



Exporting your Medical Technology to China: Financial Structures

Speaker:

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Introduction

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Presentation Outline

- I. Selling into China
- II. Customs and Trade Regulation
- III. Foreign Business and Investment
- IV. Operations without Partners
- V. Operations with Chinese Partners
- VI. Special Function Operations
- VII. Offshore Structuring
- VIII. Taking Security

I. Selling into China

④ Direct Sale into China

- Highly regulated
- Importing rules and regulations
- Payment in foreign exchange
- Sophistication of customer
- High risk and potentially high reward

I. Selling into China

④ Foreign Trade Agency

- Traditionally, foreign purchases can only be made through government approved trade agency
- No longer required post-WTO
- Function of Foreign Trade Agent
- Bureaucracy or facilitator?

I. Selling into China

© Trade Finance

- Foreign currency control
- Letter of Credit from Chinese banks
- Export Development Corporation
- Canadian banks in China

II. Customs and Trade regulations

- ② Tariff Reduction
 - WTO commitment – average 11-12%
- ② China Customs
 - Aggressive investigation
 - Ignore procedure safeguards
- ② Customs compliance system

II. Customs and Trade regulations

- ◉ Foreign-Invested Enterprise (FIE)
Control Rules
 - Import License for commodities
 - Quota Certificate
 - Protection of domestic industry

III. Foreign Business and Investment

- ⑥ Ministry of Commerce (MofCom)
- ⑥ Foreign Investment Guidelines
 - Key National Regulations for implementing China's foreign investment policy:

Provisional Regulations for Guiding the Direction of Foreign Investment (The “Guiding Regulations”)

III. Foreign Business and Investment

- ◉ Guiding Regulations provide for publication of:
 - Catalogue for Guiding Foreign Investment in Industries (the “**Foreign Investment Catalogue**”)
 - Catalogue of Priority Industries for Investments in the Centre and Western Region (the “**Regional Catalogue**”)

III. Foreign Business and Investment

© Foreign Investment Categories

- Encouraged
- Restricted
- Prohibited
- Permitted*

III. Foreign Business and Investment

Foreign Investment Catalogue – Encouraged category examples:

Manufacturing Sector

- electronic endoscopes
- medical X-ray machines set with high-frequency technique, direct digital imagery processing technique and low radiation (80kW or over)
- equipment for high magnetic field intensity and superconductor
- machines for collecting blood plasma only
- equipment for auto elisa immuno system (including the functions of application of sample, elisa photo meter, wash plate, incubation, data, post treatment, etc.)

III. Foreign Business and Investment

© Foreign Investment Catalogue – Restricted examples:

Manufacturing Sector

- Production of non-self-destructible expendable injectors, transfusion systems, blood transfusion systems, blood bags

IV. Operations without Partners

- ◉ Representative Office
 - Non-legal entity
 - Limited business activities
 - No profit making activities
 - Requires business license

IV. Operations without Partners

- ◉ Wholly Foreign-Owned Enterprises
 - Preferred choice of entity
 - Advantages
 - Registered capital requirement
 - Contribution of capital in kind
 - May expatriate profit by declaring dividend

V. Operations with Chinese Partners

- ④ Advantages vs. WFOE
- ④ Equity Joint Venture
- ④ Contractual (Co-operative) Joint Venture

V. Operations with Chinese Partners

- ④ Co-operative Joint Venture (CJV)
 - Joint Venture between Foreign and Chinese Partners
 - Minimum 25% Foreign Participation
 - High Flexibility

V. Operations with Chinese

- ④ Equity Joint Venture
 - Limited Liability Company
 - Minimum 25% Foreign Participation
 - Well Developed Regulatory Framework

VI. Special Function Operations

- ⑥ Processing Trade Contract (Outsourcing)
- ⑥ Maintenance and Technical Service Operations

VII. Offshore Structuring

- © Advantages and Disadvantages

VIII. Taking Security

- ⑥ Secured Interest Contracts
 - Fairness principle
 - Ancillary to Main Contract
- ⑥ Mortgage
 - Machinery and equipment
 - Registration required

**“Doing business in China is easy...
..it’s getting paid that is hard.”**

Q & A

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