



Different Options of Investing in China

Zhu Julie Lee (李竹)
Foley & Lardner LLP
414.297.5504
zlee@foley.com

November 6, 2007



1



Options that a Company has in Expanding its Business to China

- Non-Corporate Forms:
 - Contractual arrangement
 - Representative offices
- Foreign-Invested Enterprises (FIEs)
 - Joint ventures (JVs)
 - Wholly foreign-owned enterprises (WFOEs)



2



Contractual Arrangement

- What they are
- Governmental involvement
- Technology transfer agreement
 - Chinese legal issues
 - Technology import catalog and technology export catalog
 - Improvement to licensed technology
- Properly structuring the activities to avoid Chinese income tax



FIEs

- JV or WFOE?
 - Foreign Investment Industrial Guide Catalogue
 - Encouraged industries
 - Restricted industries
 - Prohibited industries
 - Permitted industries
 - Control
 - Potential conflicts
 - Other



FIE Formation

- Scope of business
- Total investment amount v. registered capital amount
- Feasibility study report
- Incorporation certificate of the foreign investor
- Most recent audited financial statements
- Other



Choosing the Right Investment Vehicle

- What are your objectives?
 - Selling products to China and regional markets
 - Source products from China
 - Selling in China
 - Selling back to the U.S.
 - Selling in other parts of the world