

1.4 Minimum Registered Capital and Capital Contribution Schedule

China has formulated clear guidelines governing the minimum registered capital of foreign-invested enterprises or companies and the time limit for capital contribution.

1.4.1 Minimum Registered Capital Requirement

Under the Company Law, companies are mainly incorporated in the form of limited liability companies or joint-stock limited companies.

For limited liability companies, the minimum registered capital varies with business nature. For instance, the minimum for production enterprises is Rmb500,000; commodity wholesale enterprises Rmb500,000; commodity retailing enterprises Rmb300,000; technology development, consulting and services enterprises Rmb100,000; and other forms of legal entity Rmb30,000.

For joint-stock limited companies, the minimum registered capital requirement is Rmb10 million.

According to the existing rules of government authorities overseeing different sectors, the following requirements are applied to FIEs concerning minimum registered capital:

- (a) The minimum registered capital of a JV retail enterprise is Rmb50 million, while in the central and western regions the requirement is lower, at Rmb30 million;
- (b) The minimum registered capital of a JV wholesale enterprise is Rmb80 million, while in the central and western regions the requirement is lower, at Rmb60 million.
- (c) The minimum registered capital of a foreign or JV bank is Rmb300 million worth of freely convertible currencies;

- (d) The minimum registered capital of a foreign or JV financial institution is Rmb200 million worth of freely convertible currencies;
- (e) The minimum registered capital of a JV travel agency is Rmb5 million;
- (f) The minimum registered capital of a JV advertising agency is US\$300,000;
- (g) The minimum registered capital of a JV foreign trade company is Rmb100 million;
- (h) The minimum registered capital of a JV international freight forwarding agency is US\$1 million;
- (i) The minimum registered capital of a foreign-invested printing company engaged in the printing of publications and printed materials for packaging is Rmb10 million, while the minimum registered capital of a foreign-invested printing company engaged in the printing of other printed materials is Rmb5 million;
- (j) The minimum registered capital is Rmb2 billion for a company engaged in trans-provincial basic telecom business; Rmb200 million for a company engaged in provincial basic telecom business; Rmb10 million for a company engaged in trans-provincial value-added services; and Rmb1 million for a company engaged in provincial value-added services;
- (k) The minimum registered capital of a foreign-invested insurance company is Rmb200 million or its equivalent in freely convertible currency;
- (l) The minimum registered capital of a foreign-funded investment company is US\$30 million;
- (m) The minimum registered capital of a foreign-funded investment shareholding company is Rmb30 million.

1.4.2 Ratio of Registered Capital to Total Investment Amount

According to the *Interim Measures Concerning the Ratio of Registered Capital to Total Investment Amount of Sino-Foreign Equity JV Enterprises* promulgated by the State Administration for Industry and Commerce (SAIC), it is stipulated that:

- (a) For JVs with a total investment of US\$3 million or less, the registered capital should account for at least 70% of the total investment;
- (b) If the total investment is over US\$3 million but less than or equal to US\$10 million, the registered capital should account for at least 50% of the total investment; the registered capital should not be less than US\$2.1 million if the total investment is under US\$4.2 million;
- (c) If the total investment is over US\$10 million but less than or equal to US\$30 million, the registered capital should account for at least 40% of the total investment; the registered capital should not be less than US\$5 million if the total investment is under US\$12.5 million;
- (d) If the total investment exceeds US\$30 million, the registered capital should account for at least one-third of the total investment; the registered capital should not be less than US\$12 million if the total investment is under US\$36 million;
- (e) If an FIE is unable to fulfill the above requirements due to exceptional circumstances, it may apply for special treatment to the Ministry of Commerce, which will approve the case jointly with SAIC.

1.4.3 Capital Contribution Schedule

Sino-foreign equity and contractual JVs are required to specify in their contract and articles of association, and foreign enterprises in their articles of association, the time limit for capital contribution. If such a provision is missing, the project will not be approved and cannot be registered.

According to regulations, capital contribution may be made in two ways. First, one-off contribution, i.e. parties to the JV should make their capital contributions within six months after the issuance of business licence. Second, contribution by instalment. The first instalment should not be less than 15% of the capital contribution the parties to the JV undertake to make. The balance should be paid up within a specified time limit. Detailed implementation rules are as follows:

- (a) For registered capital of US\$500,000 or below, capital contribution should be made in full within one year after issuance of business licence;
- (b) For registered capital of over US\$500,000 but less than or equal to US\$1 million, capital contribution should be made in full within 18 months after issuance of business licence;
- (c) For registered capital of over US\$1 million but less than or equal to US\$3 million, capital contribution should be made in full within two years after issuance of business licence;
- (d) For registered capital of over US\$3 million but less than or equal to US\$10 million, capital contribution should be made in full within three years after issuance of business licence;
- (e) For registered capital exceeding US\$10 million, the time limit for capital contribution will be determined by the approval authority on a case-by-case basis.

In the event that an FIE fails to make its capital contribution in full within the time limit stipulated in the contract due to exceptional circumstances, application for extending the time limit for capital contribution may be made to the original approval authority and the case should be filed with the registration authority for the record.