home | Opportunities | Economy | Services | News | Laws | Investment Statistics
 Inbound Investment | Company Search | Investment Channel | National Development Zone

Home > Laws > Law & Statute > Taxation > Value-added Tax > Export Tax Refund



Effectiveness Effective

V1

Circular of State Administration of Taxation on Disseminating the Export Tax Refund Rate Library of 2007

Guo Shui Han [2007] No. 242

The competent departments of taxation in all provinces, autonomous regions, municipalities directly under the Central Government and cities specially designated in the state plan:

In accordance with the current policy of export tax refund/exemption, State Administration of Taxation has, on the basis of Import and Export Tax Regulations of 2007 issued by the customs (10-digit e-version), compiled the Export Tax Refund Rate Library of 2007 (No. 20070301A). Now it is distributed to the competent departments of taxation at various levels and hereby notified:

I. The Export Tax Refund Rate Library is under the "programme releasing" folder of FTP Communication Server (100.16.125.25) of the Department of Import and Export Taxation Administration, State Administration of Taxation. The competent departments of taxation shall download it and the administrator of the export refund examination system shall upgrade the original export refund rate library. Meanwhile, the competent departments of taxation at various levels shall timely send the upgrade packages of export refund rate library (Foreign Trade Enterprise Export Refund Application System 9.0 and Manufacturing Enterprise Export Refund Application System 7.0) to the exporting enterprises.

II. The competent departments of taxation at various levels shall timely report the problems found in the execution of the export tax refund rate library to (the Department of Import and Export Taxation Administration of) the State Administration of Taxation. No change or modification of export tax refund rate is allowed without the permission of the State Administration of Taxation.

State Administration of Taxation
February 28, 2007

State Administration of Taxation 2007-02-28

Accessories

Title

Restype

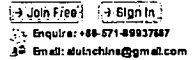
Circular of State Administration of Taxation on Disseminating the Export Tax Refund Rate Library of 2007

PDF File

History Document:

Associate Links :

[Close]



Home Company Product Buy Offers Sell Offers News & Market Exhibition My Account

Search company

Your Location > Home > News & Market > Domestic News > UPDATE 1-China to raise export tax rebates on Apr 1

Today' Focus

Notice: May Day Holiday

(China Aluminum Network) Dear Aluminum Customers: As May Day (the International Labor Day) is approaching, China Aluminum Network deliver best regards to you and show gratitude for your support and help. We promise to supply more high-quality pro...

International News

INDONESIA ALUMINUM TRADING HIGHER ON 1.4% (4/29)
 Aluminum firm Alcoa files IPO for up to (4/29)
 Aluminum sliver maker to bring 150 jobs (4/29)
 Aluminum Recycler to Open In Huntington (4/29)
 US trade panel OKs duties on China alum (4/29)

[more](#)

Domestic News

SVA promotes water saving (12/21)
 Potential Aluminum Corporation of China (4/29)
 Joint agreement on RNSM aluminum smelt (4/29)
 China Yunnan Aluminum to start up new a (4/29)
 Five Major Development Trends for Alum (4/29)

[more](#)

[>> China Alu Market](#)

[>> International Alu Market](#)

Domestic News

UPDATE 1-China to raise export tax rebates on Apr 1

China Aluminum Network
 Post Time: 2009-3-28
 Click Amount: 293

V1

China will raise tax rebates on exports of some textiles, iron and steel, non-ferrous metals, petrochemicals, electronic information and light industrial goods from April 1, state media said on Wednesday, citing an announcement from the State Council, China's cabinet.

The statement did not give any details of planned changes in the rebates, which allow exporters to recoup some or all of the 17 percent value-added tax.

China has increased rebates several times since global demand weakened due to the economic crisis, threatening to cripple many of its export-dependent manufacturers and heavy industry sectors such as metals producers and petrochemicals.

In October, China increased rebates on one quarter of its export lines. In November, it raised refunds on 3,770 export items, or 28 percent of all export goods.

Base metals have been among the worst-hit sectors, with exports of aluminum virtually drying up while imports continue to flood in, attracted by China's efforts to support smelters by stockpiling unwanted reserves of metals.

Industry sources expect Beijing to increase rebates on exports of aluminum products to boost aluminum consumption supporting loss-making smelters.

Rebates of aluminum sheets and plates are expected to rise to 17 percent from 13 percent, said a fabricator source in Guangdong province, the country's export hub. He added rebates on aluminum tubes might increase to 11-13 percent from 8 percent and aluminum profiles could rise to 5 percent or more from zero.

Source: Reuters

Copyright and Attribution Declaration: All articles, pictures and videos that are marked with "China Aluminum Network" on this website are copyright and belong to China Aluminum Network (www.alu.com.cn). When transmittal, any media, website or individual must list the source from "China Aluminum Network (www.alu.com.cn)". We seek legal actions against anyone that disobey this. All articles that marked as copy from others are for transferring more information to readers, do not represent or endorse their opinions or accuracy and reliability. When other media, website or individuals copy from our website, must keep the source. Anyone that changes the articles' sources will hold the responsibilities for copyright and law problems. We also seek legal actions against anyone that disobey this. If any articles copied by our website concern the copyright and other problems, please contact us within one week.

[VIP member](#) | [About us](#) | [History](#) | [Privacy](#) | [Contact Us](#) | [Help Center](#) | [Feedback](#) | [Chinese\(中文\)](#)

Copyright © 2002-2009 China Aluminum Network Online All Rights Reserved.

☎82-20080159



Insights - Lehmanbrown's client - focused e-Newsletter

The Latest Insight | Recent e-Newsletters | Upcoming LB Events | Services at LehmanBrown | Contact Us | Poll Results

The Latest Insight!

China increases the Export Value-Added Tax Refund Rates for Textile Products, Certain Electronic Products and Other Commodities

(29th April, 2009 Issue 8)

In order to alleviate the financial difficulties faced by enterprises under the current global economic crisis, the PRC Ministry of Finance and State Administration of Taxation jointly issued a notice, Caishui [2009] No.43 (hereafter referred to as "Circular 43") on 27 March 2009. Circular 43 sets out the type of commodities such as textile products, certain electronic products and other commodities, which can enjoy a higher export VAT refund rates since 1 April 2009.

For enterprises, which export commodities listed in Circular 43 and with an export date stipulated in the Export Commodity Customs Declaration Form (solely used for export VAT refund purpose) of 1 April 2009 or thereafter, they can enjoy the higher export VAT refund rates.

This is the sixth time the Chinese government has increased export VAT refund rates since the second half of 2008. Under Circular 43, the adjustment affects a number of commodities amongst 3,802 HS codes. The further raising of export VAT refund rates demonstrates the Chinese government's determination to make economic growth a top priority.

Commodities affected by Circular 43

Under Circular 43, the following commodities can enjoy higher export VAT refund rates:

- Export refund rates for CRT colour televisions, certain television spare parts and components, optical fiber cables, and uninterrupted power suppliers would be raised to 17%;
- Export refund rates for textile products and garments would be raised to 16%;
- Export refund rates for certain chemical products such as sodium hexafluoroaluminatate, perfume, certain rubber products, certain leather products, paper products such as envelopes, articles made with porcelain or china, certain glass products such as glass moulds for CRT display, steel products such as precise welded steel, non-ferrous metal products such as aluminum profiles, certain rock drilling tools and metal furniture would be raised to 13%;
- Export refund rates for methanol (methyl alcohol), certain plastic products and products made from plastic, wooden products such as wooden frames for photos, glass products such as rear-view mirrors for vehicles would be raised to 11%;
- Export refund rates for certain chemical products, ceramics used for construction, sanitary ceramics, finished hardware such as padlocks and locks, copper plates and imitation jewelry would be raised to 9%;

Upcoming LB Events

Doing business with the China of 2009

Venue: UK

Dates: 14th, 19th, 20th, 21st, May 2009

North American Conference

Venue: Washington, USA

Date: 14th & 15th May 2009

The art of cost control under financial crisis - budget making and effective evaluation

Venue: Shanghai

Date: 17th June 2009

Comparison between IFRS and Chinese GAAP

Venue: Singapore & Malaysia

Dates: 21st & 22nd July 2009

Poll

The following results were registered in response to the question:

What do you expect China's growth to be in 2009?

Above 10%

7%

8.1 - 10%

23%

6.1 - 8%

36%

4.1 - 6%

18%

0 - 4%

16%

- Export refund rates for calcium hydrochloride, hypochlorites and sulphates of zinc would be raised to 5%.

The detailed list of commodities, which can enjoy higher export VAT refund rates, is annexed to Circular 43.

Our Observation and Suggestion

The increase of VAT export refund rates would reduce the production costs of exported-oriented enterprises and strengthen their competitive capability. At the same time, enterprises should pay attention to their VAT compliance for the purposes of complying with the latest PRC tax regulations and fulfilling the requirements of PRC tax authorities.

Enterprises should be diligent in presenting sufficient and valid documentation such as export invoices, customs clearance records, foreign exchange receipts and verification / cancellation forms etc. to the PRC tax authorities so as to obtain VAT export refund.

Besides tax compliance, enterprises may wish to evaluate the mix of their domestic sales and export sales, the location of their operations, the flow of their supply chain, and other factors in order to make maximum use of preferential tax treatments.

Enterprises are recommended to consult tax advisors so as to devise a tax efficient operational structure and to perform regular tax health checks.

Author

Carl Poon, Tax Director, LehmanBrown International Accountants

Recent e-Newsletters

- **Measures for Determining Value of Goods and Articles Contravening the PRC Customs Regulations**
- **The Objectives and Benefits of an Internal Audit**
- **New transfer pricing regulations and their impact on foreign businesses in China**
- **Business Tax - Enlargement of scope of charge**
- **Shanghai: New provision on the establishment of regional HQs by foreign MNCs**

[Go to Top](#)

"Providing an alternative in China"

Insights is LehmanBrown's official client-focused e-newsletter. It offers updates on the latest business news, taxation and accounting regulations in the People's Republic of China. It is designed to provide you with interesting and informative information to assist in your dealings with China or any China-related issues that you may encounter.

Business-related enquiries can be emailed to beijing@lehmanbrown.com.

All rights reserved © LehmanBrown

V2 PUBLIC FILE 5

IX The five-year supervision period of domestically-manufactured equipment that has handled tax refund commences from the date of issuance of the Income Refund Notice by the tax authority for the domestically-manufactured equipment. Within the supervision period, foreign-invested enterprises shall report the data and materials concerning the deposit areas and the accounting books of fixed assets and certificate encodings, and digital photos of equipment to the competent tax authorities for filing; and the tax authorities shall regularly check and examine the operation status of the domestically-manufactured equipment, and in case of made-up tax required as prescribed in the provisions of policies, tax making up shall be conducted according to law.

X Other issues shall still be implemented in accordance with the provisions of Document Guo Shui Fa [2006] No. 111.

XI Upon implementation of the newly-revised Provisional Regulations of the People's Republic of China on Value-Added Tax, the application of the policies for the projects in the category of encouragement for foreign investment checked and approved in compliance with the prescribed provisions prior to January 1, 2009 shall be formulated separately.

State Administration of Taxation
National Development and Reform Commission
December 16, 2008

Decree of the State Council of the People's Republic of China

No. 538

The Interim Regulations of the People's Republic of China on Value Added Tax revised and adopted by the 34th standing meeting of the State Council on November 5, 2008 is hereby promulgated, which shall enter into force on January 1, 2009.

Premier Wen Jiabao
November 10, 2008

Interim Regulations of the People's Republic of China on Value Added Tax

(Promulgated by No.134 Decree of the State Council of the People's Republic of China on December 13, 1993, and revised and adopted by the 34th standing meeting of the State Council on November 5, 2008)

Article All units and individuals engaged in the sales of goods, provision of processing, repairing and replacement services, and the importation of goods within the territory of the People's Republic of China are the taxpayers of Value-Added Tax (hereinafter referred to as the "taxpayers"), and shall pay VAT in accordance with the Regulations.

Article 2 VAT rates:

(1) For taxpayers selling or importing goods other than those specified in items

(2) and (3) of this Article, the tax rate shall be 17%.

(2) For taxpayers selling or importing the following goods, the tax rate shall be 13%:

a. Grains, edible vegetable oils;

b. Tap water, heating gas, cooling gas, hot water, coal gas, liquefied petroleum gas, natural gas, methane gas, coal/charcoal products for household use;

c. Books, newspapers, magazines;

d. Feeds, chemical fertilizers, agricultural chemicals, agricultural machinery and plastic film for farming; and

e. Other goods as specified by the State Council.

(3) For taxpayers exporting goods, the tax rate shall be 0%, unless otherwise specified by the State Council.

(4) For taxpayer providing processing, repairs and replacement services (hereinafter referred to as "taxable services"), the tax rate shall be 17%. Any adjustments to the tax rates shall be determined by the State Council.

Article 3 For taxpayers concurrently dealing in goods or providing taxable services of different tax rates, the sale amounts of goods or taxable services of different tax rates shall be accounted separately and if the sale amounts have not been accounted separately, higher tax rates shall apply.

Article 4 Except as stipulated in Article 11 of the Regulations, for taxpayers engaged in the sales of goods or the provision of taxable services (hereinafter referred to as "selling goods or taxable services"), the tax payable shall be the balance of the output tax of the period after deducting the input tax of the period. The formula for computing the tax payable is as follows:

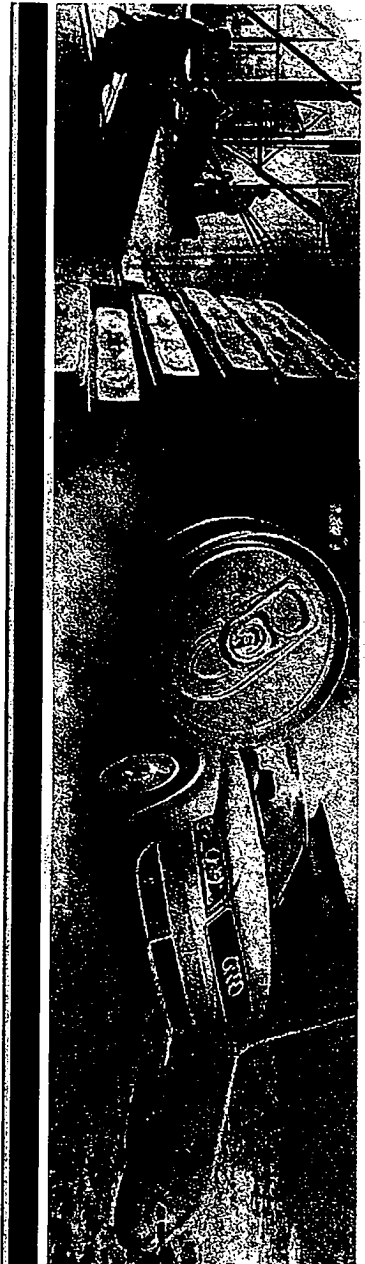
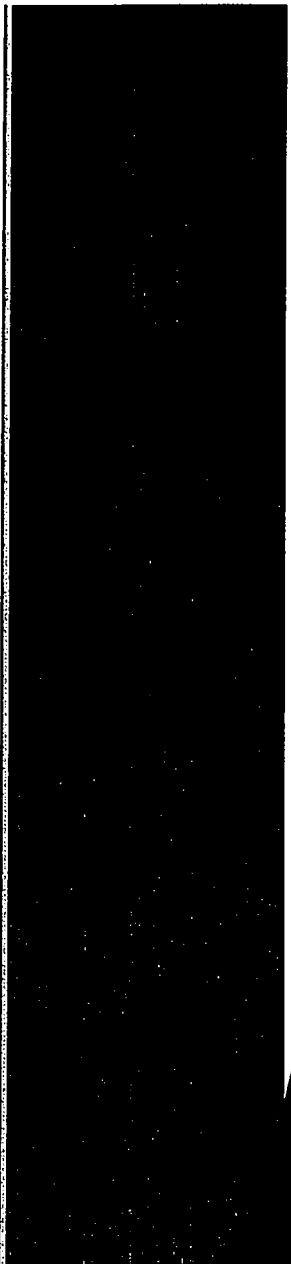
Tax payable = Output tax payable of the period - Input tax of the period

If the output tax of the period is less than and insufficient to offset the input tax of the period, the excessive input tax can be carried forward for set-off in the following periods.

Article 5 For taxpayers selling goods or taxable services, the output tax shall be the VAT payable calculated on the basis of the sale amounts and the tax rates prescribed in Article 2 of the Regulations and collected from the purchasers. The formula for computing the output tax is as follows:

Output tax = Sale amount x Tax rate

Article 6 The sales amount shall be the total of all the prices and all other fees receivable from the purchasers by the taxpayer selling goods or taxable services, exclusive of the output tax collected.



Alcoa Materials Management Market Update
30 June 2007

Greg Wittbecker
Director, Logistics & Business Development



China Rebate Changes as of July 1, 2007
ALCOA Extrusions, Billet and Rod Lose Rebate Privileges

- Sheet, Coil and Plate RETAIN their 11% rebate.
- Wheels RETAIN their 17% rebate.

| | | | | Old Rebate | New Rebate |
|----------|----|--|----------------|------------|------------|
| 76041000 | | Aluminum bars, rods and profiles, not alloyed | 非合金铝条、杆、型材、异型材 | 11 | 0 |
| 76042100 | | Hollow profiles of aluminum, alloys | 铝合金制空心异型材 | 11 | 0 |
| 76042900 | 10 | Bars, rods & other profiles, of aluminum, alloys | 柱形实心体铝合金 | 11 | 0 |
| 76042900 | 90 | Bars, rods & other profiles, of aluminum, alloys | 其他铝合金制条、杆、其他型材 | 11 | 0 |
| 76051100 | | Aluminum wire, not alloyed, max cross-sectional dimension>7mm | 非合金铝制的粗丝 | 8 | 0 |
| 76051900 | | Aluminum wire, not alloyed, max cross-sectional dimension<=7mm | 非合金铝制的细丝 | 8 | 0 |
| 76052100 | | Aluminum wire, alloys, max cross-sectional dimension>7mm | 铝合金制的粗丝 | 8 | 0 |
| 76052900 | | Aluminum wire, alloys, max cross-sectional dimension<=7mm | 铝合金制的细丝 | 8 | 0 |

A Quick Guide to Finding the Right Zone for Your Business

| | Economic & Technological Development Zones (ETDZ) | High-Tech Industrial Development Zones (HIDZ) | Free Trade Zones (FTZ) | Export Processing Zones (EPZ) |
|---|--|---|--|--|
| Corporate Income Tax Rate (For high tech enterprises) | 15% instead of 25% | Same | Same | Same |
| Corporate Income Tax Rate (For export orientated enterprises) | For enterprises whose export ratio is more than 70% in each fiscal year corporate income tax will be 10%, instead of 15% | Same | Same | Same |
| Custom Duty & Value Added Tax (VAT) (on self-use equipment and spare parts) | Custom duty and VAT exempted for encouraged industries. | Custom duty and VAT exempted for encouraged industries. | Exempted | Exempted |
| Custom Duty and VAT (on raw materials and parts) | Only enterprises involved in the processing trade are exempted. | Only enterprises involved in the processing trade are exempted. | Exempted | Exempted |
| VAT Tax Rate | 17% | Same | Same | Same |
| VAT Rate Licences for equipment, raw materials and office equipment (for processing enterprises) | For enterprises in the category of encouraged industries, licenses are exempted. | For enterprises in the category of encouraged industries, licenses are exempted. | Licenses not required for all processing trade enterprises | Licenses not required for all processing trade enterprises |
| Tax on finished products using duty-free raw materials. | Levy on finished products | Levy on finished products | Levy on imported raw materials and parts only | Levy on finished products |
| VAT Refund for finished products using domestic raw materials. | VAT will be refunded following export of shipment | VAT will be refunded following export of shipment | VAT will be refunded following export of shipment | Immediate VAT refund for domestic raw materials upon entering the zone |
| Ratio Between Export and Domestic Sales. | No restriction as long as projects are excluded from export license and quota management. | No restriction as long as projects are excluded from export license and quota management. | No restriction | Exact percentage varies between zones |
| Transport of products in the zone | Unrestricted | Unrestricted | Only by a transport company licensed in the zone and registered with customs | Only by a transport company licensed in the zone and registered with customs |
| Bonded cargo control | Not applicable | Not applicable | Bonded warehouse receiving register (EDI with the customs house) | Export processing zone border crossing cargo record statement (EDI with the customs house) |

Briefing body (photos)

Chairman: Tie Jianshe
 Vice Chairman: Xu Shan
 Vice Chairman: Lin Jun
 Secretary-general: Wang Yufu

Functions of Divisions

International Relations Division

1. Keep and promote contact with economic and business communities all over the world, especially with chambers of