

# Foreign Direct Investment in China 2019



## INDEX

1. Introduction.....	2
2. Deciding on an Investment.....	3
3. Types of Foreign Investments.....	7
4. Establishing an Entity.....	13
5. Capital and Funding.....	19
6. Labor .....	23
7. Mergers and Acquisitions.....	28
8. Tax.....	33
9. Intellectual Property (IP) .....	36
10. Competition Law.....	39
11. Exiting China.....	41
12. List of Abbreviations.....	45

# 1. Introduction

## 1.1 Why Invest In China

Area	9,596,960 sq. km
Population	1.390 billion (2017)
GDP (Exchange Rate)	USD 12.206 trillion (2017 est.)
GDP real growth rate	6.9% (2017 est.)
Unemployment Rate	3.9% (2017 est.)
GNI per capital	USD 8,781 (2017 est.)

(Statistics from the World Bank website and the CIA World Fact Book).

China began its policy of opening up in 1979 under the leadership of Deng Xiaoping. Seeing foreign direct investment (FDI) as one of the keys to its economic growth, China has over the past three-and-a-half decades liberalized its policies and invited increasing levels of FDI. China joined the WTO in 2001 and now as a result proudly offers foreign investors a vast territory with abundant resources and a large work force, supported by world-class infrastructure that is framed in a predictable legal system.

## 1.2 Our Guide

This guide will introduce the main legal issues that every foreign company or individual should bear in mind when investing in China. Firstly, it highlights the various sectors that may be invested in and their different geographic locations. It also discusses the most

convenient vehicles for various investments. Finally, the guide also deals with other factors foreign investors need to consider including approvals and registration, tax treatment, the labor regime, among others.

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## **2. Deciding on an Investment**

Deciding on an investment in China involves two steps: (1) deciding what sector to invest in; and (2) deciding where in China to invest.

### **2.1 Choosing A Sector: The Foreign Investment Guidance Catalogue And Negative List**

One of the fundamental legal documents regulating foreign investment in China is the Catalogue for the Guidance of Foreign Investment Industries (Catalogue). It is issued by the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM). The most recent Catalogue was published in 2017, which has come into effective on July 28 of the same year. The 2017 Catalogue introduces a section listing industries in which foreign investment is encouraged (the “encouraged” category) and a section listing special administrative measures on access for foreign investments (the

“Negative List”). Negative List, which is part of Catalogue, was revised in June 29 2018. Compared to the 2017 Negative List, 2018 Negative List classifies the industries by their features while the 2017 Negative List classify them into two sub-categories which are restricted and prohibited.

Besides the “encouraged” category and the industries included in the Negative List, any remaining sectors unlisted in the Catalogue are automatically presumed

permissible for investment. Industries in encouraged category enjoy simplified approval procedures and favorable tax treatment, including customs duty and value added tax (VAT) exemptions, while industries included in the Negative List are subject to more onerous approval requirements, shareholding restrictions, a higher level of government scrutiny or, for some specific industries, totally forbidden. Therefore, if a foreign investor would like to know if their investment falls within the Negative List and requires MOFCOM approval, the national Negative List section would be the best place to look. The 2018 Negative List reduces the number of restrictions or special administrative measures on foreign investment from 63 to 48, compared with the 2017 Negative List.

The list has greatly expanded the opening of the service industry. As a reflection of Opening-up policy in financial market, the restriction on ratio of foreign shares in the banking industry was removed, and the restriction on ratio of foreign shares of securities companies, fund management companies, futures companies, and life insurance companies was relaxed to 51%. In 2021, all foreign capital ratios restriction in financial sector would be lifted.

## 2.2 Location

The distribution of FDI among regions of China has been very uneven, as the relatively

prosperous coastal regions have attracted the bulk of FDI. Coastal regions were first opened to foreign investment. While they usually combine better infrastructure and highly qualified personnel with more experienced bureaucracy and better possibilities of enforcing the rule of law, land and labor costs are generally higher. On the other hand, interior regions offer lower land and labor costs, together with political favor, but they may not have the levels of infrastructure, transport, skilled employees and legal security offered by coastal regions.

### 2.2.1 Central and Western China

In order to tackle this imbalance, NDRC and MOFCOM issued the Catalogue of Priority Industries for Foreign Investment in Central and Western China<sup>1</sup>. In this document, Foreign investment in several industries is “encouraged” if invested in locations such as Shanxi, Liaoning and Anhui Provinces, Inner Mongolia and Xinjiang Uygur Autonomous Regions; Chongqing Municipality; among many others.

### 2.2.2 Special Zones

In addition, China offers a number of special zones which provide various incentives and benefits to investors in those regions. The most important of these zones are described in the table below.

<b>Zoe</b>	<b>Description</b>
Special Economic Zones (SEZ)	<ul style="list-style-type: none"> <li>• Tax and business incentives</li> <li>• Better infrastructure and bureaucratic procedures</li> </ul>
Economic and Technological Development Zones (ETDZ)	<ul style="list-style-type: none"> <li>• Emphasize the development of production enterprises, scientific and technological research</li> </ul>

	<p>institutions</p> <ul style="list-style-type: none"> <li>• Special treatment is available for production enterprises.</li> <li>• Preferential tax treatment, as well as a higher level of infrastructure and communications</li> </ul>
<p>Hi-Tech Development Zones (HTDZ)</p>	<ul style="list-style-type: none"> <li>• Strengthen integration among scientific research, education and production, and promote the development of scientific techniques, society and the economy</li> <li>• Preferential tax treatment, as well as a higher level of infrastructure and communications</li> </ul>
<p>Free Trade Zones (FTZ)</p>	<ul style="list-style-type: none"> <li>• Goods may be landed, handled, manufactured or reconfigured, and re-exported without the intervention of the customs authorities.</li> <li>• Only when the goods move to consumers within China do they become subject to the prevailing customs duties.</li> <li>• Preferential tax and currency treatment and a high level of infrastructure such as transport facilities, telecommunications and energy supply.</li> </ul>

Of special note are the FTZs in Shanghai, Tianjin, Fujian, Guangdong, Chongqing, Zhejiang, Hubei, Henan, Sichuan, Shanxi, Liaoning and Hainan<sup>2</sup>. These FTZs can experiment with more liberal economic and social reforms. Of particular importance to

foreign investment is the negative list, i.e., unlike in the rest of China, specifies the areas that are off limits to foreign capital. Foreign investments in areas not on the list are only subject to a record-filing process; it is a shift from the previous case-by-case approval regime.

There are also a number of other special geographic locations in China, such as export processing zones, bonded logistics zones, coastal development areas, frontier economic cooperative zones and national holiday zones.

### 3. Types of Foreign Investments

Once the certain industry and location of the investment have been chosen, the next step is to decide on the type of investment. A broad comparison of the various types of foreign investments can be found in the table below and described herein.

#### 3.1 Limited Liability Companies

*Wholly Foreign-Owned Enterprises (WFOEs)* are by far the most common vehicle for foreign investors in a wide range of economic activities. WFOEs are enterprises established within the territory of the PRC, which are wholly owned by one or more foreign investors. It does not include any branch established in China by a foreign enterprise or other economic organization.

*Equity Joint Ventures (EJVs)* are one form of Sino-foreign joint ventures. The defining feature of an EJV is that the ownership of the EJV must be the same as the proportion of capital contribution.

*Cooperative/Contractual Joint Ventures (CJVs)* are the other form of Sino-foreign joint ventures. Unlike EJVs, the ownership of the company does not need to be the same as the proportion of the capital contribution; it can be specified in the CJV agreement and

the Articles of Association. In addition, CJVs need not be a separate legal entity as the shareholders can decide if it will be one or not.

*Foreign-Invested Joint Stock Companies* (FIJSCs) are foreign investment enterprises (FIEs) wherein the company is split into a number of equal stocks. FIJSCs can be established in two ways:

(1) promotion - when the promoters incorporate the company by subscribing all the shares to be issued; and (2) share offering - when the promoters subscribe to a portion of the shares to be issued and offer the rest to the general public or specific quarters. In addition, an EJV, CJV or WFOE can be converted into a FIJSC if it has a profit-making record for three consecutive years.

WFOEs, EJVs, CJVs, and FIJSCs are all governed by a Board of Directors although they can be governed by an Executive Director if they have a relatively small number of shareholders and are relatively small in scale. In addition, they are required to have a Supervisory Board (or single Supervisor) which inspects the financial affairs of the company; supervises the performance of the directors and senior management to ensure they are fulfilling their duties; and performs other supervisory functions.

In addition, all limited liability companies in China have the traits as following:

- Term – they cannot be of unlimited term; the term is generally less than fifty years.
- Business scope – all companies in China must have a business purpose which must be quite narrowly written. Taking part in activities outside the defined scope (ultra vires activity) can lead to significant penalties.
- Legal representative – in accordance with the law or the articles of association of

the legal person, the responsible person who acts on behalf of the legal person in exercising its functions and powers shall be its legal representative.

- Company Seal (“Chops”) – Under Chinese law, the company seal is very important. The company seal takes the place of a signature on behalf of the company. In cases where the company seal appears on a document, there is an almost insurmountable presumption that the company’s legal representative has agreed to it.

### **3.2 Partnerships**

Partnerships can, but are not required to, involve a Chinese partner. In either case, the partnership’s capital can be contributed in both freely convertible foreign currencies and/or legally acquired Renminbi (RMB).

Partnerships can be: (i) general partnerships comprised of general partners with unlimited joint and several liabilities for the debts of the partnership; or (ii) limited liability partnerships comprised of both general partners and limited liability partners, the latter only bearing liability for debts to the extent of the capital contributions they have subscribed for.

Limited liability partnerships must consist of at least two but no more than 50 partners (unless otherwise specified by the law) and must have at least one general partner. The partners shall appoint one or more managing partner(s) to represent the partnership and execute its affairs. Only general partners can be appointed as managing partners. The other partners are entitled to supervise the representatives.

### **3.3 Representative Offices (“Rep Offices”)**

Rep Offices can be established in China only for the purpose of liaising on behalf of the parent company and cannot engage in direct business or profit-making activities. Rep

Offices do not constitute separate legal entities from their foreign parent companies, so the parent companies will still be liable for the rep office's obligations (i.e. tax, labor costs, operative costs, etc.).

Rep offices can engage in the following activities: (i) market investigation, display, publicity activities in connection with the products or services of foreign enterprises; and (ii) liaison activities in connection with product sales, service provision, domestic procurement and domestic.

Rep offices that illegally engage in direct business are taxed on their deemed income. Rep offices must have one chief representative and may have up to three other representatives

	<b>WFOE</b>	<b>EJV</b>	<b>CJV</b>	<b>FIJC</b>	<b>Partnership</b>	<b>Rep Office</b>
Separate Entity	Yes	Yes	Can be both	Yes	No	No
Limited Liability	Yes	Yes	If separate entity	Yes	No	No
Control	Full control of the foreign party	Subject to ownership proportion Some decisions require unanimous board approval		Subject to shareholding; Board decisions by majority vote	Depends on the partnership agreement	Complete managerial and operational control

Profit Sharing	As established in the articles of association or shareholders' agreement	In proportion to the equity contribution of each partner	As established in the CJV contract	In proportion to each party's shareholdings	As established in the partnership agreement (subsidiary proceedings established by law)	N/A (Rep offices are not entitled to engage in commercial activities)
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	<b>WFOE</b>	<b>EJV</b>	<b>CJV</b>	<b>FIJSC</b>	<b>Partnership</b>	<b>Rep Office</b>
Capital Recovery	Share net assets upon liquidation; Sale of interest; Capital reduction only in special circumstance	Share net assets upon liquidation; Sale of interest; Capital reduction only in special circumstance	Early capital recovery permissible; Share net assets upon liquidation; Sale of interest; Capital reduction only in special	Share net assets upon liquidation; Sale of interest; Capital reduction only in special circumstances	Partner retires Share partnership assets upon liquidation; Contribution reduction only in special circumstances	N/A

	s	s	circumstances			
Intellectual Property	Controlled	Possibly at risk	Possibly at risk	Possibly at risk	Possibly at risk in Sino-foreign partnerships	N/A

### 3.4 Organizing the Corporate Structure

#### 3.4.1 Foreign Invested Investment (Holding) Companies

Foreign-invested Investment (or Holding) Companies are allowed in China to facilitate foreign investors' investment, and introduce advanced technologies and management expertise from foreign countries. Holding companies are defined as firms established by foreign companies, enterprises, or economic organizations to engage in direct investments.

In order to establish a Holding Company, the foreign investor must show that it has good credit standing and meets various criteria regarding assets, previously established FIEs, etc. If the Holding Company is an EJV, the Chinese partner must show that it meets similar criteria.

Holding Companies are limited in the activities they can undertake. They can invest in sectors where foreign investment is allowed, provide certain services to its invests, etc. but are not allowed to engage in direct production activities.

#### 3.4.2 Multinational Companies' Regional Headquarters

Multinational Companies may establish their Regional Headquarters in China through the constitution of a FIE in order to provide management and services to its corporate structure within China and/or other countries. A Holding Company can be recognized as the

Regional Headquarters of a Multinational Company if it satisfies certain requirements.

Beijing, Guangzhou, Shanghai and the Guangdong province all have specific regulations regarding the establishment of regional headquarters.

## 4. Establishing an Entity

There are various steps that must be taken in order to establish one of the entities described in section 3. The steps are outlined on the next page and described below.

### 4.1 Pre-approvals

There is no minimum registered capital required for WFOEs with scope of business of consulting, Trading, retailing, information technology etc. There is no paid-up capital required, either. However, minimum registered capital is still required for some industries, such as (not limited to) Banking and Forwarding. In addition, it should be noted that foreign investors are prohibited from submitting the applications required for establishing a WFOE to the relevant authority in China. The application must be submitted by an authorized PRC entity, who will act as a sponsor.

**Name Pre-Approval** The first step in the establishment of a FIE is to seek pre-approval for the name of the enterprise from the local National Administration of Industry and Commerce (NAIC). Enterprise names must consist of the following parts: administrative area (province, city or county), trade name, trade or business operation characteristics (industry) and organizational form (i.e. LLC). In addition, the enterprise name shall be in Chinese characters and the foreign language name must conform to its Chinese name and also be registered.

**Project Approval** If the project involves fixed assets, then the project must be filed with

the National Development and Reform Commission (NDRC) or a local Development and Reform Commission (DRC). Some projects require approval whereas others need merely be filed for the record. What action needs to be taken depends primarily on the category of the investment and the total investment amount.

Environmental Approval No permission for a construction project shall be granted before an environmental impact assessment report is approved by the Ecology and Environment Department (or its local branch) and the facilities for the prevention and control of pollution are examined<sup>3</sup>. Also, enterprises that discharge waste must register before the Ecology<sup>4</sup> and Environment Department. If they discharge waste in excess of the allowed national or local levels, additional fees must be paid.

Other Approvals Depending on the type of project, pre-establishment approval might need to be obtained from a number of other authorities (e.g. banking, education, etc.).

## **4.2 Company Establishment**

### **4.2.1 Procedures For Formal Approval (Negative List FIEs)**

Together with the required formal documentation (application forms, notice on the pre-approval of the name, etc.), the investors of the FIE shall provide its articles of association setting forth matters such as the purposes, organizational principles, operation and management; together with a feasibility study report establishing the technical and financial assumptions for its operation.

In the case of JVs, investors also need to provide the agreement containing the foreign and Chinese parties' consensus on certain key points and the contract stipulating the parties' rights and obligations towards each other. In the case of WFOEs, a contract needs to be provided only if there are two or more foreign investors who have jointly applied for its

establishment.

The authority shall decide whether to grant or deny the approval within ninety days (WFOE5), three months (EJV6) or forty-five days (CJV7) after receiving all the necessary documentation.

Investment in certain sectors (e.g. financial institutions) and share public offerings require the approval or license issued by the competent government body regulator.

#### **4.2.2 Procedures For Record-filing of Establishment (Non-Negative List FIEs)**

Alternatively, FIEs that do not fall within the scope of the Negative List must file for establishment via the online record-filing system:

- (1) AFTER filing for name pre-approval, PRIOR TO the issuance of the Business License; OR
- (2) WITHIN 30 days of issuance of the Business License.

The necessary documents should be uploaded via the comprehensive administration system, including: application materials for name pre-approval or Business License, a letter of commitment signed by all investors of the FIE or their authorized representatives, certification of the designated representatives or entrusted agents and proof of identity of investors and legal representatives.

MOFCOM or the Record Filing Institution will determine if the FIE falls within the scope of record-filing. In the case that it is satisfied, the Institution will check that the application is complete and accurate, and complete the record-filing within 3 business days. The outcome of the application will be released publicly online. If the application is incomplete or inaccurate, the FIE will receive an online notification to supply additional

materials within 15 business days<sup>8</sup>.

#### **4.2.3 Legal Liability**

Where a FIE or its investors fails to perform its record-filing obligations; provides misleading or false information in the process of record-filing; conducts investment and operation activities in restricted investment sectors listed in the Negative List without formal approval; or refuses to comply with supervision and inspection by competent commerce departments, administrative penalties shall be imposed.

### **4.3 Company Registration**

WFOE, EJV, CJV: The investors shall apply for the registration of the FIE before the competent AIC.

Upon approval of the registration, the AIC shall issue the FIE's business license. FIEs exist and have independent legal personality from the moment they obtain their business license. Before their business license is issued, FIEs are not allowed to engage in business operations or enter into binding contracts.

Partnerships: For partnerships, registration is directly required by the local AIC. However, if the scope of operation of the partnership enterprise includes industries that need to be approved before registration, the approval documents must be submitted.

The AIC shall decide whether or not to approve the partnership within 20 days from the date of acceptance of the application, but can often be done on the spot.

Rep Offices Direct registration with SAIC or its local AIC branch is sufficient to establish a rep office of a foreign advertising, pharmaceutical, trading, manufacturing,

freight forwarding, contracting, consultancy, leasing, or railway transportation company. However, prior approval granted by the competent industrial regulator is still required to establish a rep office in other sectors.

#### **4.4 Post-registration Approvals**

Once the business license is obtained, the FIE must apply for the following post-registration approvals (which may vary depending on the specific business scope of each FIE):

- Company seal registration: Public Security Bureau;
- Registration of organizational code: Administration for Organizations Code Allocation;
- National and local taxation registration: State Administration of Taxation and Local Taxation Bureau, respectively;
- Foreign exchange registration: State Administration of Foreign Exchange;
- Statistical registration: Bureau of Statistics;
- Public security registration: Public Security Bureau;
- Finance registration: Finance Bureau or its district or county level;
- Import and/or export: Local Customs Bureau;
- Products inspection and quarantine registration: Inspection and Quarantine Bureau;
- Labor registration: Local Labor Bureau.

## 4.5 Administrative Measures For for Alteration of FIEs

The designated representatives or entrusted agents of FIEs shall file an Application for Record-filing for the Change of FIEs and the relevant documents within 30 days upon the occurrence of the following changes via the online record-filing system:

- Change of basic information of FIE, including: name, registered address, type of business operating period, investment industry, business type, operation scope, whether or not it falls within the scope of tax exemption, registered capital, total investment, organizational structure, legal representative, and contact information of legal representatives;
- Change of basic information of investors of FIE, including: name, nationality/registered address (place of registration or registered address), license type and number, capital subscribed contribution, type of investment, investment period, source of funds, changes of type of investor.
- Changes in equity (shares) or cooperation interest;
- Merger, division or termination;
- Mortgaging of FIE property or rights and interests to others;
- Advance recovery of investments by foreign partners of Sino-foreign CJVs;
- Entrusted operation administration of Sino-foreign CJVs.

### **Procedures for Record-filing of Alteration**

See section titled “Procedures for Record-Filing of Establishment”

## 4.6 Supervision & Management

Competent commerce departments are legally responsible for supervising and inspecting the implementation of these measures by foreign-invested enterprises and their investors. Specifically, competent departments have a variety of methods for checking,

including the spot check and conducting examinations according to reports, etc. As for as the contents of supervision and inspection, the following list should be included:

- Whether the record-filing procedure is legitimately handled.
- Whether the record-filing information is filled authentically, correct and complete by FIEs or their investors.
- Whether the investment invested in falls within forbidden investment sectors.
- Whether the investment falls within the restricted sectors without approval.
- Whether circumstances that trigger national safety inspection exist.
- Whether they are illegally using the Record-filing receipt; and
- Whether they executed any administrative penalty decision.

## 5. Capital and Funding

The 2014 amendments to the Company Law removed the general minimum registered capital requirements. Nonetheless, other laws and regulations do specify minimum registered capital requirements for companies in particular sectors or that engage in particular activities.

## 5.1 Registered Capital

### 5.1.1 Types of Capital Contributions

Capital contributions may be made in the form of currency or alternatively, in other non-monetary forms such as: materials, intellectual property rights, land use rights, etc. However, capital contribution cannot be made in the form of “labor services, credit, the name of a natural person, business goodwill, franchising right, or property on which there is a guarantee on the basis of valuation.”

If currency is contributed, foreign investors can pay in freely convertible currency or RMB (if the RMB was obtained through investment in another FIE and subject to the approval of MOFCOM). For FIJSCs established through share offerings, the shares subscribed by the sponsors must amount to at least 35% of the total.

If non-monetary assets are contributed, they must be evaluated and priced by a qualified institution, except for CJVs without an independent legal personality because no capital will be registered.

### 5.1.2 Schedule of Capital Contribution

The parties can agree on the schedule for the contribution of the registered capital, which must be specified in the application for establishment of the FIE and its articles of association. The capital can be contributed in one lump sum or installments.

## 5.2 Equity Funding

Although the Company Law no longer specifies minimum registered capital requirements, there are still requirements for JVs and WFOEs that a certain percent of the Total

Investment Amount be registered capital. This percent depends on the Total Investment Amount and is shown in Table 3 below9.

Total Investment Amount (equity funding + loans)	Minimum portion of the total investment required to be registered as capital
USD 0 – 3 million	70%
USD 3 – 10 million	50% (min: USD 2,1 million)
USD 10 – 30 million	40% (min: USD 5 million)
USD 30 million or more	1/3 (min: USD 12 million)

### 5.3 Loans

FIEs can borrow loans in either RMB or foreign currency without any prior approval.

However, foreign currency loan agreements must be registered with the State Administration of Foreign Exchange (SAFE).

In general, the total debt incurred by a FIE can never exceed the difference between their total investment and registered capital. However, in the specific case of holding companies, the incurred debt must comply with the following ratios<sup>10</sup>:

Registered capital (USD)	Maximum amount of loans
30 – 100 million	Four times the paid in capital

More than 100 million	Six times the paid in capital
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Loans that exceed the limitations but are required in virtue of the FIE's operations may only be obtained after prior approval from MOFCOM. If the approval is not granted by MOFCOM, the FIE must reduce its incurred debt or increase its registered capital (see next section).

## 5.4 Increase or Decrease in Registered Capital

Increasing the registered capital of a FIE requires record filling with MOFCOM and subsequent registration amendments before the AIC. On the other hand, registered capital decrease requires an public announcement to all of the creditors and potential creditors and it will take much longer time compared to capital increase.

If the FIEs capital is increased or decreased, the articles of association (and, in the case of JVs, the contract) need to be amended to reflect such modifications.

## 5.5 Foreign Exchange

An FIE must apply for foreign exchange registration after receiving its business license. Once the registration is approved, SAFE will issue the Foreign Exchange Registration Certificate for a Foreign-Invested Enterprise, after which the FIE will be entitled to open and maintain foreign exchange accounts in Chinese banks allowed to engage in foreign exchange business. If the FIE intends to open a foreign exchange account outside China, prior approval from SAFE's is required.

As the RMB is still not fully convertible, the Provisions for the Administration of Domestic Foreign Exchange Accounts issued by the People's Bank of China on October

1997 makes it necessary to distinguish between “current account” items and “capital account” items.

## 5.6 Financial and Accounting Issues

The accounting years shall be from January 1st to December 31st each year.

The profits must be distributed in the following order: (i) payment of taxes; (ii) make-up of previous accounting years’ losses; (iii) withdrawal of funds; and (iv) distribution to the investors. Undistributed profits from previous accounting years can be distributed in current accounting years.

Regarding the allocation of funds, all FIEs must withdraw from its profits (1) reserve funds (up to 50% of the registered capital, intended to cover losses); and (2) rewards/ welfare funds for the employees. EJVs must additionally withdraw the enterprise development funds.

## 6. Labor

### 6.1 The Labor Relationship

All labor requires written labor contracts. In the absence of a written contract, there are significant penalties, as described below:

<b>Time</b>	<b>Action</b>
Within the first month	Must sign a written labor contract
From the end of the first month to the end of the first year	The employer must pay the employee double his/her monthly salary

At the end of one year	An open-ended labor contract is deemed to have been concluded
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However, if the employer notifies the employee of the need to conclude a written contract but the employee fails to do so within one month, the employer is entitled to terminate the labor relationship without paying any compensation.

There are three types of labor contracts:

- fixed (with an agreed upon ending date);
- open-ended (no agreed upon ending date);
- subject to the completion of an entrusted assignment.

Employers are entitled to require their employees to go through a probationary period during which the employer can pay the employee a lower amount (subject to limits) and terminate the employee without notice. The maximum length of the probationary period depends on the length of the contract.

Term of Labor Contract	Maximum Probationary Period
Three months to one year	One month
One year to three years	Three months
Longer than three years	Six months

In general, the employer can only terminate the employee under certain circumstances

(relating to the employee's ability to fulfill his/her function, changes in circumstances, or the situation of the company) and must give the employee 30 days' notice. Termination without notice can be given in certain, enumerated, serious circumstances (e.g. if the employee seriously violates labor discipline or the employer's rules and regulations). However, under certain circumstances, an employee cannot be fired (e.g. if the employee is receiving medical treatment).

After termination, the employee is entitled to one month of compensation for each year he/she worked for the employer.

Employees can resign with 30 days' notice but can dispense with the notice requirement under certain serious circumstances (e.g. if the employer fails to pay the entire salary on time).

Part-time employment, at most four hours per day and twenty hours per week, is not subject to the rules regarding written labor contracts, probationary periods, and termination.

In addition, foreign investors should be aware of the following relating to labor issues:

- With some exceptions, the employment of minors under the age of 16 is strictly forbidden.
- Unless otherwise approved by the competent labor department, employees shall
- not work more than eight hours a day and forty-four hours per week and must be given one day off a week.
- Overtime work requires consultation with the labor union and is subject to certain limits (generally one hour a day but can be higher if there are special circumstances).  
In addition, overtime pay ranges from 150% to 300%.

- Employees are entitled to a minimum amount of paid leave, the amount of which depends on how long the employee has been employed.
- Governments of the provinces, autonomous regions or municipalities set minimum wage requirements.
- Labor disputes are settled through mediation and/or arbitration, the results of which can be challenged in court.
- Social insurance payments must be made by both the employer and the employees.
- Employees have the right to organize and participate in trade unions, to represent and safeguard their rights and interests, which can enter into collective bargaining agreements.

## **6.2 Foreign Employees**

In general, labor relationships with foreign employees are governed by the same laws and regulations as those with local employees. However, there are certain additional requirements for the hiring of a foreign employee.

In principle, foreigners can be hired for positions where special skills are required and local employees are temporarily unavailable. To be hired in China, foreigners need to satisfy the following requirements:

- be 18 years old or more and in good health;
- have the skills/experience required for the position;

- have no criminal record;
- have a specific employer; and
- hold a valid passport or other required documents.

In order to hire a foreign employee, the following steps must be taken:

- The employer must apply for, and receive, a permit allowing them to hire foreigners.
- The foreigner must apply for his/her working visa.
- The foreigner must enter China and apply for the employment permit within 15 days of entry.
- Finally, the foreigner must apply for a residence permit before a public security authority within 30 days of entry.

The term of labor contracts concluded with foreigners cannot exceed five years, however, the employer can file for an extension 30 days prior to the expiration date.

### **6.3 Dispatch of Foreign Employees to Chinese Subsidiaries**

Senior management employees or senior technical officers of multinationals companies are often dispatched to China to work for Chinese subsidiaries. If they have entered into employment contracts with the overseas holding company, without any labor contractual relationship with the Chinese subsidiaries, they will be treated as having established labor contractual relationship with the overseas employer rather than with the Chinese enterprise where they perform their job.

However, if a foreign employee has worked in China for more than 3 months, his/her employment in the Chinese subsidiary shall also be regulated by PRC laws and regulations and the foreign employee must apply for the relevant working permits. Meanwhile, such foreign employees will be entitled to Chinese welfare and benefits provided by PRC laws and regulations, e.g. rest and vacations.

According to the relevant rules of State Administration of Taxation of PRC on individual income tax (IIT) declaration, a foreign employee working in China under the dispatching arrangement, whose remunerations are paid by the offshore employer rather than the Chinese subsidiaries, does not need to file an IIT declaration and pay IIT as long as he/she stays for no more than 90 consecutive or cumulative days in China within a tax-paying year (or 183 days for employees from countries that have specific treaties with China). Otherwise, the foreign employee must file IIT declaration and pay IIT.

## 7. Mergers and Acquisitions

The M&A targets of foreign investors can be domestic Chinese companies or FIEs. In both cases, foreign investment regulations regarding the available sectors for foreign investment and capital requirements must be respected and complied with.

### 7.1 Acquisitions

Acquisitions can be (1) direct; or (2) offshore/indirect.

	<b>Direct</b>	<b>offshore/Indirect</b>
Description	Direct purchase of the equity interest of the target company	Offshore purchase of shares of the target's foreign parent

	or subscription to its capital.	company or companies
Approvals Required	MOFCOM or its competent local branch Modification of the registration before the Administration of Industry and Commerce.	Anti-trust review may be needed. Note: other reviews might be required by the other jurisdictions.

In addition, acquisitions can be (1) equity acquisitions; or (2) asset acquisitions.

For equity acquisitions, each type of FIE has different limitations regarding the acquisition of its equity:

JVs	The consent of all the non-selling parties is required. In the specific case of EJVs, the non-selling parties have a right of first refusal regarding the intended transfer.
WFOEs	Only the consent of more than half of the partners is required to transfer equity, which does not create major problems when it is owned by one single foreign investor.
FIJSCs	The promoters cannot transfer their shares within three years from the establishment of the company. Afterwards, they can only transfer their shares upon MOFCOM'S approval.

Asset acquisition is subject to strict regulatory restrictions and must always be approved by local authorities. Due to the variety of assets and liabilities that may be involved, the acquisition may be more complex.

Special regulations govern foreign investors' acquisitions of state owned enterprises and private corporations with state-owned interests.

## 7.2 Mergers

Mergers in China are possible as onshore transactions between FIEs and FIEs or between FIEs and domestic companies. However, the merger of a FIE must always result in the establishment of a new FIE; it cannot result in the establishment of a domestic Chinese company. FIEs cannot be merged (or divided) until their registered capital has been fully paid and their production or operation has actually commenced.

The approval mechanisms for mergers of FIEs depend upon whether the merging of FIEs is subject to the special administrative measures of access. Only the merging of FIEs, which falls into the scope of the special administrative measures of access,

requires formal approval by MOFCOM or the competent local government. All other mergers of FIEs is subject to recording-filing of the incorporation and change of foreign-invested enterprises.

### 7.2.1. Procedure for Formal Approval (Administrative Measures of Access)

The formal approval should be examined and approved by MOFCOM or the competent local government. It shall then go to the registration departments (AIC) for registration of establishment, alteration or cancellation.

#### **The formal approval procedure for mergers requires:**

- Pre-approval: The applicant should submit a series of necessary documents to MOFCOM or the competent local government for examination and approval.

- Sending out a notification to the creditors within 10 days of receiving an initial written acceptance from the authorities for examination and approval, and publish it at least three times within 30 days in the newspapers distributed nation- wide at or above the provincial level.
- Final-approval: The authorities should decide whether or not to final approve the merging of companies within 30 days.

### **7.2.2 Procedures for Record-filing of Alteration of FIEs (Non- special Administrative Measures of Access)**

Alternatively, FIEs that do not fall within the scope of the special administrative measures of access must file for altering via the online record-filing system. Specifically, the designated representatives or entrusted agents of foreign-invested enterprises should submit an application for recording-filing of change of foreign-invested enterprises and other required documents within 30 days, upon the occurrence of the change via the comprehensive administration system.

## **7.3 Anti-Monopoly Review**

M&A transactions must be submitted for anti-monopoly review before the Anti-Monopoly Bureau (AMB) if:

- They are deemed as “concentrations”; and
- Certain thresholds are met. A “concentration” is defined as:
- Mergers of business operators
- Acquisition of control over another business operator through acquisition of equity

or assets; or

- Acquisition of control or the capacity to impose decisive influence over another business operator by contract or any other means.

The thresholds are:

<p>The global turnover's total figure realized by all the participating business operators of the concentration during the previous accounting year exceeds RMB 10 billion</p>	<p>OR</p>	<p>The total figure of the turnover within China realized by all participating business operators of the concentration during the previous accounting year exceeds RMB 2 billion;</p>
<p>AND</p>		
<p>At least two of the business operators involved, each achieving a turnover of more than RMB 400 million within China during the previous accounting year;</p> <p style="text-align: center;">or</p>		

If MOFCOM concludes that the concentration under review might eliminate or restrict competition, the transaction can be prohibited or approved subject to restrictive conditions.

## 7.4 Security Review

Certain M&A activities also require security reviews:

- Certain investments related to the military or national defense; and

- Those which have an impact on national security or other important areas and M&A activities which may result in foreign investors' acquirement of actual control over the enterprises

The security review shall analyze the impact of the M&A on:

- national security;
- the stable operation of national economy;
- basic societal order and people's living conditions; and
- R&D capacity for key technologies related to national security.

If the M&A is likely to affect national security and has not yet been implemented, the parties must terminate the transaction and complete the appropriate adjustments, modifications and formalities for re-examination.

If any foreign investor's M&A of a domestic enterprise has impacted, or is likely to impact, national security, the security review authority shall require MOFCOM, in conjunction with relevant departments, to terminate the transaction or to require parties to the transaction to transfer relevant equities or assets. Alternatively, parties may be required to adopt other effective measures so as to eliminate the impact of the transaction on national security.

## **8. Tax**

### **8.1 Corporate Income Tax (CIT)**

Enterprises are classified into resident and non-resident enterprises.

A resident enterprise refers to (i) an enterprise established according to Chinese law (including all FIEs); or (ii) an enterprise established according to foreign laws but with its effective management located in China. A resident enterprise is subject to a CIT rate of 25% on its worldwide income (with some tax breaks in certain industries).

Non-resident foreign enterprises are subject to 20% CIT rate for incomes sourced inside the territory of China and income sourced outside the territory of China but which is actually connected with the said organ or establishment within China.

## **8.2 Individual income Tax (IIT)**

Chinese employees are taxed on the basis of the balance of their monthly income after deductions. Foreign employees' (including those from Hong Kong, Macao, and Taiwan) IIT liability in China depends on the duration of stay. An important amendment to IIT Law, which is enacted on 1 January, 2019, is that the taxpayers in China are defined as resident individuals and non-resident individuals: any individual who has a domicile within the territory of China or who has no domicile but has stayed within the territory of China for an aggregate of 183 days or longer in a single tax year is considered as a resident individual and a resident individual shall pay individual income tax for any income sourced within and outside the territory of China according to the provisions of this Law, while any individual who has no domicile and does not stay within the territory of China or who has no domicile but has stayed within the territory of China for less than 183 days in aggregate is considered as a non-resident individual, who shall pay individual income tax for any income sourced within the territory of China according to the provisions of IIT Law.

Although subject to numerous rules and exceptions, in general the IIT rate for wages and salaries ranges from 3% to 45%. For income gained by self-employed industrial and

commercial households from production or business operations and income gained by enterprises and institutions from contracting or leasing operations, the rates range from 5% to 35%.

### 8.3 Vat

Entities and individuals selling goods and providing processing, repairs or maintenance services in China, or importing goods to China, shall be identified as taxpayers of value-added tax, and shall pay value-added tax under the Regulations. The tax paid shall be:

$$\text{Tax Payable} = \text{Taxable Amount} * \text{VAT Rate}$$

The formula for the taxable amount is:

$$\text{Taxable Amount} = \text{Output Tax in the Current Period} - \text{Input Tax in the Current Period}$$

The VAT rate can range from 3% to 17%.

### 8.4 M&A Transaction Taxes

All M&A transactions are fraught with complex tax issues that require dedicated expert attention. A few notable points are listed below.

- Regarding CIT, when undergoing restructuring, gains or losses arising from the transfer of assets should be recognized at the time of the transaction.
- Regarding VAT, the transfer of fixed assets and inventories are subject to VAT based on their fair values. However, the transfer of entire or partial tangible assets in all forms of asset restructurings, including mergers, are exempt from VAT if the assets are transferred along with all the relevant creditor's rights, liabilities and

manpower.

- The transfer of all or part of the tangible assets in all forms of asset restructuring, including mergers, are outside the scope of business tax if the assets are transferred along with all the relevant creditor's rights, liabilities and manpower.
- The transfer of immovable property and land use rights involved therein is exempt from business tax, as well.
- In an asset transaction, gains from the transfer of state-owned land use rights, buildings and their attached facilities are subject to a land appreciation tax based on the amount of appreciation<sup>11</sup>. The rates range from 30 percent to 60 percent.
- A 0.03 percent to 0.05 percent stamp tax is imposed on the share or asset transfer price for both sellers and buyers.

## 9. Intellectual Property (IP)

It is highly recommended that all IP be filed locally in China even if the IP holder's rights extend to China through an international system. Filing in China, and in Chinese, will significantly increase the holder's rights of success in the case of any disputes.

### 9.1 Patents

The duration of patent protection is

Invention Patents	20 years
Utility Model Patents	10 years

Design Patents	10 years
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In all cases, the protection period begins from the filing of the patent application.

In order to file an application, local patent attorneys must be used if the company does not have a registered office in China. There are three ways to file a patent in China:

- direct filing in China;
- filing first in another country which is member of the Paris Convention and then filing in China within 12 months from the date of the first application (6 months for designs);
- Filing an international patent application under the provisions of the Patent Co- operation Treaty (PCT) and naming China as the designated state.

## 9.2 Trademarks

The Chinese trademark regulation is based on the “first-to-file” rather than the “first-to- use” system, thus the rights of unregistered trademarks are weak.

Holders of well-known trademarks should not rely exclusively on the protection granted by Article 6b in the Paris Convention on “well-known” trademarks. The Chinese system for well-known trademarks:

- Is decided case-by-case;
- Passive (i.e. no protection until a complaint is filed);
- Has an exceedingly high threshold. Typical examples of such trademarks are

Mc-Donalds, Jaguar, and Hugo Boss.

Although a trademark holder can file under the Madrid Protocol through World Intellectual Property Organization (WIPO), it is highly recommended that, in addition, the holder file under the Chinese national system and obtain a Chinese language certificate.

### 9.3 Copyrights

The Copyright Law automatically secures copyright protection for foreign entities that first publish in China and also protects works published outside China under the scope of international copyright conventions and bilateral agreements. However, it is highly recommended that foreign investors register their copyrights before the National Copyright Administration as material evidence of the copyright ownership if a dispute arises.

In order to own the copyright of a work in China, the interested party must be either the creator of the work or the employer of the creator. Copyrights can be also acquired through succession, donation, assignment or other contractual arrangement. Normally, the copyright protection will cover the life of the author plus the subsequent 50 years. But if the vested copyright owner is an enterprise, the copyright protection will be of 50 years from the date of its first publication.

### 9.4 Other Issues

There are other issues to consider regarding IP. A few of them are listed below.

- Computer software is protected against unauthorized online distribution.
- One can file IP rights with the General Administration of Customs

(GAC) which allows them to prevent counterfeit versions of their products from being imported and exported.

- The Anti-Monopoly Law is applicable to the business operators who eliminate or restrict market competition by abusing their intellectual property rights".

## 10. Competition Law

There are three different agencies responsible for the enforcement of the fair competition on the market of China:

- The SAIC, responsible for issues covering non-price anti-competitive behavior;
- The NDRC, responsible for price related matters; and
- MOFCOM, responsible for conducting the antitrust review of concentrations between undertakings.

According to Anti-Monopoly Law (AML), “monopolistic practices” include:

- The conclusion of monopoly agreements between operators;
- The abuse of dominant market position by operators; and
- The concentration of operators which may have the effect of eliminating or restricting market competition.

In addition, it is a violation of the AML for an administrative organ to “abuse of administrative power to eliminate or restrict competition.”

In accordance to the AML, activities restricting or with the potential to restrict the com-

petition in China will be subject to administrative investigation conducted by SAIC or NDRC, even if the anti-competitive activities are conducted outside China.

## **10.1 Monopoly Agreements**

For the purposes of the AML, “monopoly agreements” refer to agreements, decisions or other concerted actions, which eliminate or restrict competition. Agreements that are either horizontal (between competitors on the same level of the distribution chain) or vertical (between upstream and downstream undertakings) might contain provisions potentially restricting competition.

Exemptions are provided for agreements which create benefits for economic development or public interest, such as the improvement of technology, product quality, cost reductions and operational efficiency among others. However, none of these exemptions significantly impede the effective competition.

## **10.2 Abuse of Dominant Market Position**

Various factors, such as the market share or ability to control the market, are used to determine if a business operator has a “dominant market position.”

If a business operator does have a dominant market position, certain practices are prohibited. For example, it is prohibited to buy/sell commodities at an unfairly low/high price, refuse to trade with a trading partner without a justifiable reason, etc

## **10.3 Concentration of Operators**

Please see section 7.3.

## 11. Exiting China

Dissolution and liquidation regulations as well as insolvency proceedings must be considered when investing in China. Simply abandoning the FIE is not a recommended option because of the business risks related to branding and IP issues, the liabilities that might arise from the violation of a JV contract (in the case of JVs), etc.

Special consideration must be given to the possibility of the relationship between the foreign and Chinese partners deteriorating to the point that it compromises the enterprise's future operations. In such situations, the solution is usually to buy out the Chinese partner's equity and restructure the JV into a WFOE. However, certain considerations must be taken into account:

- WFOEs cannot operate in certain sectors.
- If the Chinese partner is a SOE, its equity must be evaluated in accordance to the Interim Administrative Measures for the Assessment of State-owned Assets of Enterprises on August 25th 2005.
- If the Chinese partner has managerial and de facto control, the foreign partner needs to gain leverage. However, its actions might be limited.

If dissolution and liquidation is to occur WFOEs are easier to terminate since there is no Chinese partner.

Liquidation proceedings are divided into non-bankruptcy and bankruptcy proceedings.

## 11.1 Non-bankruptcy Liquidation

FIEs can be dissolved for a number of reasons including the expiration of its term, being unable to continue with its operation (for one of a variety of reasons), etc. In addition, the AOA, JV Agreement, and/or Partnership Agreement can specify additional criteria for dissolution. Additionally, a partnership must be dissolved when the legally required number of partners is not respected for 30 days or more.

As for JVs and WFOEs, generally, the Board of Directors must determine to dissolve the company after which MOFCOM must approve the dissolution. If the dissolution is approved, a liquidation committee must be established within 15 days.

The members of liquidation committee shall be the directors (for a JV) or the legal representative, the representative of the creditors and the representative of the competent authority (for a WFOE). Certified public accountants and PRC lawyers can also be appointed as members of the liquidation committee. The committee must prepare a liquidation plan which must be approved by both the Board of Directors and MOFCOM. The liquidation committee's powers include convening creditors' meetings, recovering creditor's rights and cancel debts, etc.

For partnerships, the liquidation is carried out by liquidators who can represent some or all of the partners or an entrusted third-party. The liquidators shall prepare an inventory of the partnership's property and a statement of its assets and liabilities, manage the partnership affairs related to the liquidation proceedings, etc. Once liquidation expenses, wages, taxes, etc. are paid, the remaining assets are distributed to the partners. If the assets are not enough to cover these amounts, the general partners are liable for them.

## 11.2 Bankruptcy Proceedings

Bankruptcy could occur when: (i) an enterprise cannot pay its due debts and its assets are not enough to pay the totality of the debts; or (ii) the enterprise apparently lacks the capacity to cancel its debts. If any of these circumstances arise:

- The enterprise can apply for its reorganization, compromise or bankruptcy;
- Creditors may apply for the enterprise's reorganization or bankruptcy; and
- The liquidation committee may apply for the enterprise's bankruptcy, if the enterprise has already been dissolved but the liquidation has not been completed and the assets are not enough to cancel the debtors.

### 11.2.1. Bankruptcy

The People's Court will specify the time limit for creditors to declare their claims after accepting the application for bankruptcy, though creditors can still declare claims after this time period (so long as they do so before the final distribution of the enterprise's property).

An administrator must be appointed by the People's Court. The administrator must prepare a realization plan and submit it to the creditors' meeting. The bankrupt property must be converted to cash as a whole or partially, in both cases through auctions (unless otherwise decided by the creditors' meeting or provided by specific regulations).

Secured creditors are paid with the guarantee property and then, after repaying the bankruptcy proceedings' expenses and other debts incurred for the common good of all the creditors, the bankruptcy property is distributed in the following order:

- Wages, subsidies, old-age and medical insurance premiums, and compensations.
- Other social insurance premiums and taxes; and
- Unsecured claims.

### **11.2.2. Reorganization**

Alternatively, the enterprise or its creditors may directly apply for reorganization instead of bankruptcy. If bankruptcy has already been accepted by the People's Court after the request made by a creditor, the enterprise or its partners/shareholders representing one-tenth or more of the registered capital may still apply for reorganization. The enterprise or its administrator must submit a draft plan to both the People's Court and the creditors' meeting within six months from the acceptance of the reorganization application (the period may be extended one time for three months). If the enterprise or its administrator fails to submit the plan on time, the reorganization proceedings will be concluded and bankruptcy will be automatic declared

### **11.2.3. Compromise**

The enterprise may directly apply for compromise after the application of bankruptcy is accepted but before the declaration of bankruptcy. A draft agreement must be jointly submitted with the application.

If the People's Court understands that the application complies with the law, the compromise shall be announced and a creditors' meeting shall be held to discuss it. A resolution regarding the compromise must be adopted by more than half of the creditors with voting rights who are present in the meeting and who together represent two-thirds or more of the total number of unsecured claims (the secured creditors can exercise their rights once the Court rules in favor of the compromise).

## 11.3 D-e-registration

### 11.3.1 FIE Deregistration

For FIEs, the liquidation committee must file an application for deregistration before the SAIC within 30 days from the completion of the liquidation proceedings (15 days in the case of partnerships). The enterprise shall be formally terminated after completion of the formalities before the SAIC.

### 11.3.2 RepOffice Deregistration

Rep offices must be closed if any of the following circumstances occur:

- its term expires;
- it is legally required to deregister;
- the foreign parent company revokes the rep office; or
- the foreign parent company is dissolved.

In order to close a rep office, deregistration before the tax, customs and foreign exchange authorities must first be obtained. To this end, all tax debts must be cancelled after which deregistration must be requested with the AIC.

## 12. List of Abbreviations

AIC	Administration for Industry and Commerce
AMB	Anti-Monopoly Bureau

AML	Chinese Anti-Monopoly Law
CIT	Corporate Income Tax
CJV	Cooperative Joint Venture
EJV	Equity Joint Venture
ETDZ	Economic and Technological Development Zone
FDI	Foreign Direct Investment
FIE	Foreign Invested Enterprises
FIJSC	Foreign-Invested Joint Stock Companies
FTZ	Free Trade Zones
FYP	Five-Year Plans
GAC	General Administration of Customs
GDP	Gross Domestic Product
HTDZ	High Technology Development Zone
IIT	Individual Income Tax
IPR	Intellectual Property Rights
JV	Joint Venture

LLC	Limited Liability Company
<b>AIC</b>	<b>Administration for Industry and Commerce</b>
M&A	Merger and Acquisition
MOF	Ministry of Finance
MOFCOM	Ministry of Commerce
MOFTEC	Ministry of Foreign Trade and Economic Co-operation
NDRC	National Development and Reform Commission
NPC	National People's Congress
PCT	Patent Cooperation Treaty
PRC	People's Republic of China
Rep Office	Representative Office
RMB	Renminbi
SAFE	Administration of Foreign Exchange
SAIC	State Administration for Industry and Commerce
SAT	State Administration of Taxation

SEZ	Special Economic Zones
SGLA	Sino-Global Legal Alliance
USD	US Dollar
VAT	Value Added Tax
WFOE	Wholly Foreign-Owned Enterprise
WIPO	World Intellectual Property Organization

1. The latest version enters into force on March 20, 2017.

2. China's first FTZ opened in Shanghai in 2013. It was a pilot project approved by the State Council with the expectation to pay the way for China's business hub to become one of the world's leading financial, trade and logistics centers. FTZs in Tianjin, Fujian and Guangdong are opened in 2015. FTZs in Chongqing, Zhejiang, Hubei, Henan, Sichuan, Shaanxi and Liaoning are opened in 2017, which is the first time that the zones have been endorsed for inland areas. FTZ in Hainan is opened in 2018.

3. Law of the People's Republic of China on Environment Impact Assessment (Revised in 2018).

4. Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (Revised in 2018).

5. Law of the People's Republic of China on Wholly Foreign-owned Enterprise (Revised in 2016).

6. Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures  
(Revised in 2016).

7. Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures  
(Second Revision in 2016).

8. Interim Administrative Measures for the Record-filing of the Incorporation and  
Change of Foreign invested Enterprises (Revised in 2018)

9. Tentative Regulations of the State Administration for Industry and Commerce on the  
Proportion of the Registered Capital to the Total Amount of Investment of Sino-  
foreign Equity Joint (1987)

Operational Guide of Bank of China Concerning Granting Loans to Foreign invested  
Enterprises (1996)

10. Provisions on Investment Companies Established by Foreign Investors (Revised in  
2015).

11. Under Chinese Property Law urban land is generally state-owned and rural land is  
generally owned by a collective.

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