

Policies on Foreign Investment

Please note that Laws and regulations mentioned in this book are only for reference; please refer to original laws and regulations for details.

In order to create a favorable investment environment and to encourage overseas firms to invest in China, since the year of 1979 the Chinese government has gradually set up a relatively complete legal system, and constituted a foreign investment policy system, which mainly includes industrial policies, regional policies, tax policies and financial policies.

Legal Framework

The main laws and regulations for foreign investments in China include:

1. Major foreign investment laws and regulations

- The law of P.R.C on Chinese-Foreign Equity Joint Ventures and its implementation regulations;
- The law of P.R.C on Chinese-Foreign Contractual Joint Ventures and its implementation regulations;
- The law of P.R.C on Wholly Foreign-Owned Enterprise and its implementation regulations; The law of P.R.C on Foreign-invested enterprises, the income tax and its implementation regulations;
- Provisions on Guiding Foreign Investment Direction; Industrial Catalogue for Foreign Investment; Catalogue of Advantageous Sectors for Foreign Investment in Central and Western Regions;
- The law of P.R.C on the Protection Taiwan Compatriots' Investment. (Notes: the related laws and regulations also apply to the investments from Hong Kong, Macao and Taiwan in China mainland.)

2. General Laws and Regulations

- The Company Law of the People's Republic of China;
- The Contract Law of the People's Republic of China;
- The Insurance Law of the People's Republic of China;
- The Arbitration Law of the People's Republic of China;
- The Labor Law of the People's Republic of China;
- Provisional Regulations of the People's Republic of China on value-added Tax;
- Provisional Regulations of the People's Republic of China on Consumption Tax;
- Provisional Regulations of the People's Republic of China on Business Tax.

3. International Treaties

- Bilateral Investment Treaties
- Bilateral Agreement on the Avoidance of Double Taxation

Forms of Foreign Investment

Chinese-Foreign Equity Joint Ventures, China-Foreign Contractual Joint Ventures, Wholly Foreign-Owned Enterprise is the three main forms of Foreign Direct Investment in China for absorbing foreign capital. Other investment forms include Share Company with Foreign Investment, Foreign Invested Holding Company, Joint Exploitation, BOT, etc.

1. Chinese-Foreign Equity Joint Ventures

Chinese-Foreign Equity Joint Ventures are also called as Share Company with Foreign Investment. They are enterprises jointly established within Chinese territory by foreign companies' enterprises, other economic entities or individuals on one side and Chinese companies, enterprises or other economic entities on the other side. An equity joint venture shall be invested and operated jointly by both foreign and Chinese investors, who shall share the profits and losses, as well as risks, in proportion to their respective shares in the registered capital. Chinese-Foreign Equity Joint Ventures are Limited Liability Company, and possess the status of Chinese legal person. In such an enterprise, the proportion of the investment contributed by the foreign party shall in general not be less than 25% of the total. The partner could offer cash or other kinds of things instead such as building, workshop, machinery, industrial property right, special technique, and field utilization right. The profits and other legal interests that foreign investors have shared can be remit out or reinvest in China.

2. Chinese-Foreign Contractual Joint Ventures

Chinese-Foreign Contractual Joint Ventures are enterprises Jointly established within Chinese territories by foreign companies, enterprises, other economic entities or individuals and Chinese companies, enterprises or other economic entities, according to their cooperative conditions. The both parties to a contractual joint venture should prescribe in the contract their respective conditions, rights, obligations, incomes distribution, responsibilities for risks and debts, the company management and negotiations on the property transaction at the expiration. When establishing China-Foreign Contractual Joint Ventures, the foreign party usually provides all or major part of capital, while the Chinese party provides land, factory buildings, certain usable machines and facilities, and in some cases a certain amount of capital as well. Chinese-Foreign Contractual Joint Ventures may possess the status of conventional person or not.

3. Wholly foreign-Owned Enterprise

Wholly Foreign-Owned Enterprise is invested entirely by foreign companies, enterprises, other economic entities or individuals within Chinese territory in accordance with the related Chinese laws. Wholly Foreign-Owned Enterprise usually

takes the form of limited liability companies, and do not include the Chinese Branch of foreign company or other economic organization.

4. Share Company with Foreign Investment Share Company with Foreign Investment is stock limited Companies set within China's territory by foreign companies, enterprises, or other economic organizations with Chinese companies, Enterprise or other economic organizations, which is established according to the principle of equality and mutual benefit and through subscribing certain proportion of stock. All principal of Share Company with Foreign Investment is made up of equal amounts of stocks, every stockholder would take certain responsibility for company in accordance with his amount of stocks, and the company is responsible for debts with all estate. It is a form of foreign-invested company, which fits with relative regulations of national laws and statutes on foreign investment company.
5. Foreign Invested Holding Company Foreign Invested Holding Companies is Chinese-Foreign Equity Joint Ventures or Wholly Foreign-Owned Enterprise within Chinese territory that deals with direct investment usually in the form of limited liability companies. Foreign investor, who applies to establish an Foreign Invested Holding Company must possess great assets and good reputation, establish a certain amount of companies within China, and own over \$30 million of actual-paid part of registration principal. Upon the approval of the Chinese government, Foreign Invested Holding Company could enjoy a broader field of managing than other ordinary companies, in an attempt to encourage big overseas companies to carry out their series of investment plans. At present the foreign invested Holding Company can invest in the fields of industry, agriculture, infrastructure and energy that the country encourages and permits.
6. Joint Exploitation
Joint Exploitation refers to Chinese company and foreign company sign a venture contract to carry out a joint exploration on inland and offshore petroleum, and mineral resources. It is a widely used form of economic cooperation in the field of natural resources exploration throughout the world. The main features of the joint exploration are high risks, high input, and high return. Joint exploitation is usually carried out in three phases: exploration, development and production.
7. BOT
The form of BOT is that investor takes charge of certain industrial project or infrastructure project in China, taking responsible of construction fee, transportation fee, maintain fee and other kinds of expenses. During a fixed period, the investor could manage the infrastructure and gain all expenses including construction fee, transportation fee, maintain fee and other fees, but at the expiration, the project would be returned back to the local government. In the form of Project Company, China has adopted BOT in the fields like freeway, powerhouse and sewage plant.

Policies and Preferences

1. Industrial Policies

According to Provisions on Guiding Foreign Investment Direction and Industrial Catalogue for Foreign Investment, the industrial projects are divided into four categories: encouraged, permitted, restricted, and prohibited projects. Foreign investment projects belonging to encourage, restricted and prohibited categories are listed in Catalogue for the Guidance of Foreign Investment Industries. Those permitted foreign investment projects that do not belong to the above three categories are not to be listed in Catalogue for the Guidance of Foreign Investment Industries.

Those foreign investment projects under one of the following circumstances shall be listed as encouraged foreign investment projects:

- Protects for new agricultural technology. Comprehensive agricultural development of agriculture, and for energy, transportation and key raw materials industries Projects for new and high technology, advanced and applicable technology which can improve performance of products and increase the tech-economic efficiency of enterprises or produce new equipment and new material that domestic capacity is deficient'. Projects that are meet market demands, and can promote the quality of products, enter into new markets, or strengthening the competing capability of products in international markets; " Projects adopting new technology and new equipment for saving energy and raw materials, for comprehensive utilization of resources and renewable resources. and for preventing environment pollution; Projects that can make full use of man power and resource advantage in mid-west region and are in accordance with the State's industrial policies; Other cases !hat are regulated by laws and administrative regulations of the State.
- Those foreign investment projects under one of the following circumstances shall be listed as restricted foreign investment project Projects adopting out-of-date technologies, Projects unfavorable to resource-saving and ecological environment improvement Projects for prospecting and/or mining specified mineral resources protected by laws and regulations of the State; Projects in those industries that shall be opened gradually Other cases that are regulated by laws and administrative regulations of the State.
- Those foreign investment projects under one of the following circumstances shall be listed as prohibited foreign investment projects: Projects that endanger the safety of the State or damage social and public interests
- Encouraged foreign investment projects apart from the preferential terms stipulated in the relevant laws or administrative regulations of the State may enlarge their scope of business with approval, if they are engaged in the construction and operation of infrastructure facilities related to energy, transportation and urban utility sectors (coal. oil. natural gas, power, Railway, Highway, path)
- Those permitted projects that export all their products directly shall be deemed as encouraged projects. Restricted foreign investments may be deemed as permitted foreign investment projects with approval from the government of provinces,

autonomous regions, municipalities directly under the Central Government or cities of direct planning by the State, if the export sales of products amounts to over 70% of the total sales of the product.

- Restrictions can be properly eased for those permitted and restricted foreign investment projects that can really make full use of the advantages of mid-west regions. Those projects which listed in Catalogue of Advantageous Sectors for Foreign Investment in Central and Western China can enjoy preferential treatments for encouraged foreign investment projects. In service trades, the Chinese government uses the method of setting experimental units firstly, standardizing and developing secondly. and then gradually expanding. Based on China's development level and its commitment to the entry of the WTO, China has orderly opened some service trades such as banking, Insurance, business, foreign trading, traveling, telecommunication, transportation, accounting. Auditing and law.

2. Regional Policies

China's policy of opening to the outside world uses a holistic strategy of proceeding in an orderly and step-by-step way from coastal region to inland cities. Currently there are varieties of special economic areas: Special Economic Zones (Shenzhen, Zhuhai, Xianmen, Shantou and Pudong New District in Shanghai) 14 coastal port cities (Shanghai, Tianjin, Dalian, Qinhuangdao, Yantgi (including Weihai), Qingdao, Lianyungang, Nantong, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai) 49 state economic and technological development areas 53 state high and new technological industrial development areas In 1999, the Chinese government carried the policy of central and western regions exploitation into execution. Investment including that from abroad is encouraged to put into inland China in the central and western region. Policies and measures relevant to the foreign investment are: Projects included in the Catalogue of Advantageous Sectors for Foreign Investment in Central and Western Regions shall enjoy the same policies as encouraged projects. For the foreign invested projects in infrastructures or advantageous sectors in the west, restrictions on the proportion of foreign investment shall be appropriately eased. Foreign investment is encouraged to put into the west region in the infrastructure construction and resources development of agriculture, irrigation works, ecology. Transportation, municipal works, environmental protection. Mining. Tourism, etc. and the establishment of technical research and development centers. The opening in the service and trade sectors in the west region shall be furthered: the pilot projects of foreign investment in banks, retailing enterprises and foreign trade shall be expanded to municipalities and capital cities of provinces and autonomous regions; foreign invested banks shall gradually be permitted to run RMB business ; foreign investors are permitted to, in accordance with relevant regulations, enter telecommunications, insurance, tourism, Sino-foreign public accountant services, lawyer services, engineering design companies, railway and highway transportation enterprises, municipal engineering enterprises and other industries admitted to open some industries are permitted to open in the west first for a trial. Expanding channel of foreign investment: BOT and TOT trials are permitted in the west region for foreign investors; foreign invested projects are permitted to gather capital including that of RMB; qualified foreign invested enterprises in the west

region shall be supported to get listed in stock markets home and abroad Enterprises belonging to State encouraged and permitted industries in the west region shall be supported to absorb foreign invest through transferring of operation right, selling of share holdings, merging and reorganizing. etc.; actively explore the methods of Chinese- foreign joint venture fund and risk investment fund in absorbing foreign investment. "

Foreign-invested enterprises of eastern regions are encourage to come to the western China and reinvest, and those projects with more than 25%, foreign investment could be regarded as foreign-invested enterprise and enjoy equal treatment;

3. Tax Policies

Major Tax Categories Taxes that are applied to foreign-invested enterprises, foreign enterprise and foreign citizens in China (including compatriots from Hong Kong, Macao and Taiwan) are: corporate income tax, personal income tax, turnover taxes (include value-added tax. consumption tax, and business tax), land tax, stamp duty, vehicle and vessel tax, urban real estate tax. etc. Imports and exports will pay tariff and impon-stage value-added tax in accordance with Customs' tariff statutes.

Corporate Income Tax

- Foreign-invested enterprise or foreign enterprise that has set up establishment or place in China to engage in production or business operations must pay corporate income tax, and the tax is levied at the rate of 30 percent. as well as another 3 percent for local income tax.
- Foreign enterprise that has not set up establishment or place, but has gained profits (bonus interest). Rent, license utilization fee, and other kinds of income from Chinese territory should pay 20 percent income tax, value-added Tax: All units and individuals engaged in the sale of goods, provision of procession, repairs and replacement services, and the importation of goods within territory of the People's Republic of China are taxpayers of Value Added Tax. The basic tax rate of VAT shall be 17% for taxpayers selling or importing food gains, edible vegetable oils, tap water, books, newspapers, magazines, feeds, chemical fertilizers, agricultural chemicals, agricultural machinery and some other goods. the tax rate shall be 13%.

Consumption Tax: All units and individuals engaged in the production, sub-contracting processing or import of consumer goods like tobacco, alcoholic drinks. Alcohol, cosmetics, skin-care and hair- care products, precious jewelry and precious lade and stones, firecrackers, and fireworks, gasoline, diesel oil, motor vehicle tyres, motorcycles, motor cars, within territory of the People's Republic of China are taxpayers of Consumption Tax. There are 11 taxable items and 14 tax rates (tax amounts) of Consumption Tax, from the lowest 3%. to the highest 45%. The computation of tax payable for Consumption Tax shall follow either with rate on value or the amount on value method.

Business Tax: All units and individuals engaged in the provision of services as transportation and communications, posts and telecommunications, finance and insurance, construction, culture and sports. Entertainment, servicing, the transfer of intangible assets or the sale of immovable properties within territory of the People's Republic of China shall pay Business Tax in accordance with regulations. There are 3 tax rates of Business Tax, from the lowest 3% (such as transportation and communications fee) to the highest 20% (such as entertainment).

Tariff: The average tariff rate of China is 12%.

Stamp Duty: All units and individuals engaged in the procession of purchase and sale, machining, contracting, property insurance, goods transportation, storage, loan, property insurance, technological contract. As well as quitclaim deed, business account book, and certificate of authorization within territory of the People's Republic of China shall pay Stamp Duty in accordance with regulations. The lowest tax rate of Stamp Duty is 0.005%, and the highest is 0.1%. Each certificate of authorization and business account book (not includes account book that records capital) must paste a stamp of 5 Yuan.

Urban Real Estate Tax: The house property owned by foreign- invested enterprise or foreign citizen shall pay Urban Real Estate Tax in accordance with regulations. The computation shall follow either with the value of house property after a one-off deduction of 10%-30%, and the annual tax rate is 1.2%; or with the rent of house property, and the tax rate is 12%. Urban Real Estate Tax takes one year as a unit, and is paid by stages.

Vehicle and Boat Tax: Vehicles and boats owned by foreign- invested enterprise shall pay Vehicle and vessel Tax in accordance with Interim Regulations Concerning the Vehicle and Vessel Usage License Plate Tax. Tax payable on Camion, powerboat and non-powerboat is calculated on the base of the carrying capacity or net tonnage of camion or boat, which on other motor vehicle and non- motor vehicle is on base of the number of vehicles payable

Personal Income Tax:

- Within territory of the People's Republic of China, personal wage and stipend shall pay Personal Income Tax. The rate of Personal Income Tax is computed with progressive taxation, and is divided into 9 degrees from the lowest 5% to the highest 45%.
- Individual's income that come from designing, upholstering, installation, drawing, assaying, testing, medical treatment, and law, accounting, consultation, lectures giving, news, broadcasting, translation, auditing, painting and calligraphy, carving, film, recording, kinescoping, performance, acting, advertising, exhibition, technological services, introduction services, broking, commission services, and other kind of

labour shall also pay Personal Income Tax. Make a reduction of 800 Yuan if each income is below 4,000 Yuan, or reduce 20%, if above 4,000 Yuan, and the remaining amount is the income payable and shall pay Personal Income Tax at the rate of 20%. If the income payable of an individual's one-off labour reward exceeds 20,000 to 50,000 Yuan. The tax rate of the exceeding part shall increase 5% if the income payable exceeds 50,000 Yuan, the tax rate of this part shall increase 10%.

Deed Tax: All units and individuals that receive land or house property within territory of the People's Republic of China shall pay Deed Tax in accordance with regulations. The transferring of land and house property refers to:

- Remising of the utilization right of national land, not include the transferring of management right of countryside collective land contracting',
- Transferring of utilization right of land. Include selling, gifting and exchanging,
- House buying and selling; (iv) House gifting (v) House exchanging. The rate of Deed Tax ranges from 3% to 5%.

4. Preferential Tax Policies

The Chinese government levies low tax on enterprises with foreign investment, and the main preferential tax policies include: practice preferential rate of Corporate Income Tax, reduce Corporate Income Tax, as well as exempt tariff and import-stage value-added tax of import equipment. Preferential Rate of Corporate Income Tax: The normal rate of Corporate Income Tax for foreign-invested enterprise is 35%, but preferential tax policies are offered to the sectors and regions where investment is encouraged by the state. The 15% preferential rate of tax apply to - Enterprises with foreign investment located in special economic zones - Production Enterprises with foreign investment located in Pudong New District

- Production Enterprises with foreign investment located in state economic and technological development areas;
- Enterprises with foreign investment located in state new and hi-tech industrial zones that adopt new and high technology;
- Enterprises with foreign investment that are engaged in projects such as energy, communications, port and dock. The 24% preferential rate of tax is applied;
- Production Enterprises with foreign investment located in: open coastal economic zones. Open cities beside sea, river or frontier. Or provisional capitals;
- Production Enterprises with foreign investment located in the old part of cities possessing special economic zones or state economic and technological development areas. Reduction of Corporate Income Tax

- The production enterprises with foreign investment that have an operation period exceeding 10 years shall from the year they begin to make profit. be exempted from income tax for the first two years and allowed a 50% reduction for the following three years;
- The enterprises with foreign investment that adopt advanced technology shall be exempt from income tax for the first two years and allowed a 50% reduction for the following six years; In addition to the two-year tax exemption and three-year tax reduction treatment, foreign-invested enterprises producing for export shall be allowed a reduced income tax rate of 50% as long as their annual export accounts for 70% or more of their sales volume (If a production enterprise pays corporate income tax on the rate of 15% and fits in this condition. then it could pay corporate income tax on the rate of 10%.) ;
- Enterprises with foreign investment engaged in agriculture, forestry and animal husbandry. and enterprises with foreign investment established in remote and underdeveloped areas may upon approval by the State Bureau of Taxation be allowed a 15 to 30 percent reduction on the income tax for a period of another 10 years following the expiration on the period of tax exemption and reduction as provided for above. The income tax on enterprises with foreign investment located in central and Western China that are engaged in projects encouraged by the government shall be levied at a reduced rate of 15% for a period of another three years following the expiration of the five-year period of tax exemption and reduction;
- The income tax on enterprises with foreign investment located in central and Western China that are engaged in projects encouraged by the government shall be levied at a reduced rate of 15% during the period of 2001 to 2010;
- Reinvestment and tax refunding. The foreign investor of an enterprise with foreign investment which reinvests its share of profit obtained from the enterprise in a project with an operation period of no less than 5 year shall upon approval by the State Bureau of Taxation of an application filed by the investor be refunded 40% of the income tax already paid on the reinvested amount. Foreign reinvested export-oriented enterprises shall be refunded 100% of the income tax already paid on the reinvested amount'. - Profits of foreign investors gained from wholly foreign-owned enterprise shall be exempt from income tax ;
- Deduction of local income tax. The exemption and reduction of local income tax on enterprises with foreign investment that are engaged in encouraged industries and projects shall be decided by local government of province, autonomous region and municipality in accordance with actual situation.

5. Deduction and Exemption of Import Tariff

Tariff rate: The present average tariff rate is 12%.

Tax exemption for imported equipment: Equipment imported for foreign-invested or domestic-invested projects that are encouraged and supported by the state shall, besides all commodities in Catalogue of Imported Commodities not Entitled for Tariff Exemption for Projects with Foreign Investment, enjoy tariff and import-state value-added tax exemption.

Finance and foreign Exchange Administration

Currently in China the finance organization is in a pattern that state-owned commercial banks remaining dominant and diverse financial organizations developing side by side. The government is enforcing a system of individual administrations on individual industries such as banks, Securities, insurance and trusting. The state is enforcing its financial supervision on the financial market through the monetary controlling measures of the Central Bank. RMB exchange rates are based on a fluctuation rate system that goes with market demand and supply. is unified and put under control. Strict management is still enforced upon RMB free exchange under current account and foreign exchange under capital account. A system of exchange, settlement and sales shall be observed in foreign exchange payment and a system of canceling after verification in payment of import and export.

- Foreign Exchange Registration

Foreign invested enterprises shall take a copy of the Certificate of Approval of Foreign Invested Company and that of the Business License, within 30 days after the issue of the Business License, to the foreign exchange administration to take the Foreign Exchange Recording of Foreign Invested Enterprises and RII the Form of Basic Information of the Foreign Invested Enterprise, with which to open account in the designated bank for foreign exchange. To open an account in a different place or abroad, an approval should be acquired from local foreign exchange administration first.

The System of Exchange, Settlement and Sales of the Bank: The income of foreign exchange of an enterprise should open an account in the designated foreign exchange bank or sell to it; and the payment in foreign exchange by the enterprise should, with valid proof or approval of the foreign exchange administration be paid with by its foreign exchange account or transacted in the designated foreign exchanged bank. All cases of purchase and sales of foreign exchange without authorization. purchase and sales of foreign exchange in a disguised form or purchase and sales of foreign exchange for speculative purposes are illegal.

Free convertibility of RMB under current account: Institutions within the Chinese territory (including foreign invested enterprises) when in need of foreign exchange under current account shall buy foreign exchange with RMB from designated bank for foreign exchange or pay with their foreign exchange accounts.

Advance payment and commissions, when exceed certain proportion or amount can get converted into foreign currencies at designated banks upon approval of the authenticity by the administration. Government's Administration of Balance of Payment of Foreign Exchanges Under Capital Account: foreign exchange income under current account must be transferred back except for stipulations of the State Council otherwise; foreign exchange income under capital account shall be kept at foreign exchange account opened with designed banks', approval of the foreign exchange administration is required if it is sold to designated bank Purchase or payment of foreign exchange under capital account shall with the approval of administration of foreign exchange, get converted into foreign currencies at designated banks upon presentation of the approval.

- Foreign Debt Administration:

The Chinese Government adopts the system of registration upon foreign debt. Foreign invested enterprises can directly foreign capital form banks or enterprises outside the Chinese territory, but the accumulated medium and long- term debt from abroad shall not exceed the difference between the total investment and registered capital as stipulated in the contract or agreement. Enterprises should, after signing the contract of loan keep the record in the administration periodically or record-by-record. The enterprises can use the foreign capital after approval and give feedback to the administration when actually used. All payment of the loan or the interest should get the approval of the administration (except for the bank).

- Report of Foreign Exchange Balance: The report is in a term of a half-year. The first half-year report with remarks should be submitted before July 10th of the year and the second half-year report before March 10th of the next year.
Year-End Financial Report: The Year-End Financial Report of the previous year shall be submitted to relevant departments before March 31 and an Audit Report from public accountant registered in the People's Republic of China shall be attached.

Purchase of the Land Use Right

In China, urban land is State property. Rural land and the land in the suburban areas are collective property except those legalized as State property. The State has the right to implement a practice of land usage purchase in addition to grant State-owned land usage right in accordance with the law.

Foreign-capital enterprises are permitted to purchase the land usage right for a certain period. As stated in The Law Governing The Land in the People's Republic of China and A temperate Regulation for Granting and Transferring of the State-owned Land Use Right in the Urban Areas of the People's Republic of China, the purchase of the land usage right indicates the practice of local governments allowing the State-owned land to be used and operated under the conditions of land size, usage years and functions by the receipt or after paying for the land usage right granting fee and the rent.

The transferring of the land usage right indicates the practice of the receptors after paying for the land usage right. During the time of such transferring practice, the land remains the State property, including all the underground natural resources, burials and hidden properties. Foreign-invested enterprises acquire the land usage right through requested application procedures and payment fulfillment.

The land usage right can be purchased by one of the three means- contracts, bidding and auction. Any land purchased by such means can be transferred, subleased and secured as agreed in the contract on condition that all the required application, permission, registration and taxation are completed.

The current regulation prescribes a maximum land usage duration of no more than 70 year for residential purpose; 50 years for industry, education, technology, culture, hygiene and sports ; 40 years for commerce, travel and entertainment and 50 years for a combined or comprehensive functions.

The granting contract is renewable except that it is otherwise conditioned or it is in conflict with the city planning. The present authorities over the land usage right granting are leveled as the following: State Council for farming land of 1000mu and above or other land of 2000mu and above Provincial Governments. Centrally Administered municipalities and Governments of Autonomous Regions for farming land from 3 mu up to 999 mu, or other land from 10mu up to 1999mu; County Governments for farming land less than 3mu and other land of less than 10mu.

Employment, salary, Insurance and Welfare

Employee Recruitment: As stated in Labor Law of People's Republic of China and A Regulation for Employment of Foreign-Invested Enterprises, Foreign-invested enterprises have the right to decide for their company structures and employment needs as necessary of their operations. They also have the right to recruit their own employees by applying to a variety of legal agents including human resource organizations, recruitment fairs and advertising on the media. The recruitment of employees from foreign countries, Hong Kong, Taiwan and Macao requires permission and certificates from the labor office of the local government.

Salary: Under A Temporary Regulation of Salary and Income In the Foreign-invested

Enterprises, the enterprise decides the Salary system, salary level and bonus and stipends in line with the national and local minimum salary standards. The increase of the average salary of the employees is based on the development of the enterprise. The company's annual return, productive rate and the prices index of local consumer goods are the factors for the board of directors or the enterprise to take into consideration for the payroll.

Insurance and Beneficiaries: Foreign-invested enterprises are supposed to participate in the social insurance systems of pension, unemployment, medical care, injury and childbirth through regular and adequate payment to the insurance agencies as required by law. And also employees are supposed to pay the required amount for their pension, medical care and unemployment insurance. In addition to the insurance above, there are housing fund, professional training, stipends and legal holidays.

Working Hours: Foreign-invested enterprises implement China's current working hour system, 8 hours per day and 40 hours per week. With the permission from the labor bureau, the enterprises can operate on a non-standard working hour system. e.g. irregular working hours and the payment on the total working hours, if the enterprises cannot apply to the standard working hours as a result of the production reason.

Source from *China Development Zones*