BEIJING -- The State Council, China's Cabinet, released here Tuesday new regulations on overseas investment, promising good business conditions but restricting funds to environmentally unsound projects.

According to the new regulations, China still welcomes foreign investment in high-tech industries, services sectors, energy-saving and environmental protection, but polluting and energy-gorging or projects in industries running at overcapacity are not wanted.

According to the regulations, the State Council said China will continue to support Chinese A-share listed companies in further introducing strategic investors from home and abroad, and standardize foreign companies' investment in domestic securities and corporate merger and acquisition moves.

A national security examination mechanism will be built as soon as possible for foreign-funded companies' merger and acquisition operation in China, according to the regulations.

Qualified foreign-funded companies are allowed to go public, issue corporate bonds or medium-term bills in China.

Multinationals are encouraged by the regulations to set up regional headquarters, research and development centers, procurement hubs, financial management and other functional offices in China.

Importing items for scientific and technological development by qualified foreign-funded R&D centers will be exempt from tariffs, importing value added tax and goods and services tax by the end of 2010, according to the regulations.

Foreign-funded enterprises are also encouraged to increase their investment in China's central and western regions, particularly in environment friendly and labor-intensive companies.