Provisions on the Administration of Foreign-Invested Financial Leasing Companies

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Chapter I — General Provisions

Article 1 — These Provisions are formulated in accordance with the Company Law of the People's Republic of China, the Law of the People's Republic of China on Foreign-Invested Enterprises, the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures, the Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures, the Contract Law of the People's Republic of China, and other relevant laws and administrative regulations for the purpose of promoting the healthy development of the financial leasing industry, standardizing the business activities of foreign-invested financial leasing companies, and strengthening supervision and administration.

Article 2 — For the purposes of these Provisions, "foreign-invested financial leasing company" means a financial leasing company established within the territory of China through foreign investment in accordance with Chinese laws and regulations. Foreign-invested financial leasing companies shall be established as

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Sino-foreign equity joint ventures, Sino-foreign contractual joint ventures, or wholly foreign-owned enterprises.

Article 3 — The Ministry of Commerce shall be responsible for the examination, approval, supervision, and administration of foreign-invested financial leasing companies. The establishment of foreign-invested financial leasing companies shall be subject to the approval of the Ministry of Commerce.

Article 4 — The term "financial leasing" as used in these Provisions means a transaction in which the lessor purchases the leased asset from the supplier based on the lessee's selection of the supplier and the leased asset, and provides the leased asset to the lessee for use, while the lessee pays rent.

Chapter II — Conditions for Establishment

Article 5 — To establish a foreign-invested financial leasing company, the following conditions shall be met: (1) the registered capital shall be not less than USD 10 million; (2) a Sino-foreign equity joint venture or Sino-foreign contractual joint venture financial leasing company shall have foreign investors whose total assets are not less than USD 50 million; the total assets of the Chinese investors shall be not less than RMB 100 million; (3) a wholly foreign-owned financial leasing company shall have foreign investors whose total assets are not less than USD 50 million; (4) the investors shall have a good business reputation and no record of major violations of laws or regulations within the three years prior to the application; (5) professional management personnel who meet the requirements for the position shall be employed; and (6) other conditions prescribed by laws and administrative regulations.

Article 6 — The term of operation of a foreign-invested financial leasing company shall generally not exceed 30 years. If a longer term is required, approval shall be obtained from the Ministry of Commerce.

Article 7 — The investors shall pay their subscribed capital contributions in cash. The registered capital of a foreign-invested financial leasing company shall be fully paid within six months from the date of issuance of the business license.

Chapter III — Approval and Registration Procedures

Article 8 — To establish a foreign-invested financial leasing company, the investors shall submit the following documents to the Ministry of Commerce: (1) an application signed by the legal representative of each investor; (2) the contract and articles of association; (3) the approval document or business license and creditworthiness certificate of each investor; (4) the audited financial statements of each investor for the most recent three years; (5) the resumes of the proposed directors and senior management personnel; (6) other documents required by the Ministry of Commerce.

Article 9 — The Ministry of Commerce shall complete the examination within 90 days from the date of receipt of all application documents. If the application is approved, an approval certificate for foreign-invested enterprise shall be issued.

Article 10 — Within 30 days from the date of obtaining the approval certificate, the applicant shall go through registration formalities with the administrative department for industry and commerce and obtain a business license.

Article 11 — After the foreign-invested financial leasing company is established, it shall file with the local commerce authority for the record and shall notify the local taxation authorities, foreign exchange administration authorities, and financial regulatory authorities.

Chapter IV — Business Operation and Administration

Article 12 — A foreign-invested financial leasing company may engage in the following businesses: (1) financial leasing business; (2) leasing business; (3) purchasing leased property from domestic and foreign

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sources; (4) residual value disposal and maintenance of leased property; and (5) leasing transaction consulting and guarantee business.

Article 13 — A foreign-invested financial leasing company shall conduct financial leasing business in accordance with the principles of legality, fairness, and good faith as prescribed by law. The rights and obligations between the financial leasing company and the lessee shall be determined by contract.

Article 14 — The financial leasing contract shall specify the name, quantity, specifications, technical performance, inspection methods, lease term, rent composition, payment method and currency, and dispute resolution method of the leased property.

Article 15 — A foreign-invested financial leasing company shall establish a risk management system, including the evaluation of lessee credit, project risk review, post-lease management, and risk disposal mechanisms.

Article 16 — Foreign-invested financial leasing companies may obtain financing from domestic and foreign financial institutions in accordance with the law. The total risk assets of a foreign-invested financial leasing company shall generally not exceed ten times its net assets.

Article 17 — A foreign-invested financial leasing company shall establish a sound financial and accounting system and truthfully record and reflect its financial position and operating results. It shall prepare annual financial accounting reports and submit them to the relevant authorities within the prescribed time.

Article 18 — Where a foreign-invested financial leasing company imports leased property, it shall handle import formalities in accordance with relevant State provisions. The financial leasing company may enjoy relevant tax policies in accordance with the law.

Chapter V — Supervision and Administration

Article 19 — The Ministry of Commerce and its authorized agencies shall exercise supervision and administration over foreign-invested financial leasing companies. Foreign-invested financial leasing companies shall accept supervision and inspection by the Ministry of Commerce and other relevant authorities, and shall truthfully provide relevant materials and information.

Article 20 — A foreign-invested financial leasing company shall submit an annual report on its operations to the Ministry of Commerce before March 31 of each year. The annual report shall include the company's financial position, business operation, changes in shareholders, and risk management.

Article 21 — Where a foreign-invested financial leasing company changes its name, business scope, registered capital, shareholders, or other major matters, it shall apply to the Ministry of Commerce for approval and go through the change registration formalities in accordance with the law.

Article 22 — In the event of dissolution, liquidation, or bankruptcy of a foreign-invested financial leasing company, it shall be handled in accordance with the Company Law and other relevant laws and regulations.

Chapter VI — Supplementary Provisions

Article 23 — Financial leasing companies established with investment from investors in the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Taiwan region shall be governed by these Provisions with reference thereto.

Article 24 — The Ministry of Commerce shall be responsible for the interpretation of these Provisions.

Article 25 — These Provisions shall come into force on March 5, 2005. The Provisions on the Examination and Approval of Foreign-Invested Financial Leasing Companies previously promulgated by the Ministry of Foreign Trade and Economic Cooperation shall be repealed simultaneously.

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