

Prerequisites for Foreign Companies Investing in China

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Summary

- Why Foreign Companies should invest in China
- Real Growth Rate of GDP
- Crude Steel Production in China/Japan/Korea/Taiwan 1995 – 2001 and Forecast 2002 – 2004
- China Mn Alloys Production

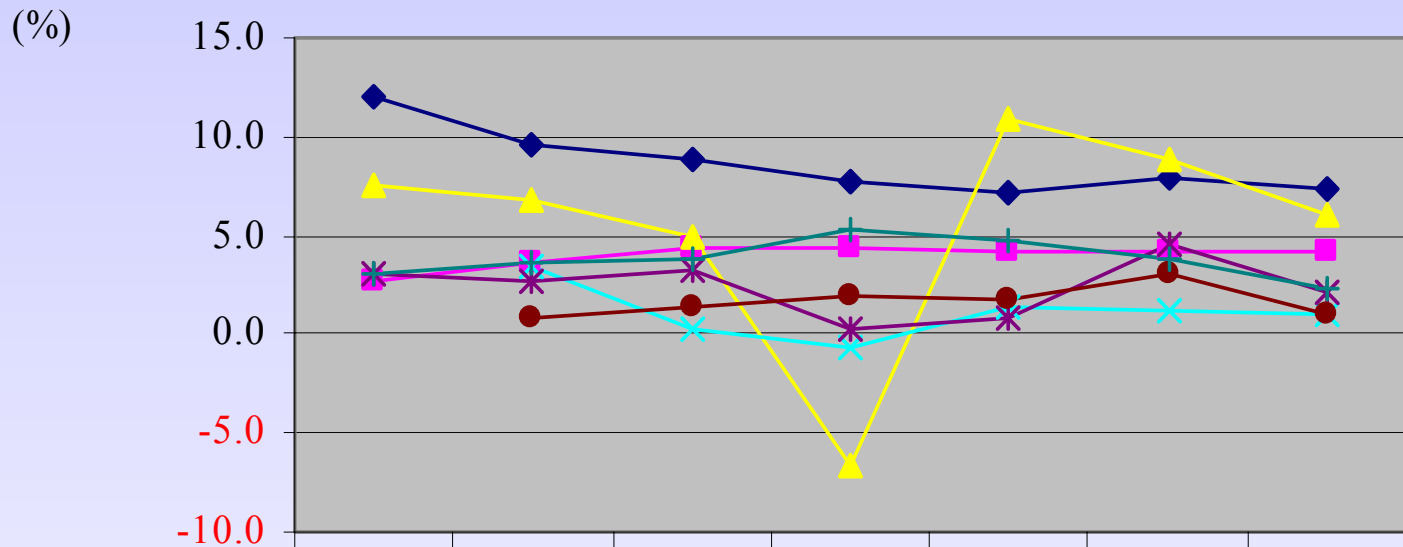
Why Foreign Companies should invest in China

- China needs new technology and foreign capital for ferroalloy production
- China has a big production of steel and it is the fastest growing market for the next coming years
- Chinese production costs are lower than other countries in Asia
- China also is close to the Steel production market in Asia
- China gives a benefit for foreign investment

Why Foreign Companies should invest in China

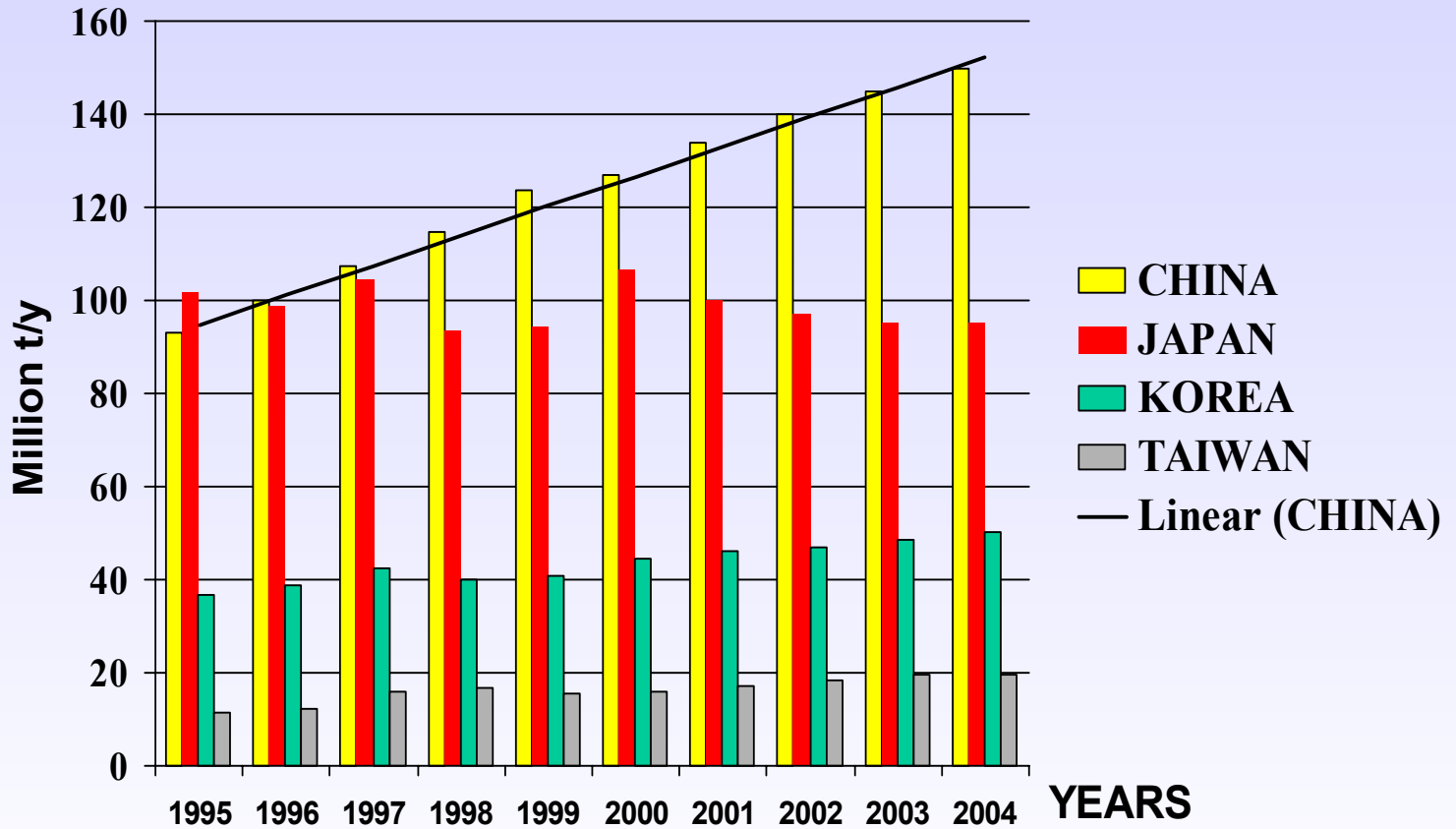
- Statistics show the consistent growing numbers of steel production and importation of ores
- Foreign investors aim China as one of the most important markets in the world
- Foreign companies are looking for market share in China

Real Growth Rate of GDP



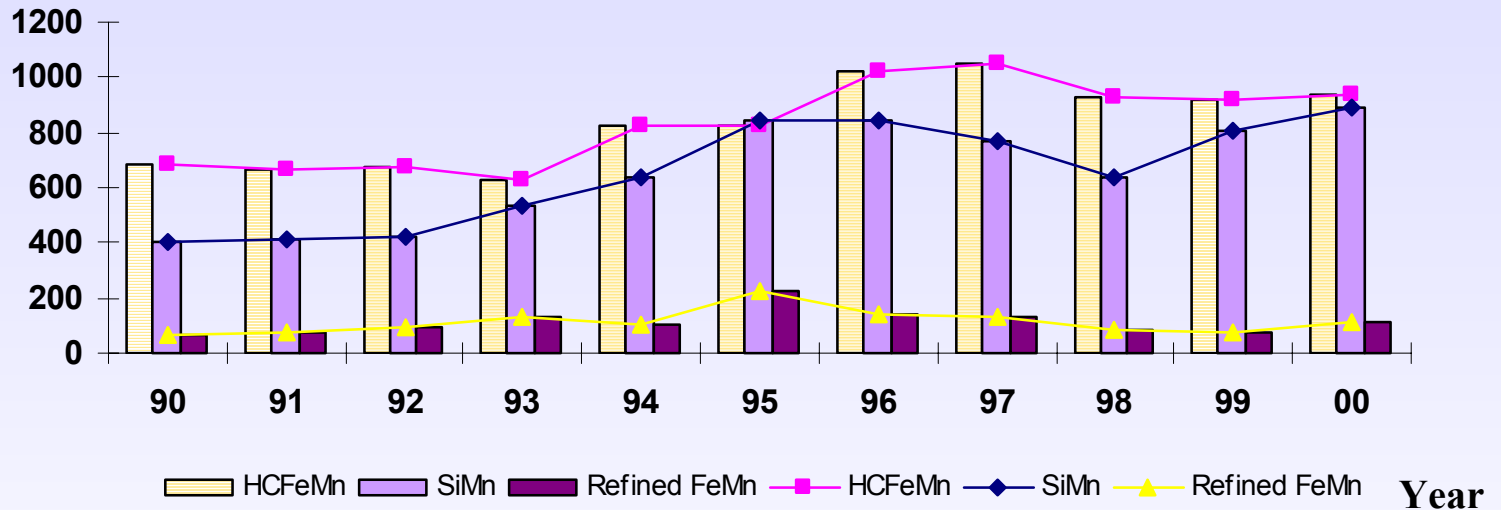
	91-95	1996	1997	1998	1999	2000	2001
◆ China	12.0	9.6	8.8	7.8	7.2	8.0	7.3
■ USA	2.7	3.6	4.4	4.3	4.1	4.1	4.1
▲ KOREA	7.5	6.8	5.0	-6.7	10.9	8.8	6.0
✕ JAPAN (FY)		3.4	0.2	-0.6	1.4	1.2	1.0
✱ Brazil	3.1	2.7	3.3	0.2	0.8	4.5	2.2
● Germany		0.8	1.4	2.0	1.8	3.0	1.1
+ Australia	3	3.7	3.8	5.3	4.7	3.8	2.3

CRUDE STEEL PRODUCTION IN CHINA/JAPAN/KOREA/TAIWAN 1995 - 2001 AND FORECAST 2002 - 2004



China Mn Alloys Production

X 1000 MT/Year



CHINA'S FAVORABLE POLICY TO ATTRACT FOREIGN INVESTMENT

- The general EIT rate is 33%, including 3% local EIT computer based on the taxable income
- The EIT rate may be reduce to 24% or 15% subject to location and nature of FIE
- In respect of FIE in the encourage industries and projects, the government of provinces may decide to exempt the 3% local FEIT
- The withholding tax rate has been reduced to 10% (Guofa 200037)

CHINA'S FAVORABLE POLICY TO ATTRACT FOREIGN INVESTMENT

- Production FIEs with an operation period not less than 10 year is entitled to EIT holidays of two years full exemption and three years of 50% EIT reduction, commences from the first profit-making year after the prior years allowable losses have been utilized.
- After the exemption and reduction period, if the company's export value over 70%, it continues to enjoy the 50% reduction

FORMS OF INVESTMENT IN PRC

Foreign Investment Enterprise (FIE) is a form of direct investment in the PRC and may be in one of the following forms:

- Wholly Foreign Owned Enterprises (“WFOEs”)
- Equity Joint Venture (“EJV”)
- Cooperative Joint Ventures (“CJVs”)

Conclusion

- The conditions for investment are attractive
- The actual ferroalloys capacity need investment in technology and environmental control
- There is favorable policy and incentives for foreign investment in PRC

Thank you !