

The E-Book on East Asia Investment Practice

-China

The background features a complex arrangement of overlapping geometric shapes, including triangles and polygons, in various shades of blue, grey, and white. Some shapes contain diagonal hatching patterns. A prominent white diagonal line runs from the top left towards the center.

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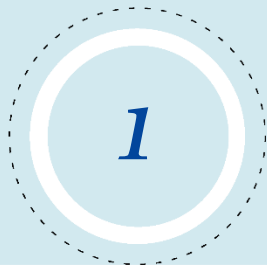
Preface

Located in the Eastern Asia and on the west coast of the Pacific Ocean, China is the world's most populous country and the second largest economy, with abundant natural resources such as marine resources and minerals. In recent years, China has continuously optimized its business environment and passed a series of laws and regulations including the *Foreign Investment Law*. It is now creating a high-quality, fertile investment environment for domestic and foreign investors with a more open attitude, international layout, and standardized institutional system.

Chapter I of this E-book briefs on China's national features including geography, politics, society features and cultural environment, etc.; Chapter II introduces China's overall business environment; Chapter III gives an introduction about China's economy and trade policies; Chapter IV outlines China's industry development and foreign investment conditions; Chapter V gives an account of startup procedures and provisions in China; Chapter VI introduces relevant laws and regulations for business operation in China; Chapter VII introduces the ways and approaches for settlement of economic and trade disputes; Chapter VIII demonstrates multi-lateral and bilateral free trade agreements such as the Regional Comprehensive Economic Partnership; Chapter IX illustrates the Belt and Road Initiative; Chapter X introduces China's economic security and support policies amid the COVID-19 pandemic; Chapter XI includes contact info of relative government departments, chambers of commerce & associations, intermediary organs, service providers, etc.

We hope that the basic information of China's economy and trade displayed in this E-book can provide valuable guidance for enterprises and investors, contributing to the investment facilitation and healthy development of economic globalization.

Time constrains and competence deficiency might lead to inaccuracies in this E-book. We sincerely look forward to your valuable comments and suggestions for future improvement.



General Information

1.1 Geography

Geographical Location^①

The People's Republic of China ("China") is in Eastern Asia and on the west coast of the Pacific Ocean. China has a land area of about 9.6 million km², ranking 3rd in the world; the land border is 22,800 km long, the eastern and southern continental coastline is more than 18,000 km, and the inland sea and coastal waters cover an area of about 4.7 million km². There are about 7,600 islands within the jurisdiction of China's sea area, of which the largest island is Taiwan (approximately 35,798 km²).

Natural Resources^②

China is rich in land, minerals, forests, biological and water resources. The land resources are large and diverse in type. Among them, the Northeast Plain is mostly of black soil, suitable for crop growth; the North China Plain is mostly of cinnamon soil with deep soil layers; the middle and lower reaches of the Yangtze River plains are mostly of red and yellow soil and paddy soil; the Sichuan Basin is mostly of purple soil. China ranks 6th in terms of water resources in the world. The total scale of the water area is estimated to be 2,711.5 billion m³. Rivers and lakes are

① The State Council of China e-government platform: www.gov.cn.

② Ministry of Natural Resources: www.mnr.gov.cn.

the main freshwater resources. China is rich in mineral resources. As of the end of 2019, there have been 173 types of proven minerals, including 13 energy minerals, 59 metallic minerals and 95 non-metallic minerals. Among them, tungsten, antimony, rare earths, molybdenum, vanadium, and titanium have the largest proven reserves in the world; and coal, iron, lead, zinc, copper, silver, mercury, tin, nickel, apatite, asbestos, etc. are among the top of those in the world. China has plants of 3 temperature zones, namely cold, temperate, and tropical zones, with more than 1,000 species of trees, 4,000 medicinal plants, 300 fruit plants, 500 fiber plants and 300 starch plants, some of which are ancient plant species, such as metasequoia glyptostroboides and ginkgo biloba that are known as “living fossils” of China.

Climate^①

China’s climate is complex and diverse. The eastern region has a typical monsoon climate; the northwestern region has a temperate continental climate; and the Qinghai-Tibet Plateau has a plateau alpine climate. In terms of temperature, China can be divided into 6 temperature zones from south to north, namely tropical, subtropical, warm temperate, medium temperate, cold temperate and special Qinghai-Tibet Plateau zones. According to water conditions, China can be divided into 4 areas from southeast to northwest, which are humid, semi-humid, semi-arid, and arid.

Administrative Division

China’s administrative divisions can be divided into provincial, prefecture, county and township levels. Among them, there are 34 provincial-level administrative divisions (includes 23 provinces, 5 autonomous regions, 4 municipalities and 2 special administrative regions).

Beijing is the capital of China, the political and cultural center, and international exchanges and technological innovation hub.^②

① The State Council of China e-government platform: www.gov.cn.

② The State Council of China e-government platform: www.gov.cn.

1.2 Politics^①

Constitution

The Constitution of the People's Republic of China is the fundamental law of China. The current Constitution is the 1982 version, which was revised for the 5th time in 2018. The Constitution stipulates the fundamental system and tasks of the country and has the supreme legal effect.

Policy

People's Congress System is China's fundamental political system. The National People's Congress is the highest organ of state power, and the Standing Committee of the National People's Congress is its permanent organ. The National People's Congress and the Standing Committee exercise national legislative power and are responsible for electing or removing major national leaders.

Chief of State

The President of the People's Republic of China is the chief of state and the highest representative of the country, elected by the National People's Congress. Xi Jinping is currently General Secretary of the CPC Central Committee, Chairman of the CPC Central Military Commission, President of the People's Republic of China (PRC), and Chairman of the P.R.C. Central Military Commission.

Government

The State Council, that is, the Central People's Government of the People's Republic of China is the executive body of the supreme organ of state power as well as the supreme organ of state administration. It is composed of the Premier of the State Council; the Vice-premiers of the State Council; State Councilors; Secretary General of the State Council; Ministers of various ministries; Ministers of various commissions; Head of the People's Bank of China, Auditor General of the National Audit Office. Nominated by the President

① The State Council of China e-government platform: www.gov.cn.

of China and appointed by the National People's Congress, the Premier of the State Council is the highest executive of the state and assumes responsibility for the work of the State Council.

Li Keqiang is currently the Premier of the State Council of China.

Political Parties

“The Multi-Party Cooperation & Political Consultation System under the leadership of the Communist Party of China” is a political party system with Chinese characteristics. At present, there are 9 legal political parties in China, of which the Communist Party of China is the only ruling party, and the remaining 8 parties are collectively referred to as “Democratic Parties”. They closely follow the leadership of the Communist Party of China and participate in national political affairs through the Chinese People's Political Consultative Conference, playing the role of supervision, criticism, and suggestion.

1.3 Economy

Macro Economy

In 2020, the COVID-19 epidemic caused severe damage to the world economy. The global industrial chain and supply chain circulation were blocked, and international trade and investment shrank. However, China contained the epidemic within a short period of time, and the macro economy achieved stable development. According to the National Bureau of Statistics of China, the nominal GDP in 2020 reached to RMB 101,598.6 trillion, and the real GDP increased by 2.3% year-on-year, making China the only country in the world's major economies that have achieved positive growth. The primary, secondary and tertiary industries achieved a year-on-year growth of 3.0%, 2.6% and 2.1% respectively.

Table 1-1 Macro economic data of China, 2016–2020^①

Index	2016	2017	2018	2019	2020
Nominal GDP (RMB trillion)	74.639,5	83.203,6	91.928,1	98.651,5	101.598,6
GDP Per capita (RMB)	54,139	60,014	66,006	70,581	72,447
Growth rate of real GDP (%)	6.8	6.9	6.7	6.0	2.3

^① National Bureau of Statistics of China: www.stats.gov.cn.

Trade Scale^①

Commodity Trade. In 2020, the total import and export volume of China's merchandise trade was RMB 30.81 trillion, a year-on-year increase of 1.28%.^② Among them, exports were RMB 17.27 trillion, a year-on-year increase of 1.91%; imports were RMB 13.55 trillion, a year-on-year increase of 0.48%; the trade surplus was RMB 3.72 trillion, a year-on-year increase of 7.51%.^③

The main export commodities are automatic data processing equipment and its parts, textile yarns, fabrics and products, clothing and clothing accessories, integrated circuits, etc. The main imported commodities are integrated circuits, crude oil, iron ore and its concentrates, automatic data processing equipment and its parts, and primary forms of plastics.

The main export markets are the United States, European Union, ASEAN and Japan, etc.

The main import markets are ASEAN, EU, Taiwan, China, Japan and South Korea.

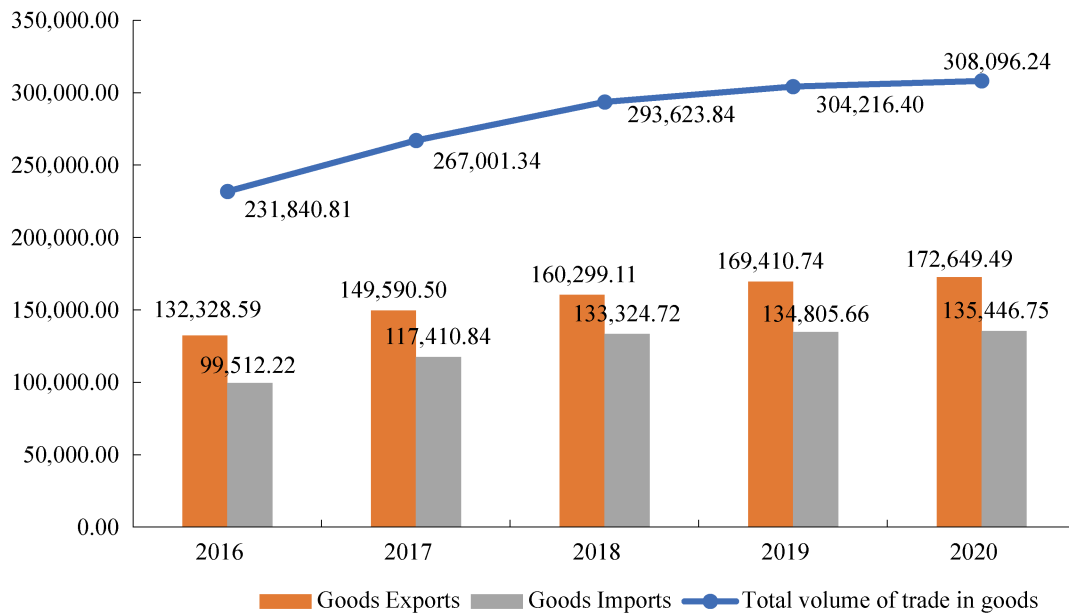


Fig. 1-1 China's trade in goods, 2016–2020 (Unit: billion RMB)^④

Service Trade. The import and export of service trade of China in 2020 was RMB 4.26

① The State Administration of Foreign Exchange of China: www.safe.gov.cn.

② The Central Commission for Discipline Inspection of the Communist Party of China: www.ccdi.gov.cn/yaowen/202101/t20210114_233857.html.

③ The World Trade Organization: www.wto.org.

④ The State Administration of Foreign Exchange of China: www.safe.gov.cn.

trillion, a year-on-year decrease of 16.92%. Among them, service exports were RMB 1.63 trillion, a year-on-year decrease of 2.19%; service imports were RMB 2.63 trillion, a year-on-year decrease of 24.04%; the service trade deficit was RMB 993.47 billion.

The main service export categories are other commerce, telecommunications, computer and information services, transportation services, and travel services. The main service import categories are other business, travel services, transportation services and intellectual property use fees.

The main service trade partners are Hong Kong, China, the European Union, the United States, Japan and ASEAN.^①

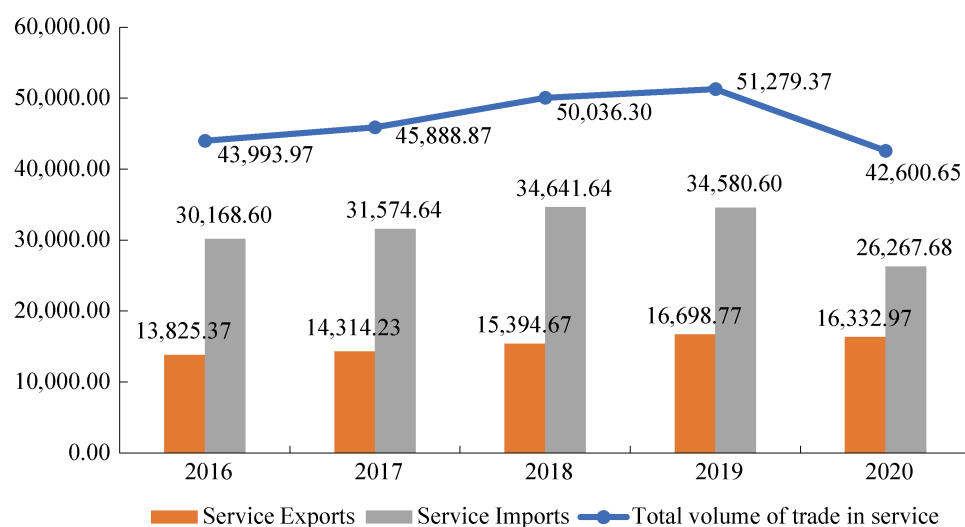


Fig. 1-2 China's trade in service, 2016-2020 (Unit: billion RMB)^②

Local Market

Total Sales Value.^③ In 2020, the total retail sales of consumer goods in China was RMB 39,198.10 billion, a year-on-year decrease of 3.93%.

Living Expenditure.^④ In 2020, the per capita consumption of Chinese residents was RMB 21,210, a year-on-year decrease of 1.6%. Among them, the per capita service consumption was

① Ministry of Commerce of China: zhs.mofcom.gov.cn.

② The State Administration of Foreign Exchange of China: www.safe.gov.cn.

③ National Bureau of Statistics of China: www.stats.gov.cn.

④ National Bureau of Statistics of China: www.stats.gov.cn.

RMB 9,037, a year-on-year decrease of 8.6%, accounting for 42.6% of the residents' per capita consumption expenditure.

Price Level. In 2020, China's domestic consumer price index (CPI) fell by 2.5% year-on-year.

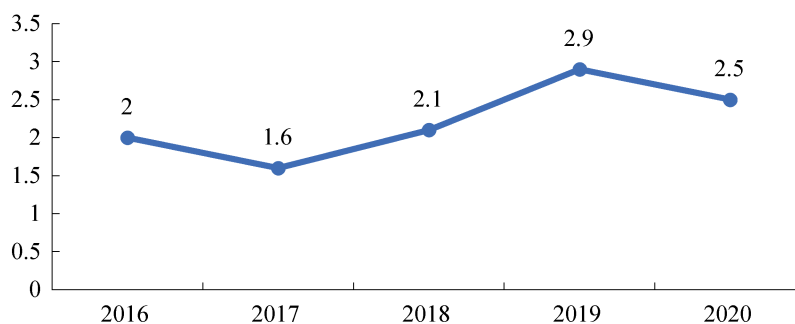


Fig. 1-3 China's CPI, 2016–2020 (Unit: %)^①

1.4 Society and Culture^②

Population

China is the world's most populous country with a total population of 1.42 billion.^③ Among them, the urban population is 902 million and the rural population is 510 million, maintaining a low-speed growth for 10 consecutive years. China is a unified multi-ethnic country with 56 ethnic groups. The Han Nationality is the largest ethnic group, accounting for more than 90% of the total population. The remaining 55 ethnic groups have relatively small populations and are customarily collectively referred to as “ethnic minorities”.

Language

Mandarin is the official language of China and is also known as the modern standard Chinese. Modern vernacular writings with Beijing phonetic as the standard pronunciation, northern dialect as the basic dialect and model are the grammatical standard lingua franca. The

^① National Bureau of Statistics of China: www.stats.gov.cn.

^② The State Council of China e-government platform: www.gov.cn.

^③ Based on the population census of the National Bureau of Statistics of China in May 2021.

Han language, commonly known as Chinese, belongs to the Sino-Tibetan language family, and is one of the oldest and richest languages in the world. There are 7 main dialects: northern dialect, Wu dialect, Xiang dialect, Gan dialect, Hakka dialect, Fujian dialect and Cantonese dialect.

Religion

China is a multi-religious country. The main religions include Buddhism, Taoism, Islam, Catholicism and Christianity. China implements a policy of freedom of religious belief, guarantees citizens' right to freedom of religious belief, and maintains religious and social harmony.

Festivals and Holidays

China implements a 5-day working system, with Saturdays and Sundays as rest days.

There are 8 main traditional festivals, all of which have unique events and are endowed with their own “festival cultures”; such as eating glutinous rice ball on the Lantern Festival symbolizes reunion, and racing dragon boat on the Dragon Boat Festival symbolizes the spirit of striving (For various types of traditional Chinese festivals, please refer to the website of the Central People's Government for the introduction of customs^①).

There are 11 statutory holidays, namely: New Year's Day (January 1st), Spring Festival (the 1st-3rd of the first month of the lunar calendar), Qingming Festival (Tomb Sweeping day in lunar calendar), the International Labor Day (May 1st), the Dragon Boat Festival (the 5th of the 5th month in lunar calendar), Mid-Autumn Festival (the 15th of the 8th month in the lunar calendar) and the National Day of China (October 1st-3rd).

In addition, China has 4 types of festivals and memorial days that allow certain citizens to take holidays, including: the International Women's Day (March 8th, half-day holiday for females), the National Youth Day (May 4th, half-day holiday for people between 14-28), the

^① The State Council of China e-government platform:www.gov.cn/guoqing/2005-06/16/content_2582711.htm.

International Children's Day (June 1st , 1-day holiday for children under 14) and the Army Day (August 1st, half-day holiday for active-duty soldiers).

Public Security

China has one of the lowest crime rates in the world. Individuals are not allowed to possess guns or ammunition. The public security situation is generally good.



Business Environment

2.1 Overall Evaluation

“Creating a world-class business environment” is one of China’s most important strategies to promote the smooth operation of the national economy.^① In recent years, China’s business environment has continued to be optimized, making it a dynamic destination for foreign investment.

World Bank Evaluation^②

The Doing Business Report released by the World Bank examines the regulatory rules in 190 economies that promote or restrict the business life cycle in 11 areas. According to *Doing Business 2020*, China ranked 31st in the world in terms of ease of doing business, a significant jump from the previous 2 years (46th in 2019 and 78th in 2018), and the overall business environment was significantly improved. Among them, indices such as execution of contracts, obtaining electricity, starting a business, registering property, and protecting minority investors were relatively prominent.

World Economic Forum Evaluation^③

The Global Competitiveness Report released by the World Economic Forum evaluates the

① The State Council of China e-government platform: www.gov.cn/xinwen/2019-07/31/content_5417524.htm.

② The World Bank, *Doing Business 2020*.

③ The World Economic Forum, *Global Competitiveness Report 2019*.

performance of 141 economies in terms of 12 areas and 98 indexes. China ranked 28th in *the Global Competitiveness Report 2019*, taking the highest ranking among BRICS countries. China has relatively high rankings in the following 5 indices: 1st in market size (100 points), 39th in macroeconomic stability (98.8 points), 18th in information and communication technology (ICT) applications (78.5 points), 24th in innovation (64.8 points), and 29th in the financial system (75 points).

World Intellectual Property Organization Evaluation^①

The Global Innovation Index Report issued by the World Intellectual Property Organization in conjunction with Cornell University in the United States and the European Institute of Business Administration evaluates more than 130 economies around the world with 2 indicators: innovation input and innovation output. *The Global Innovation Index Report 2020* shows that China has ranked the 14th for 2 consecutive years and is the only country in the top 30 among all middle-income economies. In terms of sub-indices, China ranked 26th in the world in terms of investment in innovation, specifically 21st in terms of human capital and R&D, 19th in terms of market maturity. China ranked 6th in terms of innovation output, among which the creative product output index made China rank 1st in the world, and the country occupied a leading position in the intangible asset worldwide.



Investment Practice:

China continues to optimize its business environment and wins unanimous praise from foreign enterprises^②

Since the promulgation of the *Foreign Investment Law* and the *Regulations on Optimizing the Business Environment*, China's business environment has gradually moved towards a new stage of marketization, legalization and internationalization. In the first 4 months of 2021, the

① The World Intellectual Property Organization, the Global Innovation Index 2020.

② Based on CCTV and other related news.

number of newly established foreign enterprises in China increased by 50.2% year-on-year, and the amount of foreign investment used increased by 38.6% year-on-year.

Qualcomm, the US information technology company, expressed that international companies have been benefiting a lot from China's unprecedented protection and enforcement of intellectual property rights in recent years. Qualcomm applies around 2,000 patents in China annually and the its business expands continuously.

Fonterra, the New Zealand dairy company, stated that in the face of complex and severe international circumstances, the Chinese government has continuously promoted free trade with other economies in the world, and further improved the national treatment for foreign enterprises. In particular, the promulgation of *the Foreign Investment Law* demonstrates China's determination to firmly protect the intellectual property rights of various market players.

General Electric Company (GE) said that thanks to the policies of the Shanghai Pilot Free Trade Zone in terms of capital, talent, land, information, etc., GE managed to complete the strategic layout that integrates its China headquarter, Global Operation Centers in Asia Pacific and the Digital Foundry in Shanghai. Preferential policies and measures and an open market environment have given GE a "reassurance" for continuing to deepen the Chinese market. China is releasing signals of continued openness to the world, which has strengthened the confidence of many foreign-funded companies, including GE, to further explore the Chinese market.

Schneider, a French electrical company, stated that China's goal of opening-up and optimizing the business environment is gradually changing from determination to reality. China, as one of the most important markets for global multinational companies, has recently announced a series of measures to deepen reforms and expand opening-up. This has brought great opportunities for foreign companies including Schneider Electric, and has also increased the confidence of the foreign companies in their development in China.

Comment: While a good business environment stimulates market vitality, it also provides

fertile soil for the survival and development of enterprises. In recent years, the Chinese government has vigorously promoted the optimization of the business environment, which has won unanimous praise from international organizations and foreign enterprises. During the *14th Five-Year Plan* period, China's business environment will be further optimized. Foreign investors should fully grasp the opportunities brought by China's rapid development to share the dividends of China's reform and opening.

2.2 Infrastructure^①

Highway

As of the end of 2019, the total mileage of China's highways was 4,846,500 km, of which the total mileage of expressways was 142,600 km, ranking 1st in the world. In 2020, the total number of passengers transported by road was 6.89 billion, and the total freight transported by road was 34.26 billion tons.

Railway

As of the end of 2019, the total operating mileage of China's railways reached 139,900 km. China ranked among the top players in the world in terms of high-speed railway construction, with an operating mileage of 35,400 km, achieving growth at scale for 10 consecutive years.

Aviation

By the end of 2019, China had a total of 238 certified transport airports, with passenger throughput of 660 million at civil aviation airports, a total of 5,521 scheduled flight routes and 167 international transit cities, covering 65 countries. In 2019, Beijing Capital International Airport had a passenger throughput of 100 million, ranking 2nd in the world in terms of passenger traffic for 10 consecutive years; Shanghai Pudong International Airport had a cargo and postal

① National Bureau of Statistics of China: www.stats.gov.cn/tjsj/ndsjsj.

throughput of 3.63 million tons in 2019, and its freight volume has ranked 3rd in the world for 12 consecutive years.

Water Transport

The mileage of China's inland waterways has gradually expanded, and the level of the waterways has been steadily improved, making China rank 1st in terms of throughput capacity in the world. As of the end of 2019, the total mileage of inland waterways was about 24,000 km, of which the mileage of waterways of third class and above was 13,800 km. China has a long coastline, ranking 10th in the world and 5th in Asia, with numerous excellent ports.

Table 2-1 Main Ports of China^①

Port	Overviews	Businesses
Bohai Rim Port Cluster	Tianjin Port, Dalian Port, Yingkou Port, Qinhuangdao Port, Qingdao Port, Rizhao Port, and Yantai Port.	Ranks in the forefront in terms of dry bulk trade. Qinhuangdao Port is an important coal port and ranks among the top in terms of oil trade throughput.
Yangtze River Delta Port Cluster	Shanghai Port, Zhoushan Port, Ningbo Port and Lianyungang Port, among which Shanghai Port has become the world's No. 1 container port.	Ranks in the forefront in terms of the throughput of foreign trade containers and is known as the shipping window of China's manufacturing industry with low costs.
Pearl River Delta Port Cluster	Guangzhou Port, Shenzhen Port, Zhuhai Port, Hong Kong Port, etc., among which Hong Kong Port is known as a world-class transit hub.	Each port has a clear division of function. Guangzhou, Shenzhen and Zhuhai Ports are the transit and storage hub for imported oil and natural gas. Shenzhen Port has a transfer, storage and transport system for grain trade, and Guangzhou Port has a transport system for commercial vehicle trade.
Southeast Coast Port Cluster	Xiamen Port, Fuzhou Port, Quanzhou Port, Putian Port, Zhangzhou Port, etc. This port cluster is developing at a rapid pace.	Mainly for international trading. Xiamen Port established sister port relationship with Malaysia Klang Port, and serves as the "bridged" for Malaysia and other ASEAN countries to carry out trade and investment exchanges in China.
Southwestern Coast Port Cluster	Zhanjiang, Beibu Gulf, Haikou Port, etc. Facing Southeast Asia, it has the advantages of large-scale and specialized deep-water terminals.	The most convenient sea route for logistics transportation from Southwest China to the ASEAN countries in the Indo-China Peninsula.

Information and Communication^②

By the 1st quarter of 2021, the total number of mobile phone users of the 3 basic telecom

① Ministry of Transport of China: xxgk.mot.gov.cn/2020/jigou/zhghs/202006/t20200630_3320031.html.

② Ministry of Industry and Information Technology of China: www.miit.gov.cn.

operators of China (China Mobile, China Unicom and China Telecom) reached 1.60 billion, and the number of 5G mobile phone connections reached 285 million, accounting for 17.8% of the total number of mobile phone users. The total number of fixed Internet broadband users reached 497 million, of which there are 451 million fixed Internet broadband users with an access rate of 100 Mbps and above, and 9.45 million users with an access rate of 1000 Mbps and above. There are around 965 million Internet broadband access ports, of which fiber access (FTTH/O) ports account for 93.2% (899 million in total).

Electricity^①

China has sufficient power supply; the power supply reliability rate is about 99%. As of 1st quarter of 2021, the installed capacity of power generation reached 2.23 billion kilowatts, of which thermal power 56.54%, hydropower 16.67%, wind power 12.86%, and solar power 11.63%. The power generation in 1st quarter of 2021 was 1,651.7 billion kilowatt-hours.

2.3 Production Cost

Electricity Price^②

China's National Development and Reform Commission (NDRC) is the authority responsible for electricity prices, and local development and reform commissions at all levels are responsible for setting local electricity price standards. Electricity tariffs are mainly composed of 3 parts: on-grid electricity price at generation side, cost of transmission and distribution, and government funds and surcharges. Among them, the on-grid power price at generation side is determined by the type of power plant. Generally, the price of coal power and nuclear power is relatively low, and the price of photovoltaic power is relatively high. Transmission and distribution costs vary depending on the provincial power grid (except Tibet) or inter-provincial

① China Energy Information website: www.zgnyb.com.

② China Energy Information Platform: pt.people-energy.com.cn/channels/electricPower.

and inter-regional transmission and distribution prices. Policy funds and surcharges generally include rural network loan repayment funds, major water conservancy project funds, large-scale reservoir resettlement funds, and renewable energy surcharges. Except for renewable energy surcharges that are uniformly set by the country, the remaining 3 items vary by region. Table 2-2 takes Beijing and Shanghai as examples. The electricity charging standards of various provinces and cities can be found on the website of local development and reform commissions (www.ndrc.gov.cn).

Table 2-2 Beijing and Shanghai electricity tariffs for non-residents (From January 2021)

City	Type	Class	Tariff range ^① (RMB/kwh)
Beijing ^②	General industrial and commercial	Less than 1 kV	0.7673-1.2930
		1-10 kV	0.7523-1.2710
		10-20 kV	0.7453-1.2640
		20-35 kV	0.7373-1.2560
		110 kV	0.7223-1.2410
		220 KV and above	0.7073-1.2260
	Large scale industry	1-10 kV	0.6346-0.9440
		10-20 kV	0.6246-0.9300
		20-35 kV	0.6146-0.9160
		35-110 kV	0.5946-0.8910
		220 KV and above	0.5746-0.8680
Resident	Less than 1 kV	0.5103	
	1000 KV and above	0.5003	
Shanghai ^③	General industrial and commercial electricity	Less than 1 kV	0.218-0.940
		10 kV	0.213-0.916
		35 kV	0.208-0.891
		110 KV and above	0.203-0.872
	Large scale industry	Less than 1 kV	0.238-1.102
		10 kV	0.232-1.062
		35 kV	0.229-1.055
		110 KV and above	0.224-1.033
	Resident	Less than 1 kV	0.641
		1000 KV and above	0.636

① This item takes the range of electricity tariffs in peak and trough periods as the statistical standard.

② Beijing Municipal Development and Reform Commission: fgw.beijing.gov.cn.

③ Shanghai Development and Reform Commission: fgw.sh.gov.cn.

Water Price

In China, the water affairs bureaus of all provinces, autonomous regions, and municipalities are responsible for the collection of local water fees. China's water charges are mainly composed of 4 parts, namely basic water fee, city surcharge, water resource fee, sewage treatment fee. There are slight differences in the water charging standards and pricing structure in different cities. Table 2-3 takes China's first-tier cities as an example. For other cities, please refer to China Water Network (www.h2o-china.com).

Table 2-3 Water Charging Standards in China's First-tier Cities (May 2021)^①

City	Users	Charging standards	Levels	Consumption Volume(m ³)	Price (RMB/m ³)	Sewage treatment fee (RMB/m ³)
Beijing	Resident	household per year	First	0-180 (inclusive)	3.64	1.36
			Second	180-260 (inclusive)	5.64	
			Third	Above 260	7.64	
	Non-resident	-	-	6.5/6	3	
Shanghai	Resident	Household per year	First	0-220 (inclusive)	1.92	1.70
			Second	220-300 (inclusive)	3.30	
			Third	Above 300	4.30	
	Non-resident	-	-	2.12	2.34 / 2.24	
Guangzhou	Resident	Household per month	First	0-26 (inclusive)	1.98	0.95
			Second	26-34 (inclusive)	2.97	1.43
			Third	Above 34	3.96	2.85
	Non-resident	-	-	3.46	1.40	
Shenzhen	Resident	Household per month	First	0-22 (inclusive)	2.67	0.9
			Second	22-30 (inclusive)	4.01	1.0
			Third	Above 31	8.01	1.1
	Non-resident	-	-	3.77	1.05/1.1/1.2	

Natural Gas Price

China's natural gas price is mainly composed of 3 parts: pipeline gas transmission fee, gate station price and end user price. Local development and reform commissions and market

^① China Water Network: www.h2o-china.com

supervision administrations are responsible for setting local gas supply prices, and local gas companies are responsible for collecting relevant fees. The charging standards can be inquired from the Development and Reform Commission website. For natural gas charging standards in first-tier cities in China, please refer to Table 2-4.

Table 2-4 Gas Supply Charging Standards in China's First-tier Cities (May 2021)^①

City	User	Water consumption yearly(m ³)		Price (RMB/m ³)
Beijing	Resident	0-350 (inclusive)		2.61
		350-500 (inclusive)		2.83
		Above 500		4.23
	Non-resident who enjoys resident price	-		2.63
Shanghai	Resident	0-310 (inclusive)		3.00
		310-520 (inclusive)		3.30
		Above 520		4.20
	Non-resident users who implement resident prices	-		3.05
Guangzhou	Resident	0-320 (inclusive)		3.45
		320-400 (inclusive)		4.14
		Above 400		5.18
	Non-resident who enjoys resident price	-		4.36
Shenzhen	Resident	May to October 0-30 (inclusive)	November to April of the following year 0-40 (inclusive)	3.50
		May to October 30-35 (inclusive)	November to April of the following year 40-45 (inclusive)	4.00
		May to October Above 35	November to April of the following year Above 45	5.25
	Industrial and commercial user	-		4.39
	Non-resident who enjoys resident price	-		3.70

Manpower Supply and Wages

At the end of 2019, the total employed population in China was 774.71 million, of which the

^① The website of the Municipal Development and Reform Commission.

urban employed population was 442.47 million. In terms of industrial distribution, the employed population of the primary industry accounted for 25.1% of the total workers; those of the secondary industry 27.5%, and those of the tertiary industry accounts for 47.4%.

According to the Ministry of Human Resources and Social Security of China, the national average salary in 2019 was RMB 90,501, of which the average salary of state-owned entities was RMB 98,899, the collective enterprises average salary was RMB 62,612, and other entities RMB 87,195. In terms of industry, software and IT ranked 1st with an average salary of RMB 161,352, scientific research and technical service ranked 2nd with an average salary of RMB 133,459, and financial sector had an average salary of RMB 131,405, ranking 3rd.

Table 2-5 Employment of China, 2016-2019^①

Item	2016	2017	2018	2019
Employed population (Unit: 1,000)	776,030	776,400	775,860	774,710
Total unemployment rate (%)	4.0	4.4	4.3	4.6
Urban employed population (Unit: 1,000)	414,280	424,620	434,190	442,740

Land and Housing Price

As of the end of 2020, the construction land supply of 105 major cities in China has increased by 1.81% over the previous year to a total of 107,000 hectares. Among them, there are commercial land (5,900 hectares), residential land (17,500 hectares), industrial and mining storage land (22,700 hectares), transportation, water conservancy infrastructure and other land (60,900 hectares), real estate land (23,400 hectares), land for affordable housing (2,800 hectares). According to China National Land Survey and Planning Institute, as of 4th quarter of 2020, China's comprehensive, commercial service and residential land price continued to increase quarter-on-quarter. There were 88 cities with positive growth in comprehensive and residential land price, of which residential land price in Yinchuan, Chengdu, Lanzhou, Beijing and Xi'an

^① Ministry of Human Resources and Social Security of China: www.mohrss.gov.cn.

experienced fast increase.^① Table 2-6 demonstrates the land price of China's first-tier cities in 1st quarter of 2021 and the land price of other prefectures and cities are available from China Land Survey and Planning Institute (www.clspi.org.cn).

Table 2-6 Land Price of China's first-tier cities in 1st quarter of 2021 (RMB/m²)^②

City	Commercial and service	Residential	Industrial
Beijing	25,415	37,806	3,070
Shanghai	20,397	33,294	1,937
Guangzhou	13,143	18,554	1,488
Shenzhen	22,742	18,883	1,751

As of January 2021, the average price of new residents in cities across China was RMB 16,392/m². As of May 2021, the average sales prices of pre-owned office and residents in major cities are shown in Table 2-7.

Table 2-7 Chinese Pre-owned House Prices in Main Cities (May 2021)^③

City	Average price of pre-owned office (RMB/m ²)	Month-on-month growth (%)	Average price of pre-owned resident (RMB/m ²)	Month-on-month growth (%)
Beijing	32,432	-3.47	65,803	-1.44
Shenzhen	50,581	-5.59	56,967	0.3
Shanghai	30,312	4.83	69,426	0.47
Xiamen	24,223	-5.04	50,842	-2.08
Guangzhou	29,399	0.33	43,840	-2.19
Nanjing	37,895	1.45	33,290	-0.82
Hangzhou	24,168	1.55	35,432	-2.03
Sanya	28,713	-0.58	36,022	-1.86
Ningbo	12,783	-0.21	26,474	0.48
Fuzhou	22,800	-0.57	26,140	0.32
Wuhan	14,202	0.16	20,219	1.82
Chengdu	12,844	-0.17	19,092	-0.5
Tianjin	19,702	4.04	25,686	-0.43
Changsha	12,456	0.02	11,136	-5.87



Special Reminder:

Since the Chinese government has determined the general tone of real estate regulation of

① China National Land Survey and Planning Institute: www.clspi.org.cn.

② China Land Price Information Service Platform: www.landvalue.com.cn

③ National Real Estate Situation Network of China Real Estate Association: www.creprice.cn.

“housing is for living in, not for speculation”, local authorities have gradually focused on the strict inspection of operating loans and other illegal capital inflows into the real estate industry to guarantee the supply of talent settlement, adequate and appropriate land supply, and reasonable and standardized intermediary operations. According to data from the Shell Research Institute, under the influence of a series of real estate policies, it is expected that China’s real estate market will form a new market supply pattern featuring multi-subject supply, multi-channel guarantee, and simultaneous rental and sale to ensure the stable and healthy development of the real estate market.^①

2.4 Financial Services

In March 2021, the British Z/Yen Group and China (Shenzhen) Comprehensive Development Research Institute released the *Global Financial Center Index (GFCI 29)*, in which a total of 13 financial center cities in China were listed. Beijing, Hong Kong, Shanghai and Shenzhen ranked 3rd, 4th, 6th and 8th respectively in the Index.

Currency and Exchange Rate

China’s currency is RMB. Over the past 5 years, the exchange rate of RMB against the USD has generally maintained between 6.6 and 6.9, with a steady rise.

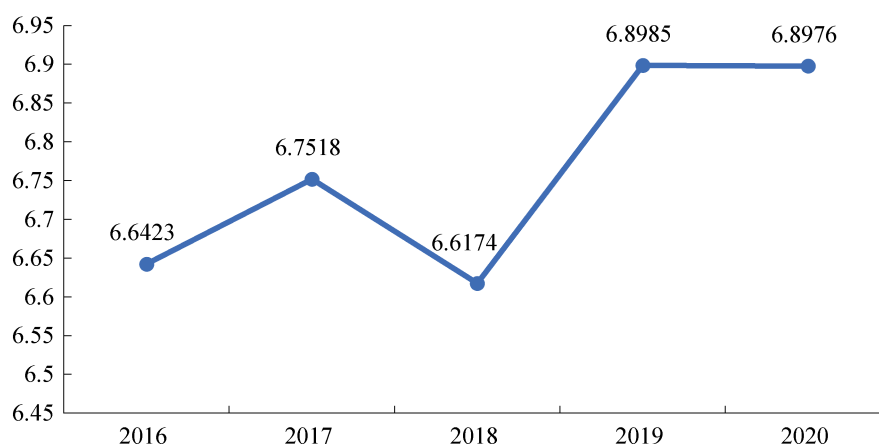


Fig. 2-1 Exchange rate between RMB and USD, 2016-2020^②

① Ke Research Institute: research.ke.com.

② China Foreign Exchange Trade System: www.chinamoney.com.cn/chinese/bkccpr.

Foreign Exchange Management

The People's Bank of China and the State Administration of Foreign Exchange are the main foreign exchange administration departments. China Foreign Trade Centre is a unit directly under the People's Bank of China. It is responsible for publishing exchange rate indexes such as the central parity rate of the RMB exchange rate and provides basic trading platform for spot and derivatives tradings in the inter-bank foreign exchange market, currency market, and bond market.

Table 2-8 Foreign Exchange Regulations of Non-resident Individuals and Enterprises^①

Category	Main Regulations
Non-resident individual	
Opening a foreign exchange account	a) Overseas remittances of foreign currency funds must be deposited in a cash account; b) Foreign currency cash brought in from abroad must be deposited in a foreign currency cash account; c) The deposit limit for foreign currency is US\$ 5,000 per day.
Withdrawing foreign currency cash	If the amount of foreign currency cash withdrawn from the cash account does not exceed the equivalent of US\$10,000 per day, investors can withdraw it directly; otherwise, investors must submit the application firstly.
Foreign exchange settlement	If the amount of foreign exchange settlement is less than US\$ 10,000 per person each time, it shall be handled directly to the bank; if the accumulated amount of foreign exchange settlement exceeds US\$ 50,000 per person each month, an application must be submitted to the local administration of foreign exchange firstly.
Transferring foreign exchange funds	Foreign investors need to explain the purpose of transferring foreign exchange funds firstly, then the transfer could be handled based on the bank's verification.
Foreign exchange outflow	a) When remitting the deposit into the foreign exchange account abroad, go to the bank directly. b) If the remitted amount of foreign currency is less than the equivalent of US\$ 5,000, it shall be processed directly; otherwise, an entry declaration form should be filled in firstly.
Non-resident enterprises	
Capital settlement	Non-resident enterprises should open a capital account for foreign exchange settlement and payment; i.e. the account of foreign exchange settlement pending payment.
Remitting profits	a) If the amount of profit remitted is less than US\$ 50,000, investors can directly apply for the remittance; if it is more than US\$ 50,000, investors need to apply for the approval of purchase and payment of foreign exchange. b) The operating loss from the previous years must be covered before remitting the profits.

^① The State Administration of Foreign Exchange of China: www.safe.gov.cn.



Special Reminder:

The trading hours of the Chinese inter-bank foreign exchange market are Monday to Friday 9:30-23:30 (Beijing time), and the market is closed on Saturdays, Sundays, and festivals/holidays. Transaction parties can only make a transaction within the required time.

Financial Institutions^①

Financial Regulators. China's financial regulatory authorities are the People's Bank of China, the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission. The People's Bank of China is responsible for formulating and implementing the country's monetary policy, as well as the country's financial policy and macro-supervision of the financial market. The Banking and Insurance Regulatory Commission undertakes the responsibility of supervising and managing the banking and insurance industries in accordance with relevant laws and regulations. The Securities Regulatory Commission is responsible for supervising and managing the securities and futures markets in order to maintain an orderly market.

Banks. As of March 2021, China has 4,073 commercial banks, including 6 state-controlled commercial banks (Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Bank of Communications, Agricultural Bank of China and Postal Savings Bank of China); 1 development-oriented finance institution (China Development Bank); 2 policy banks (China Agricultural Development Bank and Export-Import Bank of China); 12 joint-stock banks (China Merchants Bank, China Industrial Bank, Minsheng Bank, Shanghai Pudong Development Bank, Ping An Bank, Everbright Bank of China, China Citic Bank, China Guangfa Bank, China Bohai Bank, Huaxia Bank, China Zheshang Bank and Hengfeng Bank). Moreover, there are more than 100 of urban and rural commercial banks respectively, and has more than 700 rural credit cooperatives, more than 1,600 rural banks, more than 40 foreign banks, nearly 20 private banks

^① China Banking and Insurance Regulatory Commission: www.cbirc.gov.cn/cn/view/pages/index/index.html.

and 1 housing savings bank.

Insurance.^① As of the end of December 2020, the China Association of Insurance Industry has 339 member units. The main insurance company types include insurance group (holding) companies, property insurance companies, life insurance companies, reinsurance companies, asset management companies, insurance intermediaries, etc. China has the world's second largest insurance market. According to statistics from the Insurance of China, China's premium income has maintained an average annual growth rate of 18% in the past 20 years. In 2020, the original premium income accounted for 80% of the total premiums, with an average cumulative annualized return of 5.4%.

Securities.^② As of the end of 2020, there were 2,692 listed companies on the Shenzhen Stock Exchange and the Shanghai Stock Exchange. 1,660 companies were listed on the Shenzhen Stock Exchange and 1,032 were on the Shanghai Stock Exchange. Both the Shanghai Stock Exchange and the Shenzhen Stock Exchange have main board markets; the Shenzhen Stock Exchange has the SME Board and ChiNext, and the Shanghai Stock Exchange has established a STAR market and piloted a registration-based IPO system. At present, the main indexes of the Shenzhen Stock Exchange include Shenzhen Component Index, Shenzhen 100 Index, SME Board Index and ChiNext Index. The main indexes of the Shanghai Stock Exchange are Shanghai Composite Index, SSE 50, 180, 380, etc. In 2013, the State Council of China established the National Equities Exchange and Quotations (commonly known as the "New OTC Market"), which is mainly for innovative, entrepreneurial, and growing small, medium, and micro enterprises. As of the end of 2020, there were 8,187 listed companies, and SMEs accounted for 94%. The main indexes include the NEEQ component index, the NEEQ leader and the innovation component index.

① Association of Insurance of China: www.iachina.cn.

② Based on the relevant information on the websites of Shenzhen Stock Exchange, Shanghai Stock Exchange and National Equities Exchange and Quotations.

3

Economy and Trade Policies

3.1 Market Access

Administrative Authorities

Chinese foreign investment management mechanism combined with the authorities of commerce and investment respectively, and supported by the departments in charge of related fields. The Ministry of Commerce is the competent commercial authorities for the promotion, protection, and management of foreign investment; the National Development and Reform Commission is the competent investment authorities; the National Health Commission, the Ministry of Industry and Information Technology, and the Ministry of Culture and Tourism are responsible for the guidance and management of foreign investment promotion in related fields.



Special Reminder:

In March 2019, *the Foreign Investment Law of the People's Republic of China* (referred to as the *Foreign Investment Law*) was promulgated, replacing the original *Three Laws on Foreign Investment* as the basic law in the field of foreign investment in China. This law establishes the basic framework of China's new legal system for foreign investment and clarifies the management system of “pre-establishment national treatment plus negative list” for foreign

investment. In December 2019, the State Council formulated and promulgated *the Regulation for Implementing the Foreign Investment Law of the People's Republic of China* (referred to as the *Regulation for Implementing the Foreign Investment Law*), which detailed the implementation rules of the main legal systems for foreign investment. *The Foreign Investment Law* and its implementing regulation have been come into effect on January 1, 2020.

Restricted/Prohibited Sectors

In June 2020, the National Development and Reform Commission of China and the Ministry of Commerce formulated and issued the *Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020)* (referred to as *the Negative List*)^① and the *Special Administrative Measures Negative List Access of Foreign Investment in Pilot Free Trade Zones (2020)* (referred to as *the Negative List in Pilot Free Trade Zones*)^② to further reduce the scope of restrictions on foreign investment access.

The Negative List clarifies the specific access requirements for foreign investment in 12 fields including agriculture, mining, manufacturing, wholesale, and retail. *The Negative List in Pilot Free Trade Zones* clarifies the management regulations on equity and other aspects that foreign investors need to comply with when carrying out specific business activities in the free trade zone.

3.2 Foreign Investment Incentives

Investment Incentives Covered by the *Catalog*

In December 2020, the National Development and Reform Commission of China and the Ministry of Commerce reviewed and released *the Catalogue of Industries for Encouraging*

① China National Development and Reform Commission: www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202006/P020200624549035288187.pdf.

② China National Development and Reform Commission: www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202006/P020200624549079806436.pdf.

Foreign Investment (2020 Version) (referred to as *the Catalog*).^① *The Catalog* clarifies a total of 480 types of projects that encourage foreign investment in 13 industries including agriculture, forestry, animal husbandry, fishery, mining, manufacturing, and transportation, as well as various types of projects that encourage foreign investment in 22 provinces in the central and west of China. And foreign enterprises could receive a series of investment incentives, including exemption of tariffs, reduction of corporate income tax, and priority of land use.

Exemption of Import Duties. Exempt from the total investment except for the items specified in the Import and Export of Major Technical Equipment and Product Catalogs^② and the Catalogue of Imported Products Concerning Foreign-invested Items Without Duty Exemption, the investment projects in *the Catalog* are exempted from tariffs on imported equipment for personal use.^③

Reduction and Exemption of Corporate Income Tax. For investment projects listed in the *Catalog*, if the company is in the western region or Hainan Province, the corporate income tax will be reduced by 15%.

Priority of Land Use. For industrial investment projects that belong to intensive land use in the *Catalog*, priority will be given to land supply, and the implementation standard for land transfer reserve price is not lower than 70% of the local land grade corresponding to the *National Minimum Standard for Industrial Land Transfer*.

Investment Incentives Related to the *Foreign Investment Law*

The Foreign Investment Law and *the Regulation for Implementing the Foreign Investment Law* that came into effect in January 2020 further clarify the “*national treatment principle*” for foreign-funded enterprises, that is, foreign investors who are engaged in compliance with the law

① Ministry of Commerce of China: images.mofcom.gov.cn/wzs/202012/20201228154003127.pdf.

② The State Taxation Administration of China: www.chinatax.gov.cn/chinatax/n377/c5140649/5140649/files/3513338470fd432bb5ab1223f04deba7.pdf.

③ The State Council of China e-government platform: www.gov.cn/zhengce/content/2010-11/13/content_4651.htm.

can enjoy the same tax benefits as resident enterprises. The specific tax incentives depend on the business scope and business location. Investors can view the tax incentive policies of relevant industries on the website of the State Taxation Administration (www.chinatax.gov.cn) or directly consult the local tax bureau.

3.3 Special Economic Zones

China is committed to creating an open and innovative business environment for foreign investors. The special economic zones established include: Pilot Free Trade Zones (including Hainan Free Trade Port, etc.), Economic-Technological Development Areas, State-Level New Areas, Border (Cross-border) Economic cooperation zones, high-tech industrial development zones and Areas (Places) under Special Customs Supervision.

Pilot Free Trade Zones

Since the first pilot free trade zone—Shanghai Pilot Free Trade Zone was established in August 2013, as of the end of 2020, there had been 21 pilot free trade zones in total. In 2019, there were 6,242 foreign-funded enterprises in their respective pilot trade zones, which utilized foreign capital of RMB 143.55 billion, accounting for 15.2% of the total foreign investment that year; the total import and export volume was RMB 4.6 trillion, 14.6% of the country's total import and export volume.

Table 3-1 Overview of China Pilot Free Trade Zones^①

Pilot	Cities	Establishment	Key industries planning
China (Shanghai) Pilot Free Trade Zone	Shanghai	2015	Finance, shipping services, modern commerce, tourism, conventions and exhibitions, next generation information technology, biomedicine, integrated circuits, intelligent manufacturing, etc.
China (Guangdong) Pilot Free Trade Zone	Guangzhou Shenzhen Zhuhai	2015	Shipping logistics, modern logistics, international trade, specialty finance, high-end manufacturing, information services, technology services, etc.

^① The State Council of China e-government platform:www.gov.cn.

Continued

Pilot	Cities	Establishment	Key industries planning
China (Tianjin) Pilot Free Trade Zone	Tianjin	2015	Shipping logistics, financial leasing, international trade, etc.
China (Fujian) Pilot Free Trade Zone	Fuzhou Xiamen Pingtan	2015	Electronic information, marine biology and medicine, intelligent equipment, seafood processing and trade, cold chain logistics, international shipping, etc.
China (Liaoning) Pilot Free Trade Zone	Shenyang Dalian Yingkou	2017	Equipment manufacturing, auto parts, aviation equipment, business logistics, etc.
China (Zhejiang) Pilot Free Trade Zone	Zhoushan	2017	Green petrochemical, bulk commodity storage and transportation, bulk commodity trade, bonded fuel supply, petroleum and petrochemical products supporting equipment, etc.
China (Henan) Pilot Free Trade Zone	Zhengzhou Kaifeng Luoyang	2017	Smart terminals, service outsourcing, equipment manufacturing, high-end equipment, medical travel, automobile manufacturing, creative design, etc.
China (Hubei) Pilot Free Trade Zone	Wuhan Yichang Xiangyang	2017	Next-generation information technology, life and health, intelligent manufacturing, advanced manufacturing, biomedicine, high-end equipment manufacturing, new energy vehicles, etc.
China (Chongqing) Pilot Free Trade Zone	Chongqing	2017	High-end equipment, electronic core components, electronic information, equipment manufacturing, international transit, etc.
China (Sichuan) Pilot Free Trade Zone	Chengdu Luzhou	2017	Modern service industry, international commodity distribution and transshipment, shipping logistics, high-end manufacturing, distribution display, etc.
China (Shaanxi) Pilot Free Trade Zone	Xi'an Xianyang	2017	Strategic emerging industries, international trade, modern agriculture, high-tech industries, high-end manufacturing, etc.
Hainan Free Trade Port	Hainan	2018	Tourism, modern service industry, high-tech industry
China (Shandong) Pilot Free Trade Zone	Jinan Qingdao Yantai	2019	Artificial intelligence, modern ocean, high-end equipment manufacturing, industrial finance, international trade, new materials, medical and health care, etc.
China (Jiangsu) Pilot Free Trade Zone	Nanjing Suzhou Lianyungang	2019	Integrated circuits, next-generation information technology, medical health, biomedicine, new finance, port and shipping logistics, etc.
China (Guangxi) Pilot Free Trade Zone	Nanning Qinzhou Chongzuo	2019	Smart logistics, port and shipping logistics, cross-border trade, international trade, key parts of new energy vehicles, cross-border tourism, etc.
China (Hebei) Pilot Free Trade Zone	Xiong'an New District Shijiazhuang Tangshan Langfang	2019	Next-generation information technology, modern life sciences and biotechnology, new materials, high-end modern service industries, etc.
China (Yunnan) Pilot Free Trade Zone	Kunming Red River Dehong	2019	High-end manufacturing, processing trade, cross-border e-commerce, aviation logistics, general health services, etc.

Continued

Pilot	Cities	Establishment	Key industries planning
China (Heilongjiang) Pilot Free Trade Zone	Harbin Heihe Suifen	2019	New-generation of information technology, new materials, comprehensive processing and utilization of cross-border energy resources, wood, grain, green food, etc.
China (Hunan) Pilot Free Trade Zone	Changsha Yueyang Binzhou	2020	Connecting the “Belt and Road” Initiative, highlighting the airport/port economy, focusing on the development of high-end equipment manufacturing, next-generation information technology, biomedicine, e-commerce, agricultural technology, etc.
China (Anhui) Pilot Free Trade Zone	Hefei Wuhu Bengbu	2020	High-end manufacturing, integrated circuits, artificial intelligence, smart connected cars, smart home appliances, new silicon-based materials, etc.
China (Beijing) Pilot Free Trade Zone	Beijing	2020	The scientific and technological innovation zone focuses on the development of next-generation technology, biology and health, science and technology services and other industries; the international business service zone focuses on the development of digital trade, cultural trade, etc.; and the high-end industrial zone focuses on the development of biotechnology and health, international finance, business services, etc.

Among the ranks of China’s pilot free trade zones, Hainan Free Trade Port is a “special existence” in terms of policy-making innovation. It is led by the development of tourism industries, modern service industries, and high-tech industries, playing a core institutional innovation role in the freedom and facilitation of China’s investment and trade.^① In June 2020, the State Council announced *the Master Plan for the Construction of Hainan Free Trade Port*, clarifying the Hainan Free Trade Port’s construction system and its step-by-step and phase-by-phase arrangements. Special concessions are given to foreign investors in terms of trade freedom and convenience, capital freedom and convenience, talent entry convenience and transportation convenience.

Free and Convenient Trade. Except for a very small number of products, the island has zero tariffs on trade in goods, that is, with exemption from import value-added taxes, consumption taxes and customs duties. In the Yangpu Bonded Port Area, the rules of origin are implemented, that is, if the raw materials used in production contain imported items and they can be increased by more than 30% in a special area, the products will not be subject to tariffs when they enter the

^① Hainan Free Trade Port: www.hnftp.gov.cn

Chinese mainland market.

Free and Convenient Investment. Hainan Free Trade Port implements the “non-prohibition and entry” system. That is, in addition to compulsory standards and legally prohibited projects, the port implements the Enterprise Filing System and Notification-Commitment System (in principle, no government permission or approval is required). The government filing acceptance agency fulfills its supervision obligations during and after the event and implements *the pre-entry national treatment and the Negative List in Pilot Free Trade Zones*.

Convenient Entry of Talents. Since May 1, 2018, the Hainan Free Trade Port has implemented a visa-free entry system for people from 59 countries. The list of countries involved can be found on the China Consular Service website.^①

Concessionary Income Tax. From June 2020 to December 2025, 15% corporate income tax will be cut for foreign-funded enterprises registered in the Hainan Free Trade Port and developed the categories of industries included in *the Catalog*. Moreover, a partly individual income tax exemption is provided for high-end talents or deficient skill-oriented talents.

Convenient Transportation. China has set up more powerful and broader shipping policy towards the China Yangpu Bonded Port Area, and as the port of registry, it will be formulated in terms of inspection procedures, inspection restrictions, ship registration procedures, and restrictions on foreign shareholding till 2025.



Investment Practice:

Hainan Free Trade Port is favored by foreign businesses^②

In 2018, at the meeting on celebrating the 30th anniversary of the establishment of a special economic zone in Hainan, President Xi Jinping solemnly announced the support of the construction of a pilot free trade zone on the entire island of Hainan. In 2020, Hainan Free Trade

① Chinese Consular Service Website: cs.mfa.gov.cn/gyls/lsgz/fwxx/t1613827.shtml.

② Edited based on relevant news on People’s Daily Online.

Port had newly established 1,005 foreign-funded enterprises, with a year-on-year increase of 197.3%. Well-known foreign companies such as Tesla, Electricite De France, KWS SAAT SE & Co. KGaA, OTP Bank, and GE moved in; the actual use of foreign capital was US\$ 3.03 billion, an increase of 100.7% year-on-year. The number of countries and regions investing in Hainan reached 80, which was doubled year-on-year. Related foreign-funded enterprises covered G20 member countries; new foreign-funded enterprises in the modern service industry accounted for 90% of the total newly established foreign-funded enterprises throughout the year, and the actual use of foreign capital accounted for about 80% of the annual total.

Lawson, a world-renowned franchise chain convenience store, settled in Hainan. It took only more than 2 months from the authorization of Hainan Qingzi Industrial Co., Ltd. to open the first batch of 5 Lawson convenience stores in Haikou. Tang Yaohua, general manager of Hainan Qingzi Industrial Co., Ltd., said that he clearly felt the convenience brought by the excellent business environment of Hainan Free Trade Port.

Comment: The main reasons for Hainan Free Trade Port to become successful popularity among foreign-funded enterprises are relying on the support of the large-scale domestic market, and a series of high-leveled open-policies which have been introduced efficiently. There is no doubt that Hainan Free Trade Port would continuously enhance its attraction towards foreign investment.

Economic-Technological Development Areas

As of 2020, China had 218 economic-technological development areas (EDAs), of which the ratio of the number of eastern, central and western regions is 107:63:48. In *the Opinions of the State Council on Advancing the Innovation and Improvement of National Economic and Technological Development Zones and Creating New Highlands for Reform and Opening Up*^① issued in May 2019, 22 specific measures issued in 5 aspects including functions to improve the

^① The State Council of China e-government platform: www.gov.cn/zhengce/content/2019-05/28/content_5395406.htm.

quality of the opening economy, enhance the autonomy of regional reforms, improve the modern industrial system, the cooperation platform. The opinions aim to build a national economic development zone into an open, technological, and institutional innovation park, and promote international cooperation in the park and the level of regional economic development.

According to *the Foreign Investment Law*, foreign-funded enterprises located in high-tech industrial development zones and recognized as high-tech enterprises are subject to a reduction of 15% corporate income tax.

State-Level New Areas

As of May 2021, a total of 19 national-level new districts have been established, of which 8 are located in the eastern region, 6 in the western region, and the rest in the central and northeastern regions (2 in the central region and 3 in the northeastern region). *The Guiding Opinions of the General Office of the State Council on Supporting State-level New Areas in Deepening Reform and Innovation and Accelerating High-quality Development*^① issued in January 2020, clarified that the focus of the work of national new districts will be put on the following aspects: improving scientific and technological innovation capabilities in key areas and optimizing the management committee of the new district 13 measures, including institutional setting, speeding up the development of strategic emerging industries, and building offshore innovation and entrepreneurship bases for overseas talents.

Border (cross-border) Economic Cooperation Zones

As a comprehensive economic function zone set up in border cities (counties), the border economic cooperation zone integrates production and processing, logistics, border trade, tourism, and other functions. It is an important platform for develop characteristic and advantageous border industries, deepening cooperation between China and neighboring countries and regions,

① The State Council of China e-government platform: www.gov.cn/zhengce/content/2020-01/17/content_5470203.htm.

and promoting border reform and opening up. There are currently 17 border economic cooperation zone in 7 provinces along the border (for the list of cooperation zones, please refer to the website of the Ministry of Commerce).^① In addition, the 3 cross-border economic cooperation zones approved to be established: China-Kazakhstan Horgos Frontier International Cooperation Center, China-Laos Mohan-Boding Economic Cooperation Zone and China-Mongolia Erenhot-Zamyn Uud Economic Cooperation Zone. They are the special economic zones that have been jointly developed, built and shared benefits between China and neighboring countries.

In March 2020, *the Notice by the General Office of the Ministry of Commerce and the General Office of the Export-Import Bank of China of Responding to COVID-19 and Supporting the Development of Border (Cross-border) Economic Cooperation Zones to Promote Innovative Development of Border Trade* ^② was issued. A total of 10 supporting measures have been formulated for border (cross-border) economic cooperation zones to undertake industrial transfer, improve the border trade industrial chain, and establish a cooperation guarantee mechanism. These measures provide guidance for the future innovative development of the border (cross-border) economic cooperation zones.

National High-tech Industrial Development Zones

National High-tech Industrial Development Zone (referred to as the “HTZ”) got started in 1988 and undertakes the task of promoting the development of high-tech industries and upgrading of traditional industries. As of the end of 2020, more than half of the national engineering research centers, key laboratories, and engineering laboratories in the 169 national high-tech zones have been built.

In July 2020, *Several Opinions of the State Council on Promoting High-quality Development*

① Ministry of Commerce of China: www.mofcom.gov.cn/xglj/kaifaqu.shtml.

② The Central People’s Government of the People’s Republic of China: www.gov.cn/zhengce/zhengceku/2020-03/24/content_5494858.htm.

of *National High-tech Industrial Development Zones*^① clarified 16 key development directions including the cultivation and development of emerging industries, focusing on characteristic leading industries, etc. The opinions aim to establish the mechanism for the output, transformation, and industrialization of high-tech achievements by 2025 and achieve the goal of the park governance system and capabilities by 2035.

Areas (Places) under Special Customs Supervision

The areas (places) under special customs supervision within the territory of China Customs is supervised by China Customs in a closed mode, enjoys special national policies, and is given special functions. As of the end of March 2021, a total of 163 areas (places) under special customs supervision have been established, including comprehensive bonded zones (150), bonded zones (9), free trade port areas (2), export processing zone (1) and Zhuhai-Macau Cross-border Industrial Zone (Zhuhai Customs Park).^②

Since the establishment of areas (places) under special customs supervision, the General Administration of Customs of China and other departments have promulgated and improved a series of management regulations including the entry and exit of regional goods (Please visit the website of the General Administration of Customs at www.customs.gov.cn). In addition, the State Council of the People's Republic of China promulgated *Several Opinions of the State Council on Boosting the High-level Opening-up and High-quality Development of the Comprehensive Bonded Zones*^③ in January 2019, which clarified 5 development goals and 21 tasks including the construction of processing and manufacturing centers, R&D and design centers in the comprehensive bonded areas.

① The State Council of China e-government platform:www.gov.cn/zhengce/content/2020-07/17/content_5527765.htm.

② General Administration of Customs: www.customs.gov.cn/zms/hgtsjgqy0/hgtsjgqyndqk/3656070/index.html.

③ The State Council of China e-government platform:www.gov.cn/zhengce/content/2019-01/25/content_5361158.htm.

In Economic-Technological Development Areas, State-Level New Areas, Border (Cross-border) Economic Cooperation Zones, National High-tech Industrial Development Zones, and Areas (Places) under Special Customs Supervision, the pre-establishment national treatment plus negative list management system shall be implemented, that is, the conditions and procedures are equally applied to domestic investment. The approval system for the areas included in *the Negative List* is implemented. Also, each area provides relatively strong tax incentives for companies engaged in specific industries, and the main areas covered include high-tech, environmental protection, and technological innovation. The main scope of tax incentives is corporate income tax deductions, tax credits, capital cost amortization, etc. For details, please consult the local Administration for Market Regulation.



Industrial Development

4.1 Development Planning

In October 2020, the Chinese government issued *the Proposals for formulating the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035* (referred to as the “14th Five-Year Plan”), which clarified that the promotion entities will be promoted in the future. As the focal point of development, the government will gradually develop China into a strong manufacturing country, build China’s strength in product quality, serve the cyberspace power building, and build a digital China. It also stipulates China’s future development plans in 4 major areas:

First, accelerating the development of strategic emerging industries. Promote the improvement of the basic industrial standards, economic quality and efficiency, core competitiveness, and the modernization of the industrial chain and supply chain and focus on the development of a next generation of information technology, biotechnology, new energy, new materials, high-end equipment, new energy vehicles, and green Environmental protection, aerospace, marine equipment, and other industries.

Second, speed up the development of modern service industries. China’s production service industry will gradually achieve specialization and high-end, broaden the participation of various market players in the field of service supply, focus on R&D and design, modern logistics, and

legal services, and deepen the integration of advanced manufacturing, modern agriculture, and modern service industries, successfully realizing the digital transformation of the industry.

Third, comprehensively promote the construction of infrastructure. In the future, China's infrastructure system will continue to move towards an efficient, practical, intelligent, green, safe, and reliable direction.

Fourth, accelerate digital development. It is not only necessary to promote the development of digital industrialization and industrial digitalization, but also to promote the in-depth integration of technology and entities. According to the plan, China will build several digital industrial clusters with international competitiveness.

Table 4-1 Main indicators of social development during the 14th Five-Year Plan^①

Category	Index	2020	2025	Annual average/cumulative	Attributes
Economic development	1. GDP growth (%)	2.3	-	Controlled reasonable range, and put forward according to the situation every year	Anticipation
	2. Overall labor productivity growth (%)	2.5	-	Higher than GDP growth	Anticipation
	3. Urbanization rate of permanent population (%)	60.3*	65	-	Anticipation
Innovation driven	4. Growth in R&D expenditures of the whole society (%)	-	-	> 7. Strive for higher investment intensity than the actual situation during the "13 th Five-Year Plan" period	Anticipation
	5. The number of high-value invention patents per 10,000 people (pieces)	6.3	12	-	Anticipation
	6. Added value of the core industries of the digital economy as a percentage of GDP (%)	7.8	10	-	Anticipation
Resident welfare	7. Growth in per capita disposable income of residents (%)	2.1	-	Basically, synchronized with GDP growth	Anticipation
	8. Urban survey unemployment rate (%)	5.2	-	<5.5	Anticipation
	9. Average years of education of working-age population (years)	10.8	11.3	-	Binding
	10. Number of licensed (assistant) physicians per thousand population (person)	2.9	3.2	-	Anticipation

^① Xinhua Net: www.xinhuanet.com/politics/2021lh/2021-03/05/c_1127172101.htm.

Continued

Category	Index	2020	2025	Annual average/cumulative	Attributes
Resident welfare	11. Basic pension insurance participation rate (%)	91	95	-	Anticipation
	12. Number of nurseries for infants under 3 years old per thousand people (units)	1.8	4.5	-	Anticipation
	13. Average life expectancy (years)	77.3*	-	(1)	Anticipation
Green ecology	14. Reduction in energy consumption per unit of GDP (%)	-	-	(13.5)	Binding
	15. Reduction of carbon dioxide emissions per unit of GDP (%)	-	-	(18)	Binding
	16. Percentage of days with good air quality in cities at prefecture level and above (%)	87	87.5	-	Binding
	17. Proportion of surface water reaching or better than Class III water body (%)	83.4	85	-	Binding
	18. Forest coverage rate (%)	23.2*	24.1	-	Binding
Security	19. Comprehensive grain production capacity (100 million tons)	-	>6.5	-	Binding
	20. Comprehensive energy production capacity (100 million tons of standard coal)	-	>46	-	Binding

4.2 Key Industries

5G Technology

With the goal of accelerating the release of emerging consumption potential, enriching 5G technology application scenarios, driving 5G mobile phone and other terminal consumption, and increasing market share in e-commerce, e-government, online education, and online entertainment,^① the Chinese government has successively issued a series of measures to promote 5G Technology development. For example, in *the Notice of the Ministry of Industry and Information Technology on Promoting the Accelerated Development of 5G*^② in March 2020, it is

① Qiushi website: www.qstheory.cn.

② The State Council of China e-government platform: www.gov.cn/zhengce/zhengceku/2020-03/25/content_5495201.htm.

pointed out that the progress of 5G network construction will be accelerated; basic telecommunications companies should further promote equipment procurement, survey design, engineering construction, etc. Support the 5G independent networking (SA) as the basic telecom enterprise construction goal, accelerate the construction of the urban network system, and expand the geographical coverage of the network system. As of the end of 2020, China has opened more than 718,000 5G base stations, and 5G network base stations have achieved full coverage in key prefecture-level and above cities and key counties and cities.^①

At present, China is building a 5G smart grid in the communications industry to greatly improve the real-time perception and protection and control capabilities of the grid status. Through the application of 5G+ distribution automation, it strengthens the self-healing function of distribution lines, reduces the average isolation fault processing time, and improves the power-on time for non-fault areas.

New Automobile Energy Industry

In recent years, China has adhered to the path of green, low-carbon, and sustainable development,^② continued to support the development of the electric vehicle and fuel cell vehicle industries, and promoted the low-carbon, internationalized, and intelligent automotive industry. At present, China's new energy vehicle industry has a relatively high level of technology in the fields of power batteries, drive motors, high-efficiency internal combustion engines, advanced transmissions, lightweight materials, and intelligent control. It has gradually formed a complete industrial system that ranges from the production of key components to the assembly of complete vehicles. According to statistics from the China Association of Automobile Manufacturers, in the first quarter of 2021, the national output of new energy vehicles was 533,000, and vehicle sales

① The State Council of China e-government platform:www.gov.cn/xinwen/2021-01/26/content_5582523.htm.

② The State Council of China e-government platform:www.gov.cn/xinwen/2019-07/02/content_5405287.htm.

were 515,000. Among them, the output of pure electric vehicles increased by 360% compared with the same period of the previous year, and the sales volume increased by 310% year-on-year; the production and sales of plug-in hybrid electric vehicles increased by 180% compared with the same period of the previous year.^①

The General Office of the State Council of China issued *the Planning for the Development of the New Energy Automobile Industry (2021-2035)* (referred to as the *Planning*) in November 2020, clarifying that, by 2025, the average power consumption of new pure electric vehicles in the country will be reduced to 120 kWh per hundred km. New energy vehicle sales accounted for about 20% of total vehicle sales. Highly autonomous vehicles have been commercialized in limited areas and specific scenarios. By 2035, vehicles in public areas will be fully electrified to optimize the use environment of new energy vehicles in public services, promote the application of new energy vehicles in urban distribution, port operations and other fields, and provide convenience for the passage of new energy vehicles. Moreover, the *Planning* also clarifies the 5 major goals for future industrial development, namely, to improve technological innovation capabilities, to build a new industrial ecology, to promote the development of industrial integration, to improve the infrastructure system, and to deepen international cooperation. In the future, China's new energy automobile industry will adhere to the direction of motorization, networking, and intelligence in its development, and is committed to the construction of emerging industrial ecology, breakthroughs in key technologies, and improvement of industrial technology capabilities.

Health Industry

China's health industry is driven by multiple dimensions such as policy support, capital boost and technical support. In terms of policy support, in the Outline of *Healthy China 2030*

^① China Association of Automobile Manufacturers: www.caam.org.cn.

Plan^① in 2016, a national-level mid- and long-term strategic plan was proposed. *Carrying Out Health China Operation (2019-2030)*^② promulgated in 2019 focused on the 2 themes of disease prevention and health promotion. A total of 15 special action plans were formulated. In the same year, *the Basic Medical and Health and Health Promotion Law* formally came into effect, providing legal constraints and guarantees for medical and health and health promotion. The “14th Five-Year Plan”^③ formulated and promulgated in 2020 clearly defines the goal of building a strong public health system and provides a relatively broad development space for the medical and health industry. According to the capital boost, there was 405 major health industry financing events happened in 2020, with a financing amount of US\$ 8.6 billion. Investment and financing events are mainly distributed in pharmaceuticals, in vitro diagnostics, genetic testing, medical devices, AI medical, Internet medical and other sectors.^④ As for the technical support, the emergence of big data and cloud computing promotes the linkage of medical care, medical insurance, and medical data. The Internet of Things (IoT) promotes the development of wearable devices and home smart detection equipment; the popularization of artificial intelligence and 5G technology promotes the innovation of medical methods and medical models; and the medical service system and quality have been further improved. At present, China’s health industry is mainly divided into 5 major industry groups, including: medical industry, pharmaceutical industry, health care, health management, and health care products industry. Among them, the medical and pharmaceutical industries are the leading industries. In 2019, the size of both industries will account for 50.04% and 33.04% of the health industry.^⑤

Medical Industry. After the epidemic outbreak of COVID-19 in 2020, China’s medical

① The State Council of China e-government platform: www.gov.cn/xinwen/2019-07/15/content_5409694.htm.

② The State Council of China e-government platform: www.gov.cn/xinwen/2016-10/25/content_5124174.htm.

③ Xinhua News Agency: www.xinhuanet.com/2021-03/13/c_1127205564.htm

④ 36Kr Venture Capital: 36kr.com.

⑤ China Research Network: www.chinairn.com/hyzz/20200812/102804623.shtml

industry ushered in a digital revolution, shifting from the traditional offline medical treatment model to Internet medical services. As of the end of 2020, China has successfully established Internet medical service platforms in more than 30 provinces, and more than 900 Internet hospitals across the country, which can achieve full coverage of the national telemedicine collaboration network at the prefecture and city level.^① With the development trend of “Internet + medical and health”, China’s medical industry needs to further increase the coverage of diagnosis and treatment in various specialties, expand the field of medical services, and use information technology to promote the construction of “Healthy China”.^②

Medical Industry. China is the world’s major producer and exporter of chemical raw materials, and the world’s largest producer of chemical pharmaceutical preparations. The industry is mainly divided into 3 parts: pharmaceutical fundamentals, pharmaceutical R&D and manufacturing, and pharmaceutical circulation. Among them, pharmaceutical R&D and manufacturing are the most key links in the pharmaceutical industry chain, and the research and development of innovative drugs are one of the main development directions. In recent years, Chinese government has made a lot of efforts to accelerate the launch of innovative drugs. *The Interim Measures for the Designated Management of Medical Security in Medical Institutions and the Interim Measures for the Designated Management of Medical Security in Retail Pharmacies*, promulgated in December 2020, have clearly stated that they will accelerate the listing of innovative drugs, and further strengthen the protection of intellectual property rights of innovative drugs.^③

Health Care Industry.^④ In recent years, the size of China’s smart health and elderly care industry has continued to grow rapidly. In 2019, the size of the national smart health and elderly

① Department of Planning, Development and Information Technology, National Health Commission of China: www.nhc.gov.cn/guihuaxxs.

② Xinhua Net: www.xinhuanet.com/politics/2020-11/16/c_1126743320.htm

③ The State Council of China e-government platform: www.gov.cn/zhengce/2021-01/12/content_5579288.htm.

④ The State Council of China e-government platform: www.gov.cn/shuju/2020-01/04/content_5466410.htm.

care industry has approached RMB 3.2 trillion and has achieved a compound growth rate of more than 18% in the past 3 years. The new business form of “smart elderly care” is integrated the integration of artificial intelligence and other technologies with traditional health and elderly care. As of the end of 2019, more than 100 demonstration enterprises and 200 demonstration streets have been created. In the future, we will gradually explore and broaden the cooperation and win-win mechanism between relevant institutions in the fields of elderly care services and professional health services.

Health Management Industry. Driven by consumption upgrade factor, China’s health management services show the characteristics of wide coverage, service demand focus, and high price elasticity. At present, the upstream participants of the industry chain mainly include medical diagnostic reagents, consumables and medical equipment suppliers, and information technology platforms. The midstream participants are mainly health management service companies and health examination companies. As the China Banking and Insurance Regulatory Commission promulgated *the Measures for the Administration of Health Insurance (2019 Revision)*^①, health management services and health insurance products have gradually achieved integrated development, and insurance companies have further expanded cooperation with medical, healthcare, and health management institutions.

Dietary Supplement Industry.^② With the intensive introduction of China’s health product industry policies, the development of standardized industries has become the mainstream. In particular, the promulgation of the “Healthy China 2030” development plan provides a more favorable development space for health care products that adhere to the prevention-oriented and strengthened functions of patient rehabilitation.

① The State Council of China e-government platform: www.gov.cn/zhengce/zhengceku/2020-09/10/content_5542206.htm?ivk_sa=1023197a.

② Oriental Fortune Network: baijiahao.baidu.com/s?id=1694896760142608153&wfr=spider&for=pc.

Tourism^①

From 2015 to 2019, the number of Chinese tourists and their income have achieved a year-on-year growth trend, and the tourism industry has become an important engine for China's economic growth. Affected by the epidemic in 2020, the tourism industry will be greatly affected. The number of domestic tourists is about 2.88 billion, a year-on-year decrease of 52.1%; domestic tourism revenue reached RMB 2.23 trillion, a year-on-year decrease of 61.1%.^② In December 2020, the Ministry of Culture and Tourism, the National Development and Reform Commission and other 10 departments jointly issued *the Guiding Opinions of the State Council on Deepening the "Internet plus tourism" and Developing the Innovation* (hereinafter referred to as the "*Opinions*"), putting forward requirements for the development of tourism industry, hotel industry, catering industry and travel agency industry.^③

Tourist Attractions. China's tourism industry aims to focus on building several world-class tourist attractions and resorts, set up smart tourism demonstration attractions, and promote the digital construction of rural tourism regions, and then build smart tourism demonstration villages and towns. The tourism infrastructure urgently needs full coverage of 5G networks in key areas, the use of digital technology to strengthen the visual management of tourists and staff, improve the tourist experience, and further realize the transformation and upgrading of smart tourist attractions.

Hotel Industry. Based on AI and other artificial intelligence technologies, the hotel industry is committed to realizing a new service model that combines customized services and contactless services and promoting the deep integration of new technologies such as cloud, artificial intelligence, edge computing, and software with the hotel industry. At the same time, data

① The State Council of China e-government platform: www.gov.cn/xinwen/2020-11/30/content_5566041.htm.

② Ministry of Culture and Tourism of China: zwgk.mct.gov.cn/zfxgkml/tjxx/202104/t20210416_923778.html.

③ The State Council of China e-government platform: www.gov.cn/xinwen/2020-11/30/content_5566041.htm.

analysis and other methods are used to further formulate or adjust operating strategies to strictly control operating costs.

Catering. Catering enterprises need to continue to develop in the direction of branding through online and offline integration innovation and other models and based on data to promote the in-depth integration of “Internet+tourism”. Digital and intelligent transformation and upgrading, promoting the construction of Internet of Things perception facilities and further standardizing the construction of tourism big data centers in various regions and other contents are used to realize the intelligent management of tourist attractions and enhance the tourist experience of tourists.

Travel Agencies. To achieve the goal of building a “world tourist power”, *the Opinions* point out that it is necessary to “coordinate online and offline channels, strengthen brand leadership, and enhance the destination’s advertising and promotion”. After the COVID-19 pandemic in 2020, the Chinese travel agency market urgently needs to further enhance the effects of tourism marketing and brand promotion in domestic destinations. Digital marketing methods such as webcasting can shape tourism brands, increase brand promotion efforts, and develop a standardized and orderly industry.^①

Financial Service^②

In October 2020, at the Financial Street Forum 2020, Guo Shuqing, Chairman of the China Banking, and Insurance Regulatory Commission, said in a keynote speech that China’s financial industry has always adhered to Xi Jinping’s new era of socialism with Chinese characteristics as the guidance, and strived to achieve new development in the building and reshape the new advantages of financial development in the pattern. Traditional financial service includes

① McKinsey China: www.mckinsey.com.cn/wp-content/uploads/2020/11/Consumer_Quarterly-2020_Chinese_1126_s.pdf.

② China Banking and Insurance Regulatory Commission: www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=936004&itemId=915.

banking, securities, insurance, and trust. In 2020, for the banking industry, basic financial services covered 99% of the population and the coverage of bank outlets in towns and townships reached 96.6%; the securities industry achieved operating income of RMB 448.48 billion, a year-on-year increase of 24.41%, and a net profit of RMB 157.53 billion, a year-on-year increase of 27.98%. As the largest insurance market in Asia, the insurance industry accounted for 6.46% of the overall financial industry in the third quarter of 2020, which has ample room for development. As of the fourth quarter of 2020, the operating income of China's trust industry has increased by 2.33% year-on-year, and the growth rate of net profit has been negating for 2 consecutive years (a year-on-year decrease of 19.79% in 2020). In December 2020, the "14th Five-Year Plan" issued by the State Council of China stated that, in the future, China's financial service industry will be committed to achieving the development goals of enhancing inclusiveness, opening to the outside world, and building a complete modern financial service system.^①

Enhancing Financial Inclusiveness.^② In the future, the financial service industry will be committed to solving the contradiction between the imbalance of financial supply and the multi-level diversification of financial demand. It is necessary to promote structural reforms on the financial supply side and to earnestly advance the digital transformation of financial entities.

Improving the Level of Opening up of the Financial Industry.^③ China has become the world's largest credit market and the world's second largest stock, bond, and insurance market. As of the end of 2020, China has lifted restrictions on foreign ownership in banking, securities, futures, and fund management, and further reduced qualification restrictions on asset scale and operating life. In addition, the basic principle of granting "national treatment" to foreign-funded enterprises in the fields of credit investigation, credit rating, payment, and settlement, etc. In the

① Xinhua Net: www.xinhuanet.com/2021-03/13/c_1127205564.htm

② China Banking and Insurance Regulatory Commission: www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=936004&itemId=915.

③ China Economic Reference Network: www.jjckb.cn/2020-09/06/c_139346991.htm.

future, China will continue to introduce advanced experience in risk management and control and disposal of leading foreign financial institutions to realize the expansion and opening of the country's financial industry.

Speeding up the Construction of a Modern Financial Service System.^① The “14th Five-Year Plan” emphasizes that financial institutions should increase their support to the real economy, expand the scale of medium and long-term loans and credit loans for the manufacturing industry, and promote equity investment and bond financing to tilt toward the manufacturing industry. To further support the new development concept of “innovation, coordination, green, openness, and sharing” in the “14th Five-Year Plan”, China's financial service industry is committed to developing a green and low-carbon economy. At the end of 2020, the national green loan stock's scale ranks first in the world (the balance is nearly RMB 12 trillion); the total stock of green bonds ranks second in the world (approximately RMB 813.2 billion). China's financial service industry will further strengthen information disclosure requirements to enhance green asset allocation abilities and improve green and low-carbon development capabilities by using the measures of setting up green financial performance evaluation and interest subsidies' mechanisms, etc.

4.3 Foreign Investment

The report titled *40 Years of Multinational Corporations Investing in China*^② released by the Institute of International Trade and Economic Cooperation of the Ministry of Commerce in 2019 pointed out that, since 1992, China has become the developing country that has absorbed the most foreign capital for 27 consecutive years. According to data from the National Bureau of Statistics of China, China's actual utilization of foreign investment reached US\$ 144.4 billion in 2020, an increase of 4.54% over the previous year, and a positive increase in total investment has been achieved for 5 consecutive years.

① The State Council of the People's Republic of China: www.gov.cn/xinwen/2021-04/16/content_5600133.htm.

② The State Council of the People's Republic of China: www.gov.cn/xinwen/2019-10/21/content_5442696.htm.

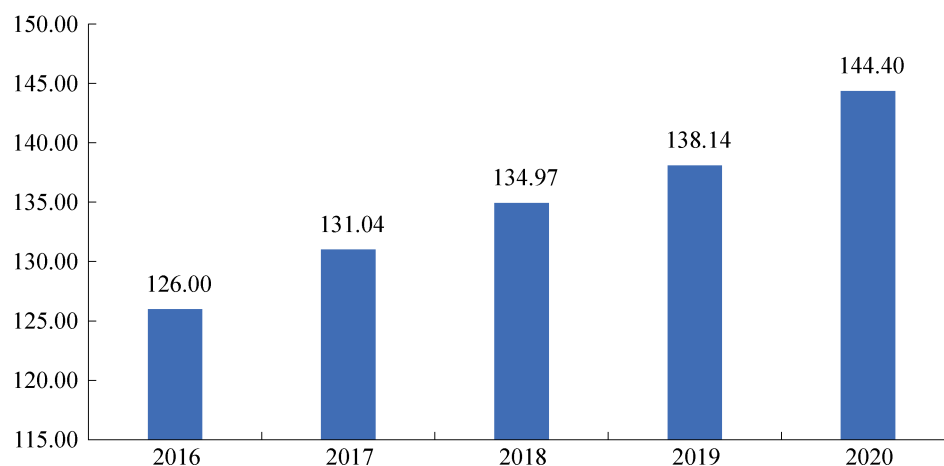


Fig. 4-1 FDI in China, 2016-2020 (Unit: US\$ billion)^①

Foreign Capital Sources

In 2019, Hong Kong, Singapore, South Korea, the British Virgin Islands, Japan and the United States were the main sources of foreign investment in China, accounting for 69.71%, 5.50%, 4.01%, 3.59%, 2.69% and 1.94% respectively.

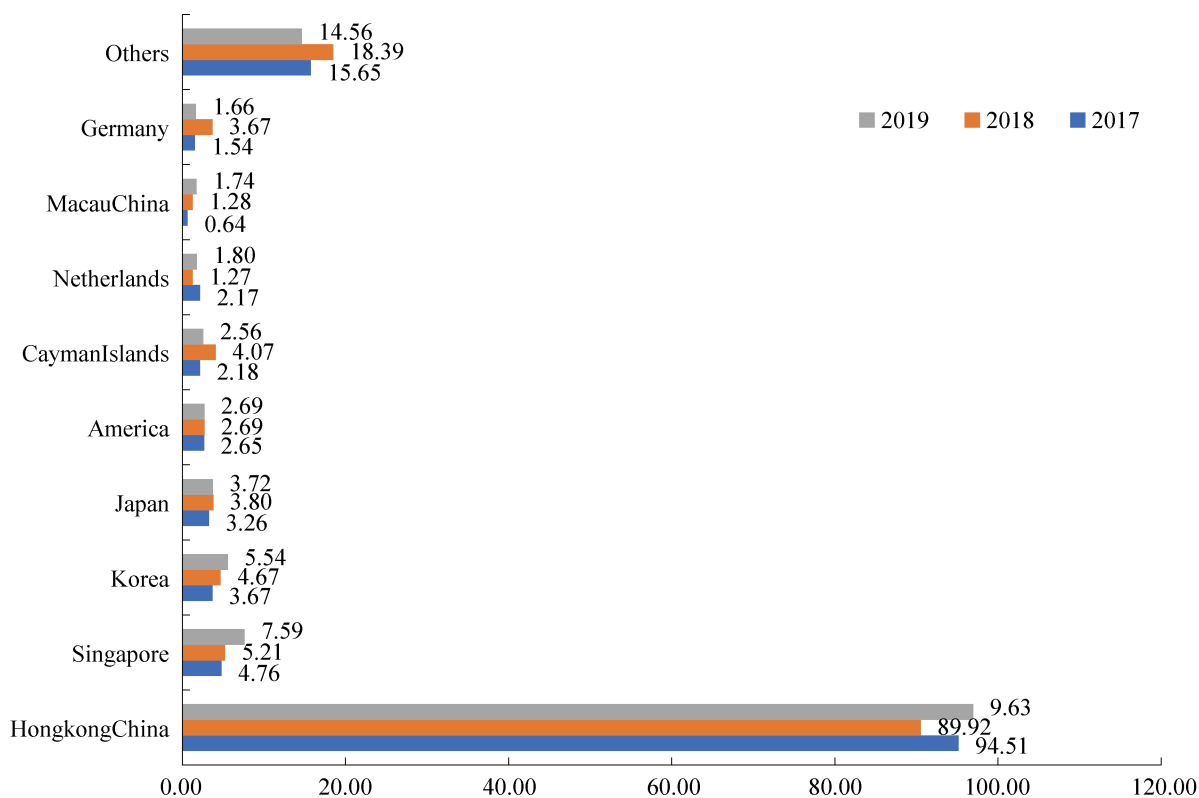


Fig. 4-2 Origins of China's FDI, 2017-2019 (Unit: US\$ billion)^②

① The National Bureau of Statistics: www.stats.gov.cn.

② The National Bureau of Statistics: www.stats.gov.cn.

Industry Distribution of Foreign Investment

In 2019, the manufacturing industry was the field in which China absorbed the most foreign investment, about US\$ 35.37 billion, accounting for 25.61%. Manufacturing was followed by real estate, which absorbed foreign investment of US\$ 23.47 billion, accounting for 16.99%; then by leasing and business services, which absorbed US\$ 22.07 billion, accounting for 15.98%; and then by information transmission, computer services and software, wholesale and retail, finance and transportation, warehousing and postal services.

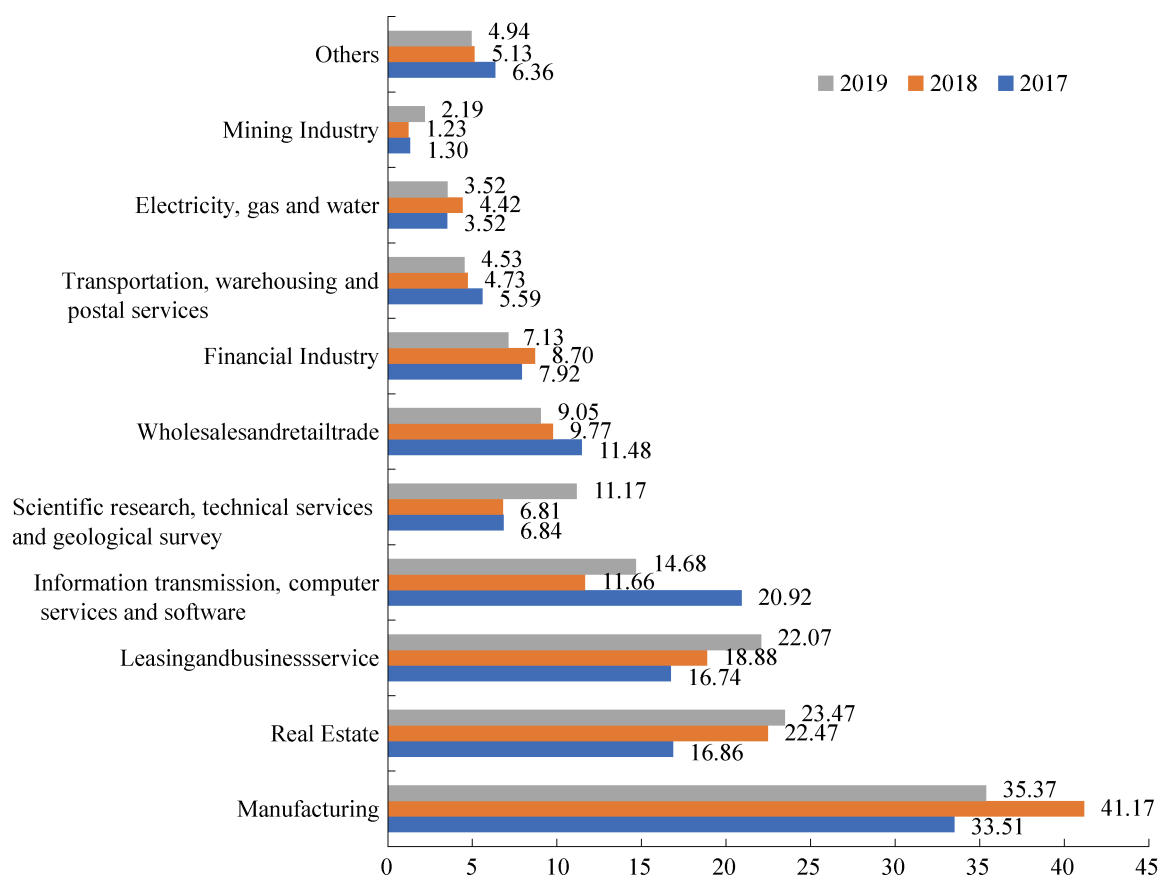


Fig. 4-3 Industry Distribution of China's FDI, 2017-2019 (Unit: US\$ billion)^①

① The National Bureau of Statistics of China: www.stats.gov.cn.



Starting a Business

5.1 Registering a Business

Competent Authorities

The State Administration for Market Regulation has unified management of the registration of foreign-funded enterprises, and the local municipal market supervision and administration sub-bureaus are responsible for examining and approving the registration of foreign-funded enterprises in their respective locations.

Entity Types

The organizational form, organizational structure and activity guidelines of foreign-funded enterprises established after January 1, 2020, are all applicable to *the Company Law (2018)*, *Partnership Enterprise Law (2007)* and other legal provisions.

Company. Foreign investors can establish limited liability companies or joint stock limited companies within China. Among them, a limited liability company must be established with capital contributions from no more than 50 shareholders, and each shareholder shall bear limited liability to the company within the limit of the capital contribution subscribed by it. The registered capital of a company limited by shares is all composed of equal shares, and the capital is raised by issuing stocks (or stock certificates), and shareholders shall bear limited liability to

the company within the limit of their subscription shares.

Partnerships. Foreign investors can establish general partnerships or limited partnerships in China. Each general partner of a general partnership enterprise shall bear unlimited joint liability for the enterprise; the general partner of a limited partnership enterprise shall bear unlimited joint liability for the debts of the enterprise, and the limited partner shall bear limited liability for the company within the limit of its subscription shares.

Resident Representative Offices of Foreign Enterprises. A resident representative office (“representative office”) established by a foreign company in China is an office established in China that engages in non-profit activities related to corporate business; it can only engage in market surveys related to corporate products or services, exhibitions, publicity activities, and liaison activities related to product sales, service provision, domestic procurement or investment, without legal qualifications, and must not engage in profit-making activities. It must comply with *the Regulation on the Administration of Registration of Resident Representative Offices of Foreign Enterprises (2018)*.

Registration Procedures

Applicants should apply for the registration of foreign-funded enterprises through the enterprise registration system. When making applications, investors need to promise whether they meet the relevant requirements of the *Foreign Investment Negative List* and fill in the fields related to *the Foreign Investment Negative List* based on the actual situation. In the process of establishment, modification, and deregistration, enterprises need to obtain the approval from the competent authorities of the industry, the market supervision department or the National Development and Reform Commission in advance and submit the relevant approval documents to the State Administration for Market Regulation.

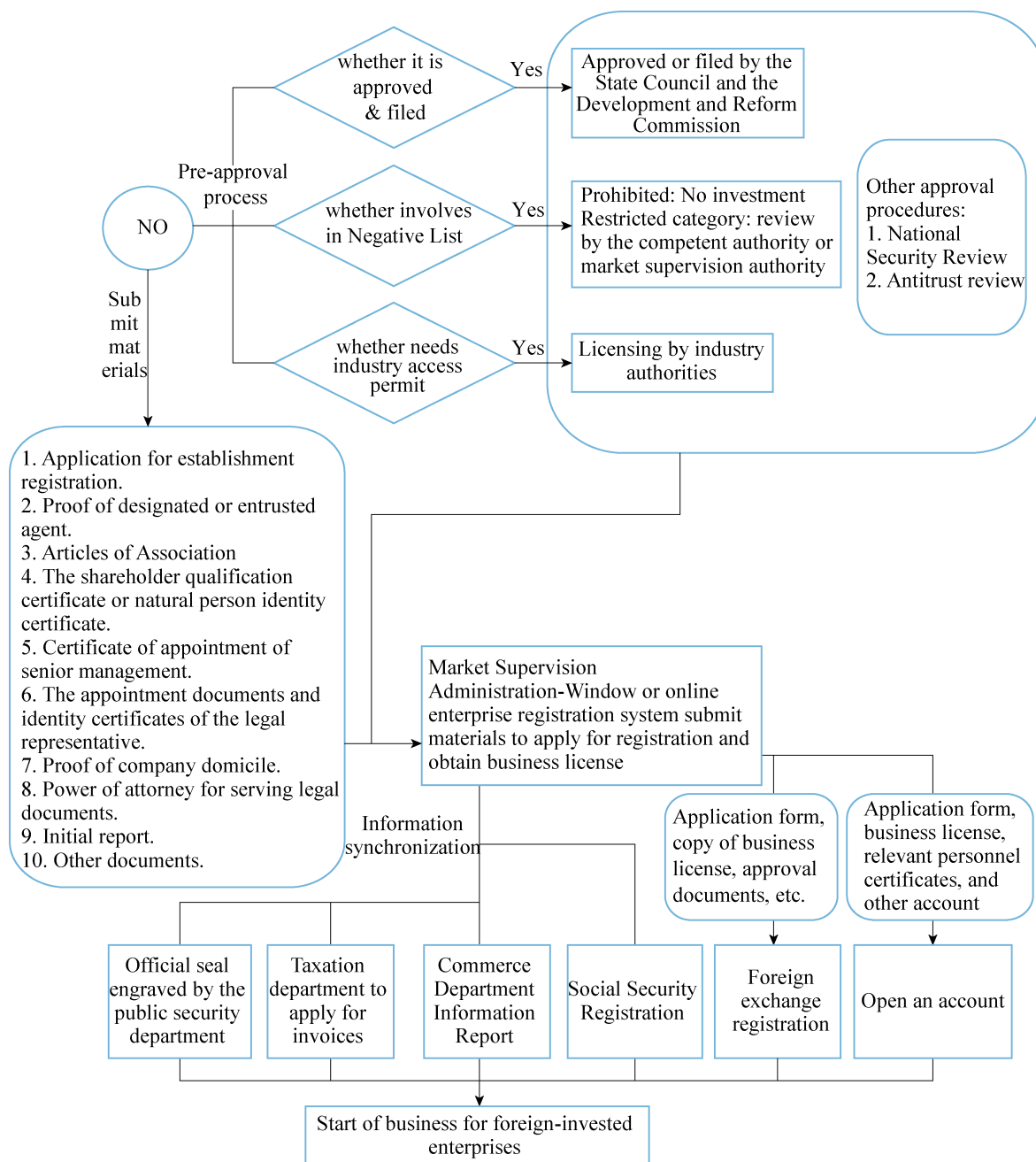


Fig. 5-1 Main procedures for Business Registration^①

If Investors need to change the basic information of the company, investment information, company name, place of production and operation, account opening certificates, etc., foreign-funded companies need to obtain the approval of the State Administration for Market Regulation in advance (Fig. 5-2 for the specific application process).

① China Investment Guide Network: fdi.mofcom.gov.cn.

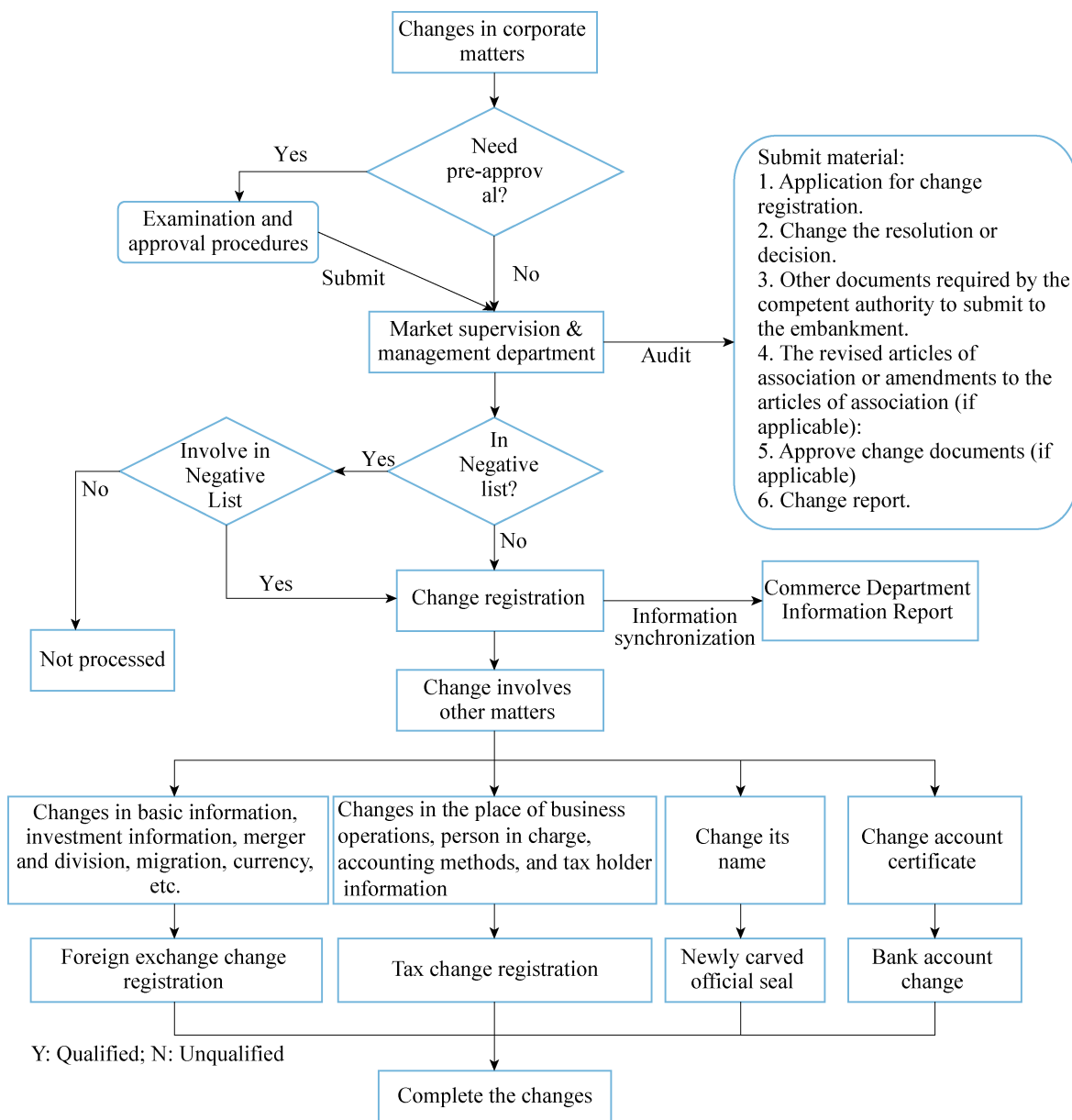


Fig. 5-2 The main procedures of a registered company^①

The Scheme for the Registration System Reform of Registered Capital^② stipulates that companies must submit annual reports to the National Corporate Credit Information Disclosure System (www.gsxt.gov.cn/index.html) within the prescribed time limit and accept public announcements. The submission time is from January 1 to June 30 each year.

① Invest in China, Ministry of Commerce of China: fdi.mofcom.gov.cn.

② The State Council of China e-government platform: www.gov.cn/zhengce/content/2014-02/18/content_8642.htm.

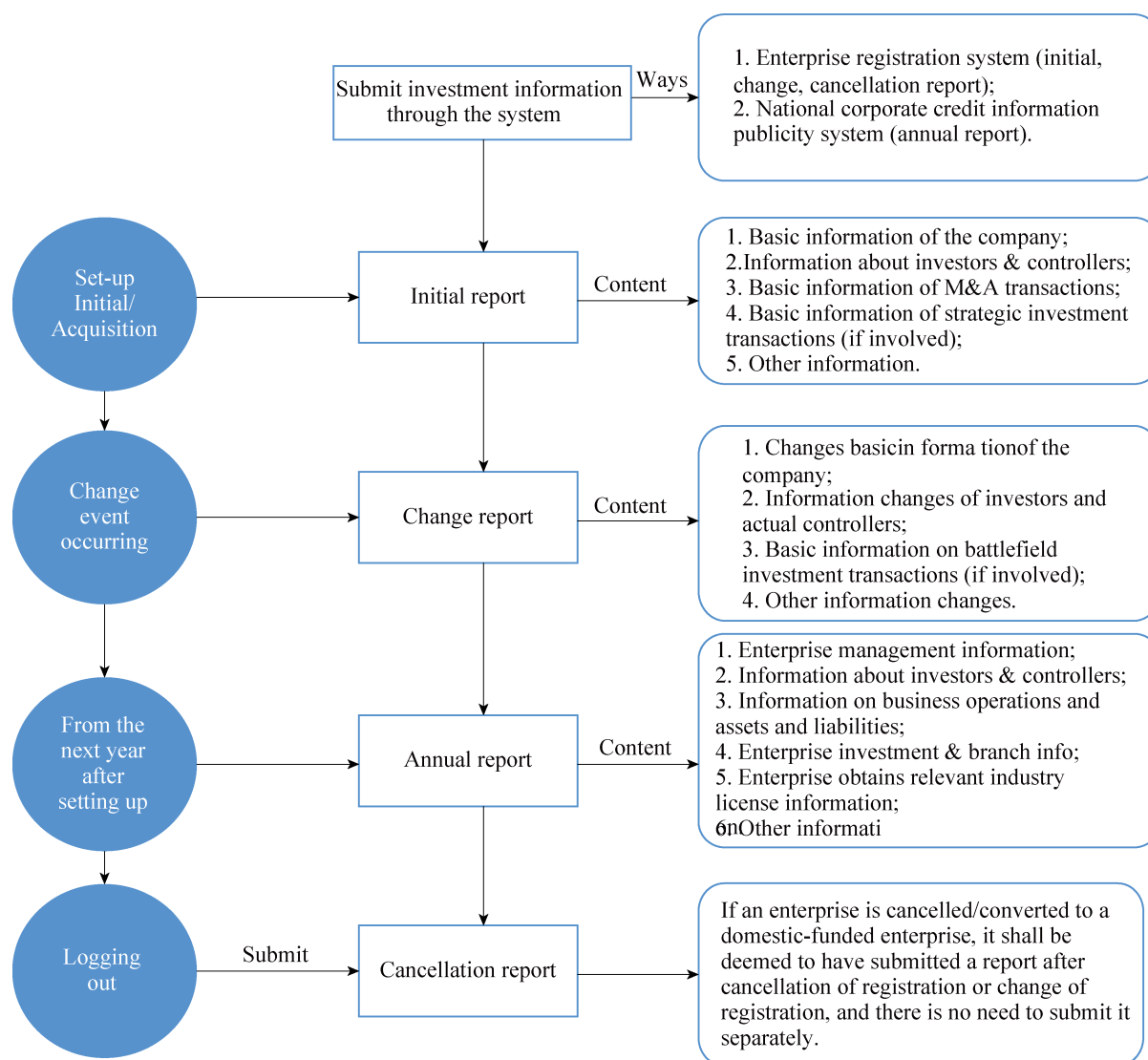


Fig. 5-3 Enterprise Information Reporting Process^①



Special Reminder:

(1) Requirements for Registration Procedure. The State Administration for Market Regulation conducts formal examination of the application materials for enterprise registration. Foreign investors or foreign-funded enterprises investing in areas outside the *Foreign Investment Negative List* shall be registered in accordance with the principle of consistency between domestic and foreign investment; investment in areas prohibited by the *Foreign Investment Negative List* will not be registered.

^① Ministry of Commerce of China: fdi.mofcom.gov.cn.

(2) Requirements on the Method of Capital Contribution. According to *the Company Law (2018)*, when a limited liability company is established, shareholders are not required to pay all the subscribed registered capital at the same time. The method, time and amount of capital contribution of the limited liability company are stipulated by the company's articles of association.

(3) Requirements for the Currency of the Registered Capital. Foreign-funded enterprises may contribute capital in the form of RMB or other freely convertible foreign currencies. If in foreign currency, it needs to be converted according to the People's Bank of China's offer on the paying day.



Investment Practice:

The first case of equity on behalf of the foreign shareholders in China after the implementation of the *Foreign Investment Law*^①

The Shanghai No. 1 Intermediate People's Court (referred to as the "No. 1 Intermediate Court") publicly pronounced an appeal on a dispute involving foreign shareholder qualification confirmation on May 14, 2020. The plaintiff is a foreign natural person and a dormant shareholder of a domestic company. In the early of the company's establishment, it established a joint venture through joint contribution with the shareholders with Chinese citizenship. In accordance with the Share Agreement and Capital Contribution Certificate signed by all parties at the time of capital contribution, the foreign shareholder shall pay the investment amount in the name of other shareholders and hold 51% of the equity. However, the defendant refused to change the equity according to the shareholding percentage of the plaintiff in accordance with the agreement.

The second-instance court determined that the foreign natural person shall have the right to recover his equity in accordance with the contract, and the *Foreign Investment Law* has removed

① Based on the relevant news of The Paper.

the restrictions on joint ventures between foreign parties and Chinese natural persons in China-foreign joint ventures, so there is no legal barrier for changing the foreign “dominant shareholder” to the shareholder of a domestic company.

Comment: Chinese shareholders can directly establish foreign-invested enterprises in China with foreign natural persons, enterprises, or other organizations as natural persons. This is one of the biggest changes in the *Foreign Investment Law* that came into effect on January 1, 2020. It replaces the original requirement that the establishment of foreign investment enterprises must be approved by the competent authorities of the Ministry of Commerce before they can be registered. Blind spots should be avoided in equity arrangements and agency holding agreements in foreign investment.

5.2 Project Contracting^①

Acquiring Information

Foreign-funded enterprises can obtain the latest project contract information on platforms such as the Chinese Government Procurement Network (www.ccgp.gov.cn) and the National Public Resources Trading Platform (www.ggzy.gov.cn).

Obtaining Qualifications of Bidding

The Bidding Law (2017)^② stipulates that bidding companies for construction projects must have the qualifications and capabilities to undertake the project and prepare bidding documents in accordance with the requirements of the project’s bidding documents. At the same time, the bidding company must deliver the bidding materials to the designated bidding place before the prescribed deadline for submission.

① China Public Service Platform for Bidding and Bidding: www.cebpubservice.com/ctpsp_policylaw/jsp/zz/policies_info.jsp?documentId=afd7075bdbc011e58705005056a425c6.

② The State Council of China e-government platform: www.gov.cn/gongbao/content/2017/content_5219119.htm.

Bidding

According to *the Bidding Law (2017)*, to carry out project survey, design, construction, supervision and other engineering construction projects in China, bidding must be conducted. Bidding is divided into 2 types: public bidding and invited bidding. The tenderer and the bid winner shall finalize the written contract in accordance with the bidding documents and the bid documents of the bid winner within 30 days from the date of the issuance of the bid winning notice. In addition, for projects that must be carried out in the form of bidding in accordance with the law, the tenderer must submit a written report on the bidding status to the corresponding administrative supervision department within 15 days of determining the winning bidder.

According to *the Bidding Law (2017)*, the bidding plan of the bid winner shall meet at least one of the following conditions: (1) maximizing the comprehensive evaluation standards specified in the bidding documents; (2) complying with the substantial relevance of the bidding documents and having been determined as the lowest bid price in the bid evaluation process (except when the bid price is lower than the project cost).

Regulations on Construction Engineering Contracting^①

In China, foreign-funded enterprises are only allowed to contract construction projects in the following ways:

- (1) Projects constructed with 100% foreign investment and/or foreign donations;
- (2) 100% international bidding projects funded by international financial institutions and carried out in the form of loan terms;
- (3) China-foreign joint construction projects where the proportion of foreign investment is not less than 50%, or the proportion of foreign investment is less than 50%, but due to technical problems, it cannot be independently implemented by domestic construction enterprises. It needs

^① Ministry of Housing and Urban-Rural Development of China: www.mohurd.gov.cn/wjfb/200611/t20061101_158616.html.

to be implemented by the local area or higher construction competent authorities Review and approve the implementation of China-foreign joint construction projects;

(4) For domestic wholly owned projects that cannot be independently implemented by domestic construction enterprises due to technical problems, joint projects undertaken by Chinese and foreign construction enterprises shall be approved by the region or the higher construction administrative department for implementation.

5.3 House Leasing

According to *Further Regulating the Administration on House Purchase by Overseas Institutions and Individuals (2010)*, foreign citizens can only purchase 1 house in China. Foreigners need to meet the following conditions: the foreigners (excluding Hong Kong, Macao, Taiwan residents and overseas Chinese) need to work in China for more than 1 year; the foreigners need to promise in writing that they have no other housing in China. For cities that implement housing purchase restrictions (such as Beijing, Shanghai, etc.), foreign citizens should consult the local Ministry of Housing and Urban-Rural Development to ensure that they comply with relevant regulations. In China, foreign citizens can rent or sell houses.^①

Foreign-funded enterprises have no special regulations for leasing offices in China, and they can rent offices and self-occupied houses through the rental agency platform.

Table 5-1 Some of the intermediary platforms for renting houses in China

Agent Name	Contact Information
HomeLink	Website: www.lianjia.com Tel: +86 010 1010 9666
An Ju Ke	Website: beijing.anjuke.com Telephone: 400 620 9008
Cental Line	Website: www.centaline.com.cn Tel: +86 010 6595 1688
5i5j	Website: bj.5i5j.com Telephone: 400 851 5515

^① Ministry of Housing and Urban-Rural Development of China: www.mohurd.gov.cn/wjfb/201102/t20110218_202615.html.

5.4 Opening a Bank Account

The Notice on *Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (2015)*^① clarified that foreign-funded enterprises can handle foreign exchange registration formalities under domestic and foreign investments with commercial banks in the place where the domestic enterprise is registered.

Foreign-invested enterprises that make capital contributions in the form of currency (including cross-border cash and RMB), upon depositing capital funds, need to register in the capital account information system of the State Administration of Foreign Exchange before they can use their capital accounts normally. To register the account registration, investors need to provide *the Application Form for the Registration of Basic Information for Domestic Direct Investment*, the company name pre-approval notice issued by the competent authorities for industry and commerce, or relevant certification issued by the competent industry authority. For details, please refer to the website of the State Administration of Foreign Exchange Management (www.safe.gov.cn/safe/2015/0228/5548.html).

A company is only allowed to open 1 basic bank account, but it can set up multiple general accounts. Investors should note that the account of the newly opened account in the first 3 days is only for accepting but not paying money, and then the account can be used normally. The required materials mainly include: the original and copy of the business license; the organization code certificate; the tax registration certificate; financial seal, legal person name seal and other reserved seals; basic account opening permit; the company's articles of association (stamped with official seal); etc.

5.5 Employee Recruitment

China employee recruitment channels can be roughly divided into 4 categories: online

① The State Administration of Foreign Exchange of China: www.safe.gov.cn/safe/2015/0228/5548.html.

recruitment, fresh graduate recruitment, headhunting recruitment, and government-sponsored recruitment platforms.

Table 5-2 China's Employee Recruitment Channels

Channels	Titles	Website
Online recruitment	51job	www.51job.com
	zhaopin.com	www.zhaopin.com
	China HR	www.chinahhr.com
Fresh graduate recruitment	yingjiesheng.com	www.yingjiesheng.com
	China HR campus	campus.chinahhr.com
	China Higher Education Student Information and Career Center	myjob.edu.cn
	Websites and recruitment official accounts of major universities ^①	www.ghzsb.cn
Headhunting	liepin.com	www.liepin.com
	Korn Ferry	www.kornferry.com/zh
	Montesea	montesea.com
Government sponsored recruitment websites	iguopin.com	www.iguopin.com
	Job Mohrss	job.mohrss.gov.cn

5.6 Financing

According to *the Regulation for Implementing the Foreign Investment Law (2019)*^②, foreign-invested enterprises can conduct financing within and outside China in accordance with the law through public issuance of stocks, corporate bonds, public or non-public issuance of other financing instruments, and borrowing of foreign debts.

Bank Loans

There are certain differences in the content of loan services provided by different

^① China University Information Network (investors can check the website information of major universities in China): www.ghzsb.cn.

^② The State Council of China e-government platform: www.gov.cn/zhengce/content/2019-12/31/content_5465449.htm ?= 1.

commercial banks. The products mainly include syndicated loans, account overdrafts, mortgage loans, revolving loans, etc.

Depending on the product and commercial bank, the materials that companies need to submit are different. The basic materials include: credit application, credit authorization, corporate legal person business license (original and copy), account opening permit, company profile (such as business conditions, project progress, future development strategy, etc., articles of association, tax return (if any), tax certificate (if any), capital verification report (if any), headquarters and consolidated audit report, legal representative ID card, legal representative resume (If any), ID card of the person in charge of finance, resume of the person in charge of finance (if any), project contract or agreement (if any), other bank credits, etc.

Bond Issuance^①

The Shanghai and Shenzhen Stock Exchanges are accepted by foreign-invested enterprises to apply for the public issuance of corporate bonds. The review agencies are the Shanghai and Shenzhen Stock Exchanges and the Corporate Bond Supervision Department of the China Securities Regulatory Commission.

Application Materials. *The Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.24 - Application Documents for Offering Corporate Bonds to the Public (2015)*^② stipulates that the application materials mainly include the solicitation documents for the issuance of corporate bonds and the issuer's application for the issuance of corporate bonds. Documents related to the issuance of corporate bonds with the authorization documents, intermediary agencies, and other documents.

① Corporate Bond Supervision Department of China Securities Regulatory Commission: www.csrc.gov.cn/pub/newsite/gszqjgb/.

② Corporate Bond Supervision Department of China Securities Regulatory Commission: www.csrc.gov.cn/pub/zjhpublic/G00306201/201503/t20150306_269638.htm

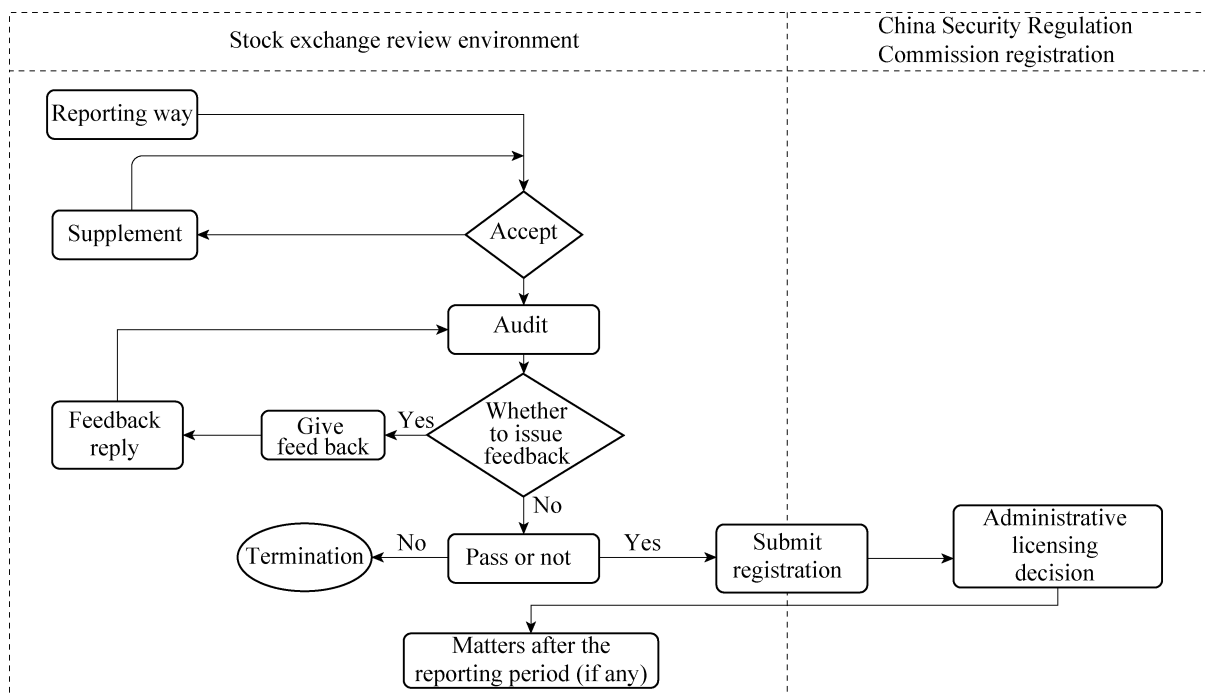


Fig. 5-4 China Securities Regulatory Commission corporate bond issuance process flow chart^①

Listing on the Exchange^②

Foreign-funded enterprises apply for the approval system for the public offering of company stocks. The application acceptance agency is the General Office of the China Securities Regulatory Commission, and the review agency is the Issuance Supervision Department of the Securities Regulatory Commission.

Application Conditions. Companies can use the Securities Regulatory Commission Service Guide (neris.csrc.gov.cn/alappl/home/guideH) to check the application conditions for approval of the public offering of shares by listed companies.

Application Materials. The securities issuance documents, the issuer's application and authorization documents for the securities issuance, the sponsor's documents on the securities issuance, the issuer's lawyers on the securities issuance, and the documents on the use of the proceeds from the securities issuance, and other files.

^① Corporate Bond Supervision Department of China Securities Regulatory Commission: www.csrc.gov.cn/pub/newsite/gszqjgb/xzxkgszq/zqbxkfwdt/201603/t20160329_294895.html

^② China Securities Regulatory Commission's Guide to Approval Services for the Public Offering of Stocks by Listed Companies. www.csrc.gov.cn/pub/zjhpublic/G00306202/201602/t20160226_293355.htm.

Application Process.

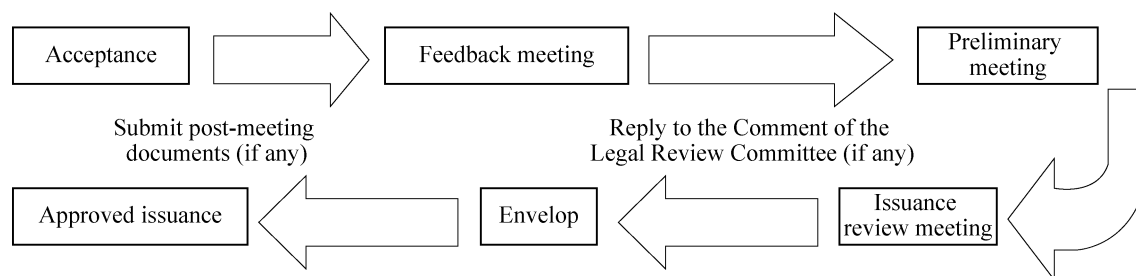


Fig. 5-5 IPO Applied Process in China's Main Board (A-Shares & B-Shares)^①

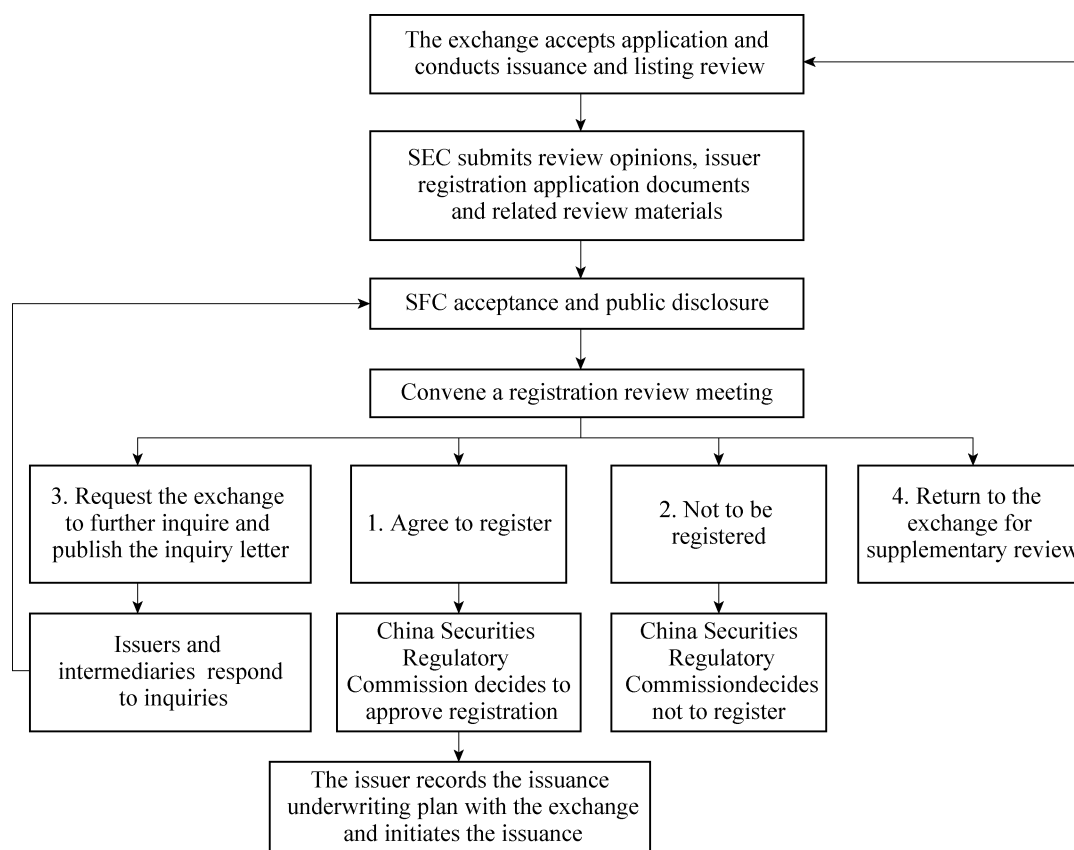


Fig. 5-6 IPO Applied Process on STAR Board and New OTC Market^②

5.7 Applying for Patents and Registering Trademarks

In China, there are 2 ways to apply for patents and registered trademarks: applicants handle them on their own or through agencies. The application department for invention, appearance and

^① China Securities Regulatory Commission: www.csrc.gov.cn/pub/zjhpublic/G00306202/201602/t20160226_293355.htm.

^② China Securities Regulatory Commission: www.csrc.gov.cn/newsite/fxjgb/cybzczl/zcgzlycyb/202009/t20200902_382523.html.

utility model patents is the State Patent Office under the China National Intellectual Property Administration. Applicants can complete the electronic patent application from the Chinese patent electronic application website (cponline.cnipa.gov.cn). The trademark registration department is the trademark office under the China National Intellectual Property Administration. Applicants can complete the electronic application and search of trademarks through the China Trademark Website (sbj.cnipa.gov.cn/wssq).

Application for Patents

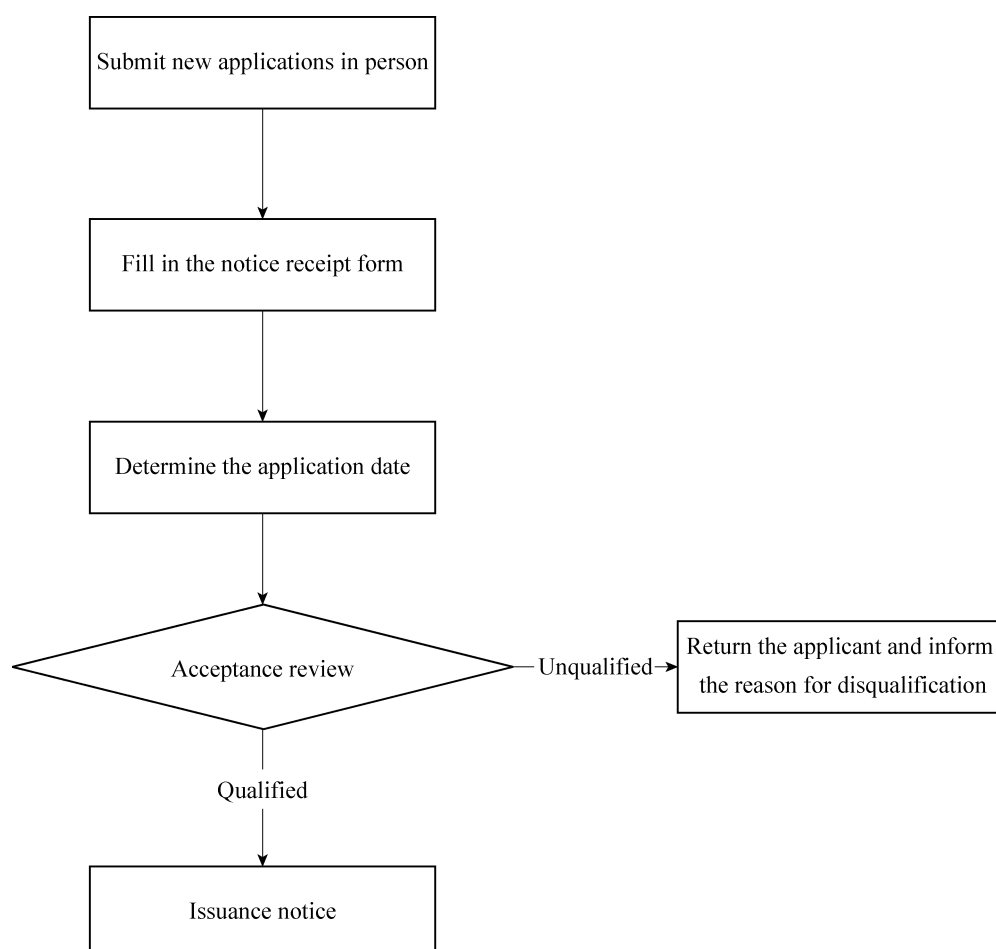


Fig. 5-7 The Patent registration process in China^①

① China National Intellectual Property Administration: www.cnipa.gov.cn.

Register a Trademark

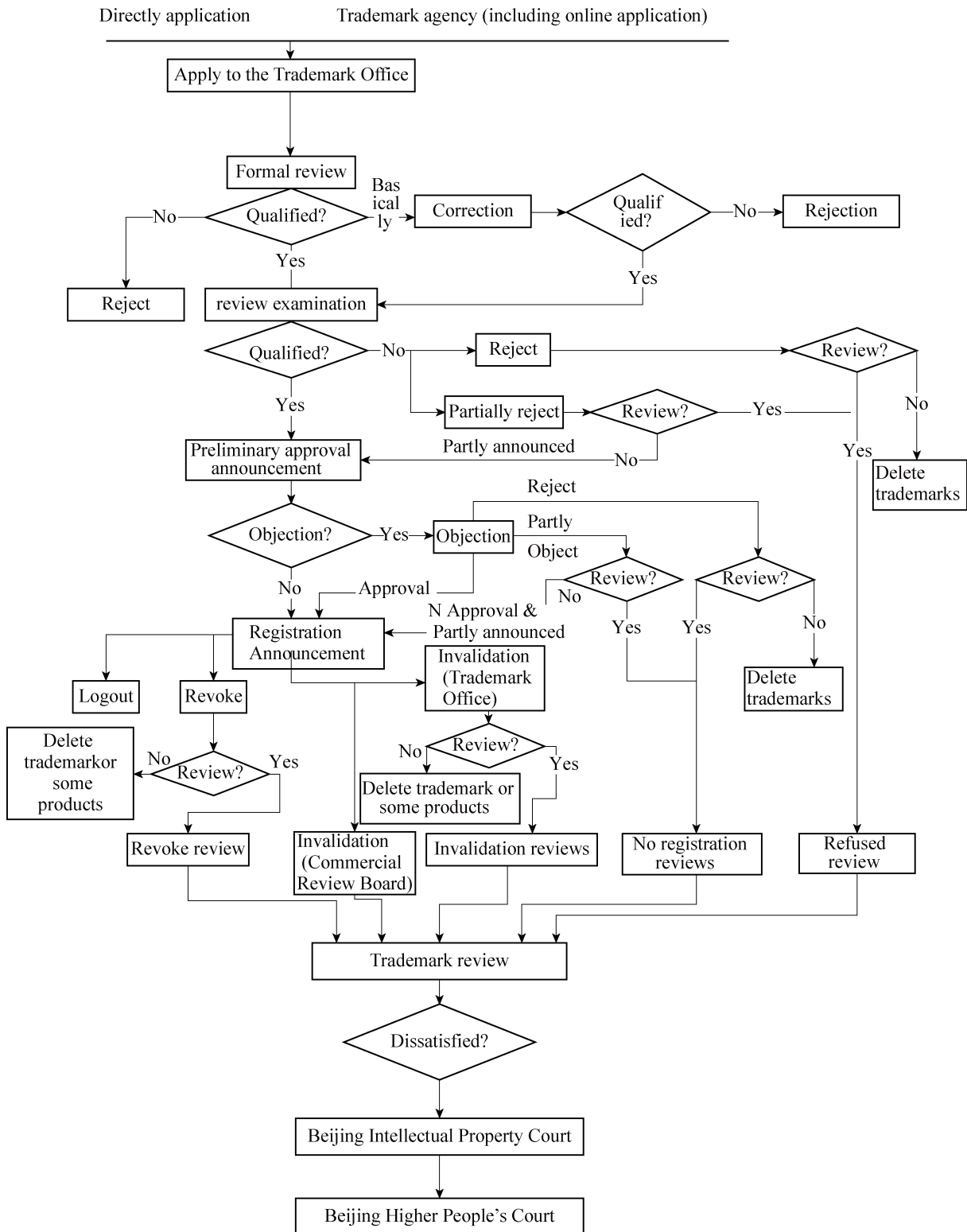


Fig. 5-8 Application process for trademark registration in China^①

① China National Intellectual Property Administration: www.cnipa.gov.cn.

5.8 Tax Payment^①

Tax Declaration

Enterprises can log on to the website of the State Taxation Administration at the end of each year to check the tax declaration deadline for the next year. According to *the Notice by the General Office of the State Taxation Administration of Clarifying the Deadlines for the Filing of Tax Returns in 2021*^②, the deadline for the 5 tax declaration months (March, July, September, November, and December) in the 2021 fiscal year is the 15th of the current month. The deadlines for tax declaration in other months are January 20, February 23, April 20, May 21, June 18, August 16, and October 26.

Tax Declaration Channels

Handling Location. It can be handled offline through the tax service department of each region or online handled by the electronic tax bureau, and the tax declaration location of each province (or autonomous region, municipality) can be inquired through the website of the State Taxation Administration “12366 Tax Service Platform” (12366.chinatax.gov.cn) And related information.

Handling Materials. Enterprises can view the tax filing materials in the tax handling guide of the “12366 Tax Service Platform” on the website of the State Administration of Taxation.

Handling Process.

① The State Taxation Administration of China: www.chinatax.gov.cn.

② The State Taxation Administration of China: www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5159893/content.html.

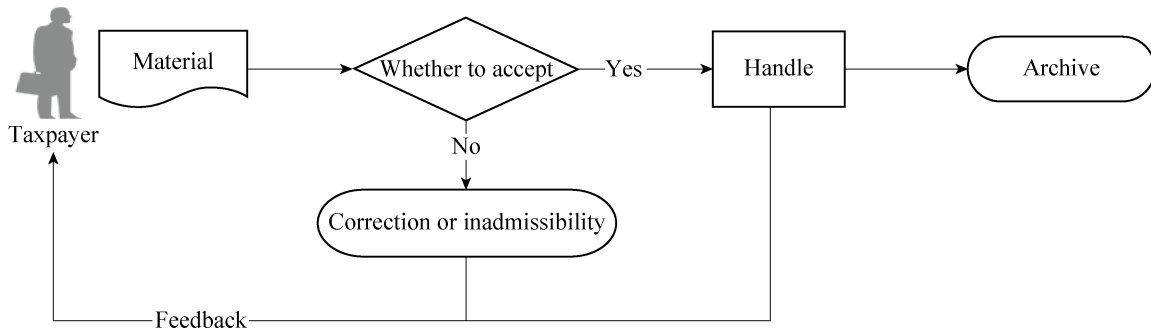


Fig. 5-9 Application for Tax declaration flow chart^①



Investment Practice:

A foreign-funded enterprise in Fuzhou was fined RMB 1.14 million for tax evasion^②

In 2007, a foreign-funded enterprise in Fuzhou was fined RMB 540,000 in accordance with the law for exchanging bonded goods without customs permission and was ordered to pay RMB 600,000 in back taxes. The foreign-funded enterprise is a technology company, mainly engaged in processing trade production. It is the same legal representative as a technology company in Dongguan, Guangzhou, and belongs to a brother company. In the past 2 years, the company's large amount of raw material copper clad plates and Dongguan Brothers' copper clad plates had been exchanged privately, amounting to more than 210 tons, resulting in tax evasion of more than RMB 600,000.

The relevant person in charge of the Fuzhou Customs stated that because the company's copper bonding boards are bonded goods and must be subject to customs supervision, the unauthorized exchange of bonded goods violated the customs' supervision regulations. Therefore, Fuzhou Customs issued a penalty decision to the company for the payment of fines and taxes totaling RMB 1.14 million. However, due to the impact of the global economic crisis and the withdrawal of bank funds, the company fell into financial difficulties for a while and was unable to pay fines. Fuzhou Customs visited the company several times and learned about the actual difficulties of the company and agreed to pay the fine in installments.

① The State Taxation Administration of China: 12366.chinatax.gov.cn/bsznBLH/main

② China News Net: www.chinanews.com/cj/cj-gncj/news/2009/08-18/1822350.shtml.

Comment: Imported processed trade materials are customs bonded goods. If finished products are not exported, the imported materials are not subject to taxes. However, if the goods need to be sold in the domestic market, the customs will levy tariffs and tax deferred interest in accordance with the regulations of the competent authorities for domestic sales. In addition, if the bonded goods need to be transferred, transferred, or entered or exited the bonded place, they must go through the relevant procedures with the customs and pay the relevant taxes. Violators will be punished accordingly.



Legal Provisions^①

6.1 Land

Competent Authorities and Relevant Laws

The Ministry of Natural Resources is responsible for the management and supervision of land in China, and the Ministry of Natural Resources of local governments at or above the county level is responsible for supervising land use and management in various regions. Relevant laws include *Rural Land Contract Law (2018)*, *Land Administration Law (2019)* and *Law on Urban Real Estate Administration (2019)*, etc.

Land Classification^②

Land Administration Law (2019) classifies the land as agricultural land, construction land and unused land according to land use. Agricultural land refers to the land directly used for agricultural production, including cultivated land, forest land, grassland, farmland and water conservancy land, and aquaculture water surface, etc.; Construction land refers to the land used to build buildings and structures, including urban and rural housing and public facility land, industrial and mining land, land for transportation and water conservancy facilities, land for tourism, land for military facilities, etc. The land excluding agricultural land and construction

① China National Laws and Regulations Database: flk.npc.gov.cn.

② Ministry of Natural Resources of China: gi.mnr.gov.cn/202003/t20200310_2501129.html.

land is collectively referred to as unused land.

Land Administration Law (2019) stipulates that land in urban areas is owned by the state, and land in rural and suburban areas is generally owned by farmers' collectives unless the law clearly stipulates that they are owned by the nation. Homesteads, private plots, and private hills belong to farmers' collective. The state-owned land used for agriculture according to law may be contracted and managed by foreign-funded units or individuals for plantation, forestry, animal husbandry and fishery production.

Provisions on the Acquisition of Land by Foreign-funded Enterprises

According to the *Measures for the Administration of Land Development by Foreign Investment*,^① the foreign-invested enterprises can obtain the right to use a designated plot of state-owned land and engage in various construction activities in the area that comply with the national environmental protection laws, administrative regulations, and standards. At the same time, foreign-invested enterprises can transfer their land use rights in accordance with the contract of state-owned land use rights. In 2019, the State Council issued *the Several Opinions of the State Council on Further Doing a Good Job in the Utilization of Foreign Investment*^②, which clarifies that country encourages foreign investment projects in the land transfer category of the intensive land use of priority. Moreover, the reserve price for land transfer can be determined by 70% of the corresponding land grade higher than *the Minimum Transfer Prices of Land for Industrial Purposes*.^③

6.2 Tax

Competent Authorities and Relevant Laws

State Taxation Administration is the national tax collection competent authorities in charge.

① Ministry of Natural Resources of China: f.mnr.gov.cn/201702/t20170206_1435397.html

② The State Council of China e-government platform: www.gov.cn/zhengce/content/2019-11/07/content_5449754.htm.

③ Ministry of Natural Resources of China: f.mnr.gov.cn/201702/t20170206_1436122.html

Local tax bureaus are responsible for the collection and management of taxation. Local governments at all levels are responsible for leading or coordinating tax collection and management within their respective administrative regions and providing support for taxation authorities to perform their duties and collect taxes in accordance with the law.

The relevant governing laws shall include *Tax Collection Administration Law (2015)*; *Regulation on the Implementation of the Enterprise Income Tax Law (2019)*; *Regulation on the Implementation of the Individual Income Tax Law (2018)*; *Deed Tax Law (2020)*; *Law of the P.R.C. on Urban Maintenance and Construction Tax (2020)*; *Vehicle Acquisition Tax Law (2018)* etc.

Tax System

China levies taxes on the principle of territoriality. The income generated in China from domestic sources or income obtained in China or deemed to have been obtained in China is taxable income. The current main taxes include corporate income tax, personal income tax, value-added tax, consumption tax, deed tax, vehicle purchase tax, stamp tax, customs, resource tax, vehicle and vessel tax, urban maintenance and construction tax, ship tonnage tax, etc. The current taxation standards for each tax category can be inquired in the Tax Policy Database of the State Taxation Administration.^①

Corporate Income Tax. For non-resident enterprises establishing institutions and premises in China, the corporate income tax rate 25% is generally applicable. If an institution or place is not established in China, or if an institution or place is established but the income obtained has no actual connection with the institution or place where it is established, the enterprise income tax shall be paid at the applicable tax rate 10% on the income from domestic sources.

If a non-resident enterprise does not establish an institution or place, its income from

^① Tax Policy Database of the State Taxation Administration of China: www.chinatax.gov.cn/chinatax/n810341/n810825/index.html?title=.

domestic sources shall be taxed according to the accurate location of the institution or place. If a non-resident enterprise establishes 2 or more institutions or places in China, it may choose to collect income tax from its main institution or place upon review and approval by the tax authority.

The following incomes of enterprises will be regarded as tax-free income: interest income from national bonds, dividends, bonuses and other equity investment incomes from eligible resident enterprises, the related equity investment income such as dividends and bonuses obtained by non-resident enterprises which set up institutions and places in the territory and have actual connections with them.

Table 6-1 China's Corporate Income Tax Rate, 2021^①

Enterprise type	Rate	Specified conditions
Eligible high-tech enterprises	15%	–
Key software companies and integrated circuit design companies	10%	The corporate income tax can be exempted for the first 1-5 years from the profit-making year. And the tax rate will be reduced by 10% for subsequent years.
Technically advanced service enterprises	15%	It must meet certain standards and be assessed as a technologically advanced service enterprise.
Enterprises that are set up and carry out specific projects in the western areas	15%	From January 1, 2011, to December 31, 2030, enterprises engaged in <i>the Catalog</i> projects.
Enterprises operating in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone	15%	Enterprises needing to engage in the projects in the region's corporate income tax preferential catalog. (Please refer to the website of the State Taxation Administration for the income tax preferential list of each district ^②)
Enterprises established in Hengqin New Area of Zhuhai		
Enterprises established in Fujian Pingtan Comprehensive Experimental Zone		
Enterprises registered and substantively operating in Hainan Free Trade Port	15%	From January 1, 2020 to December 31, 2024, projects in <i>the Catalog</i> of the district ^③
Enterprises engaged in specific business activities in Lin-Gang Special Area of China (Shanghai) Pilot Free Trade Zone	15%	Starting from January 1, 2020, tax collected from the enterprises engaged in related product (technology) businesses in key areas such as integrated circuits, artificial intelligence, biomedicine, and civil aviation will be reduced within 5 years from the date of establishment.

① The State Taxation Administration of China: www.chinatax.gov.cn.

② The State Taxation Administration of China: www.chinatax.gov.cn/chinatax/n810341/index.html.

③ The State Council of China e-government platform: www.gov.cn/zhengce/zhengceku/2021-02/01/content_5584066.htm.

Continued

Enterprise type	Rate	Specified conditions
Small and low-profit enterprises	2.5%	From January 1, 2021, to December 31, 2022, the enterprises with annual taxable income \leq RMB 1 million.
	10%	From January 1, 2019, to December 31, 2021, the enterprises whose annual taxable income exceeds RMB 1 million but \leq RMB 3 million.



Special Reminder:

A resident enterprise refers to an enterprise established in China, or which established in other countries (regions) but the actual management organization is located in China. Non-resident enterprises refer to those established in other countries (regions) and the actual management organization is not located in China, but set up an organization or place in China, or those which do not set up an organization or place in China, but the income is derived from the territory of China.

Individual income tax. Individuals who have a domicile or no domicile in China but have lived in the country for a total of 183 days in a tax year are resident individuals. Resident individuals shall pay personal income tax on the income obtained within and outside China. Individuals who do not have a domicile or live in China, or who do not have a domicile but have lived in China for less than 183 days in a tax year are non-resident individuals. Non-resident individuals shall pay personal income tax on the income obtained from China.

Table 6-2 Non-resident individual employment income tax rate, 2021^①

Level	Annual taxable income amount	Rate	Notes
1	Not more than RMB 3,000	3%	The taxable income of non-resident individuals from employment shall be based on the balance of monthly income minus RMB 5,000 in expenses.
2	The part more than RMB 3,000 to RMB 12,000	10%	
3	The part more than RMB 12,000 to RMB 25,000	20%	
4	The part more than RMB 25,000 to RMB 35,000	25%	
5	The part more than RMB 35,000 to RMB 55,000	30%	
6	The part more than RMB 55,000 to RMB 80,000	35%	
7	The part exceeding RMB 80,000	45%	

① The State Taxation Administration of China: www.chinatax.gov.cn.

Value-added tax. Units and individuals who sell or import goods, sell services, labor services, intangible assets or immovable properties shall pay value-added tax. Small-scale taxpayers usually pay VAT at a rate of 3%.

Table 6-3 General taxpayer's value-added tax rate^①

Taxable behavior	Rate (%)
Sale and import of general goods	13
Sale and import of specific goods (such as grain, tap water, gas, fertilizer, etc.)	9
Labor service like processing, repairing, and fitting	13
Tangible movable property lease	13
Transportation services, postal services, basic telecommunications services, construction services, real estate leasing, real estate sales, transfer of land use rights	9
Value-added telecommunications services, financial services, modern services (except leasing services), life services, sales of intangible assets (except land use rights)	6
Goods Exports; Provide external labor service processing, repairing, and fitting; International transportation services, space transportation services; Provide overseas specific services that are completely consumed in China, including: a) research and development services; b) contract energy management services; c) design services; production and distribution services of radio, d) film and television programs (works); e) software services; f) circuit design and testing services; g) information system services; h) business Process management services; i) offshore service outsourcing business; j) technology transfer	0



Special Reminder:

From April 1, 2021, to December 31, 2021, small-scale taxpayers, originally applied 3% of taxable sales income, shall be leveled by lowering to 1%. At the same time, some industries (such as public transportation services, life services, etc.), the income obtained is exempt from value-added tax.

Sale Tax. It is suitable for the production and import of specific types of goods, including tobacco and alcohol, high-end cosmetics, jewelry, firecrackers, fireworks, gasoline and diesel and related products, motorcycles, cars, and disposable chopsticks. According to the goods' types, the consumption tax can be calculated and paid according to the sales price and/or sales volume of the goods.

^① The State Taxation Administration of China: www.chinatax.gov.cn.

Land Appreciation Tax. The “value-added income” after deducting the “deduction items” from the income obtained from the paid transfer or disposal of real property shall be levied at an over-rate progressive tax rate of 30%-60%. Deductions include:

- a) The amount paid for acquiring land ownership;
- b) Real estate development costs;
- c) Financial expenses, such as interest. Other real estate development expenses (that is, sales and management expenses) can be deducted within the limit. The maximum deduction is 5% of the amount paid for obtaining land use rights and the amount of real estate development costs;
- d) Taxes related to the transfer of real estate (usually stamp duty);
- e) The sum of the amount paid for acquiring land ownership and the amount of real estate development costs plus 20% shall be deducted.

Stamp Tax. Stamp duty is a tax levied on written documents related to real estate and shares. Documents related to real estate include the sale, exchange, mortgage, trust, lease, etc. of real estate. Documents related to shares include distribution, transfer, donation, trust, mortgage, etc. of shares. In June 2021, the Standing Committee of the National People’s Congress made a second revision to the *Draft of Stamp Duty Law*, intending to further clarify the scope of stamp duty collection and preferential tax regulations. To learn about current stamp tax items and tax rates, please consult the website of State Taxation Administration of the People’s Republic of China. (www.chinatax.gov.cn)

Deed Tax. Units and individuals that transfer land and house ownership within China (including transfer of land use rights, sale of donations or exchange of land use rights, sale of donations or exchange of houses, etc.) shall pay the deed tax. The deed tax rate shall be 3%-5%. The specific applicable tax rate varies with the ownership transfer of different entities, different regions, and different types of housing.

Vehicle and Vessel Tax. Vehicle and vessel taxes are levied on the owners or managers of

passenger cars, commercial vehicles, trailers, motorcycles, and ships. Among them, passenger cars (the annual benchmark tax amount is levied by RMB 60-5,400 based on the engine cylinder displacement). Commercial vehicles (the annual benchmark tax is RMB 48-1,440 and RMB 16-120 depending on the specific types of passenger car or truck). In terms of ships, the annual benchmark tax is RMB 3-6 based on motor ships; the annual benchmark tax is RMB 600-2,000 for yachts).

Tobacco Tax. A 20% tobacco leaf tax is levied on units purchasing tobacco leaves. Among them, the tax payable is calculated by multiplying the total price actually paid by the taxpayer for the purchase of tobacco leaves by the tax rate.

Vehicle Purchase Tax. Units and individuals that acquire taxable vehicles by purchasing, importing, assets, receiving gifts, awards or other methods and using them for their own use shall pay the purchase tax by 10%.

City Maintenance and Construction Tax. Units and individuals that pay value-added tax and consumption tax in China must pay urban maintenance and construction tax according to their locations. The tax rate in urban areas is 7%. The tax rate in counties and towns is 5%. The tax rate in other regions is 1%.

Tariff. The duty payer in China is the consignee of imported goods and the owner of imported goods. Import tariffs can be divided into ordinary tariffs, most-favored-nation tariffs, agreed tariffs, preferential tariffs, tariff quotas, preferential tariffs, anti-dumping duties, countervailing duties, etc. Tax reduction and exemption shall include reduction or exemption of tariffs on imported and exported goods, import value-added tax, and consumption tax. Tax relief can be divided as statutory tax relief, specific tax relief and temporary tax relief. For specific commodity tax rates, please refer to the website of the General Administration of Customs ([202.127.48.116: 18001/static/pages/taxRateQuery.html](http://202.127.48.116:18001/static/pages/taxRateQuery.html)).



Special Reminder:

According to the international tax treaties signed between China and other countries (regions), resident taxpayers of one party can obtain tax deductions or exemptions in the other country of the tax treaty. Tax treaties can reduce the corporate/individual income tax that foreign enterprises or individuals should pay to China. As of March 2021, the international tax treaties signed between China with 102 countries and 2 special administrative regions have come into effect. For details, please refer to the website of the State Taxation Administration. (www.chinatax.gov.cn/n810341/n810770/index.html).

6.3 Employment

Competent Authorities and Relevant Laws

The Ministry of Human Resources and Social Security oversees labor work across the country. The labor administrative department of the local people's government at or above the county level oversees labor work in its administrative area.^① The relevant laws include *Labor Law (2018)*; *Labor Contract Law (2012)*; *Social Insurance Law (2018)*; *Labor Dispute Mediation and Arbitration Law (2007)*.

Main Clauses^②

Labor Contracts. The labor contract shall be concluded in the written form. According to the term, labor contracts can be divided into 3 categories, fixed term, non-fixed term, and completion of a certain period of work. The labor contract can clearly stipulate the probation period. *The Labor Law (2018)* stipulates that the probation period shall not exceed 6 months.

Working Hours. *The Labor Law (2018)* stipulates that the average working hours of workers

^① Ministry of Human Resources and Social Security of China: www.mohrss.gov.cn/wap/zc/fgwj/201601/t20160119_232110.html.

^② Labor Law (Amended in 2018): www.mohrss.gov.cn/wap/zc/fgwj/201601/t20160119_232110.html.

shall not exceed 8 hours/day or 44 hours/week. The employer shall ensure that the workers have at least 1 day off every week.

Salary Payments. Based on the principle of distribution according to the workload, equal pay for equal work is implemented. China implements a minimum salary guarantee system. The specific standards are set by governments at all levels.

Medical Insurance and Social Insurance. China has established a social insurance fund. The social insurance fund determines the source of funds according to the type of insurance. The social insurance contributions for workers cover 5 major insurance types, pension insurance, unemployment insurance, work-related injury insurance, medical insurance, and maternity insurance. The basic medical insurance fund is composed of 2 parts: the overall fund and the personal account. The basic medical insurance premiums paid by individual employees will be fully included in the personal account. The part of the basic medical insurance premium paid by the employer is used to establish the overall fund and the other is transferred to the personal account. Generally, the proportion of the personal account accounts 30% of the unit's total payment proportion, which is determined with reference to factors such as the payment scope of the personal account and the age of the employees.

Hiring Foreign Employees^①

To introduce foreign workers, the employer must first apply for the *Foreigner Employment Permit* to the local labor department. After obtaining the permit, the foreign worker must apply for a work visa (Z visa) to the local Chinese consulate. The employer shall apply for the *Foreigner Employment Permit* within 15 days after the entry of the foreigner. Foreign workers should apply for a residence permit at the public security organ with the *Foreigner Employment Permit* within 30 days of entering the country. According to regulations, holders of F, L, C, and G

① Regulations on the Administration of Employment of Foreigners in China (Amended in 2017), Ministry of Human Resources and Social Security of China: www.mohrss.gov.cn/SYrlzyhshbzb/zcfg/flfg/gz/201704/t20170413_269433.html.

visas, foreign citizens studying or being an internship in China, and accompanying family members of foreign citizens holding Z visas shall not enjoy the right to work in China. Different application procedures are applicable to foreign experts, offshore oil workers, cultural and artistic performers, and representatives of representative organizations.

According to the *Provisions on the Administration of the Employment of Foreigners in China (2017)*, foreign citizens applying for employment in China must meet the following conditions: a) being 18 years old and in good health; b) having the professional skills or relevant work experience required for the job; c) no criminal records in Chinese territory; d) being formally employed; e) and holding a valid passport or other substituted international travel documents.



Investment Practice:

A labor dispute caused by revising its internal rules and regulations^①

Shenming Motor is in Minhang Economic and Technological Development Zone and was founded in 1988. It mainly produces electronic products such as electromagnetic coils and micro switches. It employs more than 1,000 workers. It was originally a Sino-Japanese joint venture. The Japanese enterprise acquired all shares of Shenming Electric in 2010 and required employees to sign the 49 Codes for New Employees. For example, if some employee is late, a fine of RMB 50 will be imposed; if some employee is late twice, he or she will be recorded with a demerit and a fine of RMB 100 will be charged. For workers with a monthly income of less than RMB 2,000, the fine is almost equal to a day's salary.

In protest the imparity clause, over 1 thousand employees collectively suspended work and surrounded the company's office building, resulting in 10 Japanese and 8 Chinese executives unable to leave the office building for about 2 days. The leaders of the Minhang District Government of Shanghai, in conjunction with the District People's Insurance Bureau, the

① Based on the Xinhuanet News.

Federation of Trade Unions, and the Public Security Branch Bureau, actively coordinated the situations. The labor union and labor department intervened to coordinate labor disputes. The government, employers and employees jointly held a communication and coordination meeting and require the company's management level to consider the reasonable demands of employees seriously. At the same time, guide employees to protect their rights legally and rationally.

Comment: In recent years, with the continuous improvement of China's legal system, workers have paid more and more attention to safeguarding their rights and interests. Foreign-funded enterprises and Chinese employees are prone to disputes over the legitimacy and rationality of corporate rules and regulations. In particular, the "punishment management regulations" formulated by enterprises are prone to disputes when they are applied. In addition, there are issues such as warnings, salary reductions, downgrades, overtime wages, annual leave conversion wages, performance appraisal wages, business travel allowances, and generalized wages for year-end bonuses, which are also prone to labor disputes. Foreign-funded enterprises should abide by relevant Chinese laws and regulations and solicit opinions from employees and communicate with them in a timely manner when formulating relevant rules so as to avoid unnecessary losses.

6.4 Protection of Intellectual Property Rights

Competent Authorities and Relevant Laws

China National Intellectual Property Administration is in charge of patent and trademark work and coordinates intellectual property and other matters. The relevant applicable laws and regulations include *Patent Law (2020)*, *Trademark Law (2019)* and *Anti-Unfair Competition Law (2017)*, etc.

Patent and Trademark Related Regulations

Patent Law (2020) stipulates that an invention patent or utility model patent that has already filed a patent application outside of China, if it is within 12 months from the date of registration,

can enjoy the priority of patent registration in China. In addition, a patent for which a design patent application has been filed outside of China can enjoy registration priority if it is still within 6 months from the date of application. The term of protection of a patent for invention shall be 20 years from the date of filing. The term of protection of a patent for utility model shall be 10 years. The term of protection of a patent for design shall be 15 years.^①

Trademark Law (2019) stipulates that, the foreign investors or foreign-funded enterprises in China need to entrust a trademark agency to handle trademark registration and other related matters. The period of validity of a registered trademark shall be 10 years from the date of approval of registration. To apply for renewal, the trademark registrant must go through the renewal procedures within 12 months before the expiration of the term. The period of each renewal shall be 10 years from the day following the expiration of the previous validity period of the trademark.^②

Punishment Measures

Patent Law (2020) stipulates that for infringements of unauthorized use of the patent rights of others without the permission of the patentee, the parties may negotiate to resolve the dispute. If the negotiation fails, or the concerned parties are unwilling to negotiate, the patentee can sue the people's court, or request assistance from China National Intellectual Property Administration and other departments. If it is found to be an infringement, the China National Intellectual Property Administration can impose administrative punishment. If the party concerned has objections to the punishment result, it can apply for administrative reconsideration or file a lawsuit in the people's court. For the infringer who has not prosecuted and does not stop the

^① Patent Law (amended in 2020), the National People's Congress of China: www.npc.gov.cn/npc/c30834/202011/82354d98e70947c09dbc5e4eeb78bdf3.shtml.

^② Trademark Law (amended in 2019), the National People's Congress of China: www.npc.gov.cn/npc/c30834/201905/dacf65eec798444e821a1e06a347f3ee.shtml.

infringement, China National Intellectual Property Administration may apply to the people's court to enforce the penalty decision. China National Intellectual Property Administration may organize mediation between the parties on the amount of compensation for patent infringement. If the mediation fails, they may file a lawsuit in the People's Court in accordance with the *Civil Procedure Law*.^①

Trademark Law (2019) stipulates that the civil disputes of trademark infringement can be resolved by the parties themselves through negotiation. If the parties are unwilling to negotiate or the negotiation fails, the parties can sue the people's court or seek help from the Market Supervision Administration. For acts of infringement of trademark rights, infringing goods and tools mainly used to manufacture infringing goods and forging registered trademark signs will be confiscated and destroyed. And fines will be imposed. The suspected crimes will be handled by judicial organs.^②



Investment Practice:

Beijing and Shanghai Municipal Intellectual Property Offices quickly accepted and heard of IP disputes^③

The Bayer Group of Germany entered the Chinese market in 1993 and has established 12 joint ventures in China by 2020. It has a deep sense of the changes in China's intellectual property protection environment.

Bayer has an anti-cancer drug called "Nexaudio-videoar". In recent years, some illegal manufacturers have publicly promised to sell the active ingredient of the product-sorafenib at the World Pharmaceutical Raw Materials China Exhibition, which has impacted the sales of "Nexavar" and is suspected of infringing on Bayer's patent rights. Since the patent protection

① Patent Law (amended in 2020), the National People's Congress of China: www.npc.gov.cn/npc/c30834/202011/82354d98e70947c09dbc5e4eeb78bdf3.shtml.

② Trademark Law (amended in 2019), the National People's Congress of China: www.npc.gov.cn/npc/c30834/201905/dacf65eec798444e821a1e06a347f3ee.shtml.

③ Compiled based on relevant news from Beijing Evening News and Sina Finance.

period of “Nexaudio-videoar” is about to expire in 2020, Bayer is worried that if it protects its rights through traditional judicial means, it may eventually “win the lawsuit and lose the business”. (From a global perspective, a patent in the field of medicine it is common for infringement lawsuits to last for 3 or 4 years). So, it decided to boldly try another way of patent protection-administrative remedy, and first filed a complaint with the Beijing Municipal Intellectual Property Office and filed a handling request. After a series of professional forensic analysis and court hearings, the Beijing Municipal Intellectual Property Office made an infringement determination within 6 months after filing the case, promptly stopping the other party’s infringement.

After Beijing successfully tried administrative protection of patent rights for the first time, Bayer successively carried out several successful administrative rights protections of intellectual property rights in Shanghai, Nanjing, Shijiazhuang, Shenyang, and other cities. In January 2019, Bayer filed an administrative remedy for drug intellectual property rights with the Shanghai Intellectual Property Office. The case was heard in court in March, and the verdict was completed in May. It took only 4 months from filing a request for administrative handling of a patent infringement dispute to receiving a decision, and the infringing party immediately stopped the infringement.

Comment: In recent years, the Chinese government has issued a series of reform measures to strengthen intellectual property protection. If an enterprise encounters intellectual property infringement, in addition to adopting traditional arbitration, litigation and other dispute mediation methods, it can also try administrative rights safeguarding methods to protect its legal rights and interests, which is not only conducive to maintaining customer relationships, but also convenient and efficient.



Investment Practice:

Potential trademark infringement risk in foreign-related OEM processing^①

A batch of motorcycles with the trademark “HONDAKIT” produced by Hengsheng Group on June 28, 2016, was seized by Ruili Customs. The Customs believed that the batch of goods may be suspected of infringing on the intellectual property rights of Honda Motor Co., Ltd. filed with the General Administration of Customs. After investigation, the batch of goods (220 vehicles in total) was authorized by Myanmar Meihua Company to entrust Hengsheng Group for processing and production. Honda Motor Company Limited is a large-scale multinational company specializing in the production of motorcycles and other products. Hengsheng Group believes that its products are not sold and circulated in the country, and they have obtained the legal authorization of overseas trademark rights holders in advance. They are designated Original Equipment Manufacturer (OEM) rather than merchandise sales, and do not constitute trademark infringement. The case was tried by the Intermediate People’s Court of Dehong Dai and Jingpo Autonomous Prefecture of Yunnan Province at first instance and the High People’s Court of Yunnan Province at second instance. The Supreme People’s Court made a final judgment.

The Supreme People’s Court held that the alleged infringement of Hengsheng Group belongs to foreign-related Original Equipment Manufacturer (OEM), but with the development of e-commerce and the Internet, even if the alleged infringing goods are exported to foreign goods, there is a possibility of returning to the domestic market. Additionally, there are a large number of Chinese consumers traveling abroad. So, there is also the possibility of contact and confusion about “Original Equipment Manufacturer (OEM) products”. Therefore, Hengsheng Group has infringed the trademark rights of Honda Co., Ltd.

Comment: In recent years, China’s intellectual property laws and regulations have become increasingly sound and in line with international standards, and the protection of intellectual

① Based on relevant reports from People’s Daily Online.

property rights has continued to increase. The legal rights and interests of intellectual property rights of foreign-funded enterprises can be effectively protected. Besides, foreign-funded enterprises entering the Chinese market shall also make early plans to complete the registration of the used trademark, to eradicate chances for criminals.

6.5 Import and Export Management

Competent Authorities and Relevant Laws

The General Administration of Customs of the People's Republic of China is the competent authorities to supervise exit & entry conveyance, inspect import and export customs clearance goods, and collect duties and other taxes. Ministry of Commerce and State Administration for Science, Technology and Industry for National Defense are responsible for reviewing export-controlled items. The Ministry of Commerce is responsible for issuing import and export licenses.

The relevant laws include *Foreign Trade Law(2016)*; *Customs Law (2021)*; *Law of the P.R.C. on Import and Export Commodity Inspection (2021)*; *Export Control Law (2020)*; *Regulation of the P.R.C. on the Administration of the Import; Export of Goods (2001)*; and *Law of the P.R.C. on the Entry and Exit Animal and Plant Quarantine (2009)* In September 2020, the Ministry of Commerce officially issued and implemented the *Provisions on the Unreliable Entity List (2020)*^① . There is a cross relationship between the import and export control list and the list of unreliable entities.

Import and Export Control

Export Control Law (2020) implemented in December 2020 specifies the types of import and export restrictions, military and civilian “dual-use” items, military products, nuclear and

^① Regulations on the Provisions on the Unreliable Entity List (2020), the Ministry of Commerce of China: tfs.mofcom.gov.cn/article/bc/202009/20200903002593.shtml.

other items related to the maintenance of national security and interests, and the implementation of international obligations such as proliferation guarding of the goods, technologies, services, related to nuclear, chemical, and biological weapons defenses etc., including technologies related to controlled goods, components, and software.^①

Table 6-4 China's import & export control and reviewing regulations^②

Type	Items	Administration	Provisions
Import and Export Control			
Dual-use items	Chemicals that can be used as chemical weapons	Ministry of Commerce	The production, purchase, and operation permit or filings of precursor chemicals are required.
	Chemicals that can be used as precursors for the production of chemical weapons		
	Chemicals that can be used as the main raw material for the production of chemical weapons		
	Precursor chemicals		
	Radioisotope		
	Encrypted commercial equipment such as encrypted telephones		Need to be submitted to the State Council for review when necessary.
Export Control			
Nuclear materials and related equipment	Nuclear materials	State Administration for Science, Technology and Industry for National Defense	The export permission needs to pass the preliminary examination of the National Atomic Energy Agency.
	Nuclear dual-use items and related equipment		
	Nuclear explosive device components and test equipment		
Chemical industry production equipment	Industrial equipment	Ministry of Commerce	It must be registered with "Export Business Qualification for Sensitive Items and Technologies".
	Uranium isotope separation equipment and components		
	Relevant equipment of heavy water production plant		
Biological dual-use and related equipment	Human and zoonotic pathogens		
	Plant pathogens		
	Animal pathogens		
	Toxin and its subunits		
	Genetic material and genetically modified organisms		
Biological dual-use equipment			

① Export Control Law (amended in 2020): www.npc.gov.cn/npc/c30834/202010/cf4e0455f6424a38b5aecf8001712c43.shtml.

② Ministry of Commerce of PRC: exctrl.mofcom.gov.cn/zhinan7.shtml.

Continued

Type	Items	Administration	Provisions	
Chemicals and related equipment	Sodium fluoride and other chemicals	Ministry of Commerce	The production, purchase, and operation permit or filings of precursor chemicals are required.	
	Valves, pumps, and other related chemical production equipment			
	Dedicated detector and poison gas monitoring system			
Missiles and related items	Means of delivery like launch vehicle		Ministry of Commerce	It must be registered with the “Export Business Qualification for Sensitive Items and Technologies”, and review with the relevant departments of the State Council and the Central Military Commission when necessary.
	Power systems such as liquid rocket engines			
	Guidance device, guidance material			
	Electronic equipment, control system			
	Design, test, production facilities and equipment			
Precursor chemicals	48 kinds of chemicals such as ephedrine that can be used to manufacture drugs; and 17 kinds of precursor chemicals for export to specific countries (regions) such as Myanmar, Laos, and Afghanistan		Ministry of Commerce	Precursor chemicals exported to specific countries (regions) such as Myanmar, Laos, and Afghanistan require international inspections.
Commercial Encryption	Encrypted commercial equipment such as security chips and cryptographic machines			Need to be submitted to the State Council for review when necessary.

Inspection and Quarantine^①

The General Administration of Customs is the competent authorities for the inspection of imported and exported commodities. The affiliated Department of Health and Quarantine is responsible for entry-exit sanitation and quarantine, infectious disease and overseas epidemic monitoring, and sanitary supervision. The Animal and Plant Quarantine Department is responsible for the inspection of entry-exit animals and quarantine, supervision and management of the plants and their products; Import and Export Food Safety Bureau is responsible for the inspection and quarantine of imported food and cosmetics. In addition, Ministry of Agriculture and Rural Affairs, together with the General Administration of Customs, is responsible for issuing entry-exit bans on animals, plants, and their products. State Administration for Market Regulation and the General Administration of Customs implement the supervision and coordination of the

^① The General Administration of Customs of China: www.customs.gov.cn/customs/302249/302266/302267/2369445/index.html.

import and export of food, cosmetics, and other commodities.

In accordance with *Law of the P.R.C. on Import and Export Commodity Inspection (2021)*, the import and export commodities incorporated into *the Adjustments to the Catalogue of Entry-Exit Commodities Subject to Inspection and Quarantine by Entry-Exit Inspection and Quarantine Institutions (2018)*^① shall be inspected to ensure that their import and export commodities comply with national technical specifications and other related requirements. In general, the inspection procedures include sampling, inspection and examination, evaluation, verification, and qualification assurance, etc. As for the import of large-scale complete sets of equipment, the law requires the consignee to conduct pre-inspection, manufacturing supervision or installation supervision before shipment in the exporting country.

Import Taxes

According to *Interim Regulation of the P.R.C on Value Added Tax (2017)*, the imported goods shall be charged with value-added tax and consumption tax. Among them, the import tax is levied by the customs. The payment time limit shall be 15 days from the date when the customs complete and issues the special payment form for customs import value-added tax. China Customs implements tax reductions, import tax incentives and other tax reduction (rebate) policies for the import of goods in specific industries or specific regions. At the same time, it implements tariff reduction and other measures in accordance with free trade agreements signed with other countries and regions (available from Website of China General Administration of Customs to learn about the latest import tax management regulation).

6.6 Environmental Protection

Competent Authorities and Relevant Laws

In China, the department responsible for ecological monitoring and environmental protection

^① The General Administration of Customs of China: www.customs.gov.cn/customs/302249/302266/302267/1477626/index.html.

is the Ministry of Ecology and Environment. It conducts national environmental protection by formulating ecological environmental policies, plans and standards, supervising and managing pollution prevention and other environmental safety matters, and supervising the development of national environmental protection. The relevant laws include *Environmental Protection Law (2014)*; *Atmospheric Pollution Prevention and Control Law (2018)*, *Water Pollution Prevention and Control Law (2017)*, and *Law of the P.R.C on Environmental Impact Assessment (2018)*.

Regulations on Environmental Assessment^①

According to the *Law of the P.R.C on Environmental Impact Assessment (2018)*, all development and utilization plans and projects that have an impact on the environment require to pass environmental impact assessment. If the environmental impact assessment is not carried out in accordance with the law, the implementation or construction may not be organized. Enterprises that discharge pollutants shall establish an environmental protection responsibility system to clarify the responsibilities of the responsible person and relevant responsible personnel. Key enterprises should install and use monitoring equipment and keep original monitoring records. By formulating emergency plans for environmental emergencies and filing them with the competent authorities in time, it is convenient to take timely and effective treatment measures in the event of emergencies.

Punishment Measures^②

For construction units that have not submitted environmental impact reports/report forms for construction projects in accordance with the law, or have arbitrarily started construction without following regulations, administrative fines shall be imposed based on the circumstances of the violation and the hazards. Administrative sanctions shall be imposed on the directly responsible

① Environmental Impact Assessment Law (amended in 2018), the National People's Congress of China: www.npc.gov.cn/npc/c30834/201901/9692c9d1b559456ab0eda0d2969f1d0d.shtml.

② Environmental Impact Assessment Law (amended in 2018), the National People's Congress of China: www.npc.gov.cn/npc/c30834/201901/9692c9d1b559456ab0eda0d2969f1d0d.shtml.

persons in charge. Provided that the circumstance constitutes a crime, criminal liability shall be investigated according to law.



Investment Practice:

Due to exceeding sewage discharge, an industrial enterprise received investigation and punishment^①

In 2007, during a random inspection in the Economic and Technological Development Zone, the relevant departments of Hefei found that Hitachi Construction Machinery (China) Co., Ltd. committed illegal sewage discharge. Hitachi Construction Machinery (China) Co., Ltd. is in Hefei Economic and Technological Development Zone and was established in 1995. It is a large-scale wholly foreign-owned enterprise engaged in the production of hydraulic excavators. After the establishment of the enterprise, the construction and operation of the first to third phases of the project, went through the environmental protection approval procedures and completed the three simultaneous” inspections and other work according to the environmental protection requirements, which produced approximate 200 tons of wastewater per day.

After testing, Hitachi Construction Machinery’s effluent is strongly alkaline wastewater with a PH value of 11.18. Moreover, the enterprise has not paid sewage fees for many years. The Hefei Municipal Environmental Protection Bureau issued *the Advance Notice of Administrative Penalty*, requiring Hitachi to stop production immediately for rectification, and ordered the immediate restoration of the normal operation of water pollution treatment facilities. A fine of RMB 100,000 must be paid and a fee of RMB 70,752 for excessive discharge was imposed.

Comment: Environmental protection has always been a focus of the Chinese government. Domestic and foreign enterprises shall actively maintain their good corporate image, actively use advanced technology and equipment, ensure environmental protection investment, meet environmental protection standards, consciously abide by Chinese environmental protection laws

① Compiled according to the information of China News Network: www.chinanews.com/cj/hbht/news/2007/09-14/1026536.shtml.

and regulations, and fulfill corporate social responsibilities.

6.7 Anti-Commercial Bribery

Competent Authorities and Relevant Laws

In China, the administrative departments for industry and commerce under the people's government at or above the county level shall be responsible for investigating and punishing acts of unfair competition. The Supreme People's Court and the Supreme People's Procuratorate are the highest authorities in accepting criminal cases of commercial bribery. The main laws and regulations include *Criminal Law (2020)*; *Opinions on Issues Concerning the Application of Law in the Handling of Criminal Cases of Commercial Briberies (2008)*; *Several Issues Concerning the Application of Law in the Handling of Criminal Cases of Embezzlement and Bribery (2016)*, etc.

Commercial Bribery's Concept

According to *The Opinions on Issues Concerning the Application of Law in the Handling of Criminal Cases of Commercial Briberies (2008)*, commercial bribery refers to the act of bribery by business operators using property or other means to bribe units or individuals in order to sell or purchase goods. The "Property" in bribery crime refers to currency, goods or other property interests.^①

Punishment Measures

Operators who violate relevant laws and cause damage to others shall bear civil liability in accordance with the law. As for the business operators who bribe others in violation of regulations, the illegal income shall be confiscated by the supervision and inspection department

^① "Property benefits" refer to material benefits that can be converted into currency, such as house decoration, debt relief, etc., and other benefits that need to be paid for currency such as membership services, travel, etc. The amount of the latter's crime is calculated based on the actual payment or the amount that should be paid.

and a fine shall be composed. If the circumstances are serious, the business license will be revoked. For criminal acts, they will be held criminally responsible for the crime of accepting bribes.



Investment Practice:

A commercial bribery case in baby and maternal industry^①

In September 2013, China National Television-CCTV revealed that milk powder enterprises such as Dumex bribed doctors and nurses to recommend their own brand of milk powder to parents of newborn babies to achieve long-term sales. According to *the Administrative Measures on Breastmilk Substitutes* issued by the Ministry of Health of China (now renamed as the “National Health Commission”) in 2011, no milk powder brand shall be allowed to sell to infants aged 0 to 6 months. It is recommended to use milk powder instead of breast milk only in special circumstances such as serious diseases.

The CCTV report quoted detailed information provided by insiders. In April alone, in 7 provinces and municipalities including Beijing, Liaoning, Jilin, Hebei, Tianjin, Inner Mongolia, and Heilongjiang, the relevant medical staff received nearly RMB 500,000 from Dumex. Medical staff in many hospitals in Tianjin are suspected to receive RMB 300-10,000 in return from Dumex each month, with a monthly total of about RMB 300,000.

According to China’s Supreme People’s Procuratorate and the Supreme People’s Court *the Opinions on Issues Concerning the Application of Law in the Handling of Criminal Cases of Commercial Briberies (2008)*, commercial bribery crimes include 8 situations, includes: bribery of non-state staff, the crime of bribery by the unit, etc.

Doctors and nurses in public hospitals who accept bribes shall be punished as the crime of accepting bribes. Medical staff in non-public hospitals who accept bribes shall be punished as the crime of bribery by non-state staff. According to the provisions of Article 383 and Article 386 of

① Adapted from relevant information on China Courts website.

the Criminal Law, if the amount of personal embezzlement is more than RMB 100,000, the law breaker shall be sentenced to more than 10 years' imprisonment or life imprisonment and may also be sentenced to confiscation of property. If the circumstances are particularly serious, the law breaker shall be punished by death sentence and confiscation of property.

According to Article 387 of the Criminal Law, where a state organ, state-owned company or enterprise, institution or people's organization extorts or accepts illegally property from another person and seeks profits for him and if the circumstances is serious, the unit shall be sentenced to a fine and concurrently, the person-in-charge directly responsible and other persons directly responsible of it shall be sentenced to fixed-term imprisonment of not more than 5 years or criminal detention.

Comment: At present, China has not promulgated a special *Anti-Commercial Bribery Law*, but *the Opinions on Issues concerning the Application of Law in the Handling of Criminal Cases of Commercial Briberies (2008)* stipulate strict handling standards for commercial bribery. Chinese and foreign enterprises shall fully abide by relevant laws and regulations, and proactively maintain a fair and competitive business environment.



Dispute Resolution

7.1 Judicial System^①

China's judicial system is composed of national adjudicatory organs (people's courts), national procurator organs (procuratorates), and administrative organs with administrative and judicial functions (public security organs and the Ministry of Justice). Among them, the Supreme People's Court is the highest judicial organ, and the Supreme People's Procuratorate is the highest procurator organ.

The people's courts are composed of the Supreme People's Court, Local People's courts at various levels, and military courts. The courts set up adjudication committees inside to organize and lead the trial work. Trial organizations can be divided into 2 types: sole-appointment system and collegiate system. In the single-appointment system, 1 judge conducts the trial; The collegial system consists of a collegial panel of judges and jurors to conduct trials.

People's Procuratorate is the national legal supervision organ, which is mainly responsible for reviewing and approving arrests, deciding to prosecute, and attending courts in support of public prosecutions. The Chinese People's Procuratorates are divided into the Supreme People's Procuratorate, local people's procuratorates at various levels, and specialized people's procuratorates such as military procuratorates.

^① The State Council of China e-government platform: www.gov.cn/guoqing/2017-11/08/content_5238058.htm.

Public Security Authorities organs are both administrative and judicial. They are responsible for investigating criminal cases and exercise state judicial power. They manage public security and exercise state administrative power.

The Ministry of Justice is mainly responsible for organizing and drafting of relevant laws and administrative regulations, managing the execution of penalties and reforming criminals in prisons across the country, and formulating and organizing the implementation of the national legal system publicity and education plan.

7.2 Dispute Resolution

The main means of dispute settlement in China are mediation, arbitration, and litigation.

Litigation^①

Civil litigation can be roughly divided into the following stages:

(1) File a case: The party initiates a lawsuit, and the court registers the case on the spot, or decides whether to file the case within 7 days of receiving the complaint.

(2) Service: The court will serve a copy of the complaint on the defendant within 5 days from the date of filing the case.

(3) Defense: The defendant will submit a defense within 15 days from the date of receipt of the copy of the bill of complaint. The court will send the copy to the plaintiff within 5 days from the date of receipt of the statement of defense.

(4) Proof: The court shall determine the time limit for producing evidence. Usually, the first-instance ordinary procedure case lasts at least 15 days.

(5) Court trial: the court should notify the parties and other participants of the litigation 3 days before the opening of the court hearing. The ordinary procedure case trial shall be concluded within 6 months from the date of filing the case. The summary procedure trial should be

① China National Laws and Regulations Database, the National People's Congress of China: flk.npc.gov.cn.

completed within 3 months from the date of filing the case.

(6) Judgment: Judgments will be issued within 10 days for cases decided in court. Judgments will be issued immediately after the ruling for regular cases.

Arbitration^①

Arbitration Institution. The arbitration institutions that handle domestic labor disputes is the China Labor Dispute Arbitration Commission, which is composed of representatives of the Ministry of Human Resources and Social Security, trade union representatives and business representatives. It is mainly responsible for handling labor disputes and supervising arbitration activities.

Application and Acceptance. The statute of limitations for arbitration applications shall be within 1 year from the day when the parties become aware of the damage to their rights. The applicant shall submit a written application to the labor dispute arbitration committee in the place where the labor contract is performed or where the employer is located. If the application is oral, the record of the labor dispute arbitration committee shall be accepted. The Labor Dispute Arbitration Commission shall accept the application within 5 days from the date of receipt of the arbitration application.

Hearings and Rulings. The arbitration tribunal shall be composed of 3 arbitrators. The parties shall be notified in writing of the composition of the arbitration tribunal. Before making a ruling, mediation shall be made. If an agreement is reached through mediation, the arbitration tribunal shall prepare a mediation statement. The time limit for the arbitration tribunal to award is within 45 days from the date of acceptance of the arbitration application.

In addition, the International Chamber of Commerce Arbitration Court is an international arbitration institution attached to the International Chamber of Commerce. If the parties request the International Chamber of Commerce for arbitration, they shall apply for arbitration through

① China Arbitration website: www.china-arbitration.com.

their own country's ICC committee or directly to the secretariat of the Arbitration Court. The date of receipt of the application by the secretariat of the Arbitration Court is the date of the start of the arbitration proceedings. After carefully studying the written request submitted by both parties and all the documents on which they are based, the arbitrator shall, upon application by 1 of the parties, personally listen to the joint statements of both parties.

Mediation^①

Mediation Institutions. The mediation institutions of labor disputes mainly include enterprise labor dispute mediation committees, grassroots people's mediation organizations, and grassroots organizations with labor dispute mediation functions. Among them, the director of the enterprise labor dispute mediation committee must be elected by the union members or both parties.

Related Regulations. The domestic law applicable to the mediation of labor disputes in China is the *Labor Dispute Mediation and Arbitration Law (2008)*, and the international conventions it has joined are *the New York Convention, Singapore Convention on Mediation, and United Nations Convention on International Settlement Agreements Resulting from Mediation*.

International Mediation. According to the *Mediation and Arbitration Rules of China International Chamber of Commerce*^②, any international commercial disputes can be resolved through mediation and arbitration by the Mediation Management Committee established by the International Chamber of Commerce. Each dispute shall be resolved by a three-person mediation committee appointed by the chairman of the International Chamber of Commerce. The parties apply for mediation through the national committee of International Chamber of Commerce, or directly apply to the International Headquarters of the International Chamber of Commerce, and the Secretary-General of the International Chamber of Commerce will notify the relevant national committee.

① China National Laws and Regulations Database, the National People's Congress of China: flk.npc.gov.cn.

② Ministry of Commerce of China: tfs.mofcom.gov.cn/article/date/j/al/200212/20021200058438.shtml.



Investment Practice:

Mediation of disputes caused by abnormal withdrawal of foreign businessmen^①

The applicant for the mediation case is a large-scale wholly foreign-owned clothing-making company, which is mainly engaged in processing of supplied materials. During the operation, it borrows RMB 100 million from the mediation applicant through plant and equipment mortgages. At the same time, the applicant adopts a high-price-in and low-price-out method. The main profits of the enterprise are retained overseas. After the financial crisis broke out in 2008, the applicant encountered operational difficulties. After 3 months of wages arrears for the company's employees and more than RMB 2 million in payment of employee labor insurance, it resold part of the equipment and tried to withdraw directly without going through the bankruptcy liquidation process.

Upon the recommendation of the local government department, both parties apply to the CCPIT/CCOIC Mediation Center (hereinafter referred to as the "Mediation Center") for mediation. The Mediation Center accepted the case and appointed a senior retired judge as the chief mediator and formed a mediation tribunal with the mediators designated by both parties to mediate the case.

After analyzing the circumstances of the case, the Mediation Tribunal concluded that: the respondent's private withdrawal without clearing the procedures violated *the Company Law* and other relevant legal provisions, infringing upon the legitimate rights and interests of the applicant and the respondent's employees. At the same time, it is improper for the related personnel to transfer equity and change the chairman of the board of directors with the purpose of avoidance of responsibility. The applicant has a legal basis for restricting his departure in accordance with relevant laws and regulations. Therefore, the key to resolving the dispute is that the respondent shall conduct liquidation in accordance with the legal provisions and obtain the understanding of the applicant and the respondent's employees.

^① Compiled according to the relevant cases of CCPIT/CCOIC Mediation Center

In this regard, the foreign mediator appointed by the respondent agreed, based on the applicant's consent, that he would communicate with and persuade the respondent. In the end, under the auspices of the mediation tribunal, both parties reached the *Reconciliation Agreement*, shown as follow: the respondent's shareholder provided a bank guarantee of US\$ 5 million to the filing court to ensure that the applicant and related creditors should bear the liquidation responsibilities they should bear; The respondent shall pay the employees' wages and social insurance in arrears. A written guarantee to cooperate with the liquidation procedure shall be issued by the person restricted from leaving the country. After the 3 above conditions are satisfied, the applicant shall apply to the court to revoke the notice of restriction of departure in time.

Comment: compared with litigation and arbitration, the mediation center's dispute resolution is more flexible and diversified. According to this case, under the complex circumstances of litigation filing, public security organ's intervention, restricted departure of the respondent's executives, and siege of employees, the mediation center gave full play to its own advantages and intervened in the case to coordinate, prompting the fierce opposing parties to reach a settlement. The dispute was resolved satisfactorily in the end.

7.3 The International Commercial Dispute Prevention and Settlement Organization

Organization and Scope of Business

The International Commercial Dispute Prevention and Settlement Organization (hereinafter referred to as "ICDPASO") is an international non-governmental and non-profit organization jointly initiated and established by China Council for the Promotion of International Trade (CCPIT) and China Chamber of International Commerce. In accordance with the concept of "Consultation, Contribution and Shared Benefits", ICDPASO is composed of commercial

institutions, trade associations, legal service providers as well as other entities in the field of international commerce around the world on the voluntary basis. On October 15, 2020, the Inauguration Ceremony of ICDPASO was successfully held in Beijing. At present, the secretariat of ICDPASO is officially operational.

ICDPASO is committed to providing the diversified services covering the international commercial dispute prevention and settlement, protecting the legitimate right of the parties, creating the business environment with high efficiency, fairness and justification, and facilitating the construction of a more justifiable and equitable international economic order. The headquarter of ICDPASO shall be located in Beijing, the People's Republic of China.

The main organizational structures of ICDPASO include (1) the General Assembly of Members; (2) the Council; (3) Secretariat; (4) Advisory Committee; (5) the Committee of Supervision; (6) the business departments which include publicity and training, compliance construction, bankruptcy reorganization, proof of foreign law, commercial arbitration, commercial mediation, investment disputes and other departments etc..

In accordance with the Charter approved by the First General Assembly, the Scope of business of ICDPASO including: To provide the service of international commercial dispute prevention and settlement subject to the relevant laws, including but not limited to the following activities: publicity and training, dialogue and consultation, construction of compliance of laws and regulations, pre-caution measures, promotion of the standard contract and multi-mechanism of dispute settlement including arbitration and mediation, etc.; To organize international conferences and seminars, to build up the platform for sharing and communicating the information and sources; To collect the opinions, suggestions and interest requests concerning the international commercial dispute prevention and settlement, and to participate in the international events relating to the deliberation, adoption and modification of international rules under the auspices of relevant international institutions or organizations; To make the publication of the

statistical data and survey report concerning the international dispute prevention and settlement, to strengthen the capability of managing the information and analyzing the Big Data with respect to the international commercial cases; To cultivate legal talents with international vision, to promote the sharing of experiences and business cooperation among commercial organizations, dispute resolution institutes, academic institutions and think tanks around the world, and to jointly maintain a fair and stable international business transaction environment. ICDPASO is committed to resolving disputes in advance through dispute prevention on the one hand, and providing one-stop dispute resolution services for parties through diversified dispute resolution methods on the other.

Suggestions for Dispute Prevention and Settlement

(1) Any differences or controversies arising out of or in connection with in a commercial contract shall be eliminated by the dispute prevention services provided by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”), including amicable consultation, early intervention, conflict avoidance panels and early neutral evaluation.

(2) All disputes arising out of or in connection with the contract, shall be referred to mediation administered by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”) in accordance with the Mediation Rules of ICDPASO in force at the time of filing application.

Any settlement reached in the course of the mediation shall be made a settlement agreement on agreed terms, all parties shall earnestly implement and comply with the award.

In case of failure of the mediation process, the disputes shall be referred to arbitration administered by ICDPASO in accordance with the Arbitration Rules of ICDPASO in force at the time of filing application. The arbitral award is final and binding upon all parties.

(3) All disputes arising out of or in connection with the contract, shall be referred to and finally resolved by arbitration administered by the International Commercial Dispute Prevention

and Settlement Organization (“ICDPASO”) in accordance with the Arbitration Rules of ICDPASO in force at the time of filing application.



Free Trade Agreement

Speeding up the promotion and implementation of free trade agreements has become an important part of China's foreign economic and trade strategy under the new situation. Practice has proved that the signing and implementation of high-level free trade agreements can effectively promote economic and trade cooperation with relevant countries (regions) and effectively reduce the uncertainty of enterprises' foreign trade and investment.^①

8.1 Bilateral Free Trade Agreements

As of October 2020, China has already cooperated with and has signed free trade agreements with Chile (2005), Pakistan (2006), New Zealand (2008), Peru (2009), Costa Rica (2010), Iceland (2013), Switzerland (2014), Australia (2015), South Korea (2015), Georgia (2017), Maldives (2017), Mauritius (2019) and other countries. Presently, China is promoting economic and trade negotiations with 6 countries including Norway, Israel, and Sri Lanka. Moreover, the feasibility of signing a free trade agreement with Mongolia and Columbia is reached.^②

① China CCTV News website: news.cctv.com/2020/11/19/ARTIzOMNTjmQNGOTXAo7V2Pq201119.shtml.

② Ministry of Commerce of China: www.mofcom.gov.cn/article/i/jyjl/j/202010/20201003008982.shtml.

8.2 Multilateral Free Trade Agreements

As China has increased its opening to the outside world, free trade agreements and investment negotiations have continued to advance. China is the largest trading partner of more than 120 countries and regions.^① On November 2020, 15 countries including China, Japan, South Korea, Australia, New Zealand and the 10ASEAN countries formally signed the *Regional Comprehensive Economic Partnership (RCEP)*.

Table 8-1 Free Trade Agreements Signed by China^②

Bilateral Free Trade Agreements	Multilateral Free Trade Agreements
China-Hong Kong, China Closer Economic Partnership Arrangement	Asia - Pacific Trade Agreement
Free Trade Agreement Between the Government of Australia and the Government of China	ASEAN-China Comprehensive Economic Cooperation Agreement
China-Macao Closer Economic Partnership Arrangement	Regional Comprehensive Economic Partnership
China-Republic of Korea Free Trade Agreement	-
China-Costa Rica Free Trade Agreement	
China - Singapore Free Trade Agreement	
China - Peru Free Trade Agreement	
China-Palestine Free Trade Agreement	
China-Switzerland Free Trade Agreement	
China-Iceland Free Trade Agreement	
China - Chile Free Trade Agreement	
China-Georgia Free Trade Agreement	
China-Mauritius Free Trade Agreement	
China-Cambodia Free Trade Agreement	
China-Maldives Free Trade Agreement	

8.3 Regional Comprehensive Economic Partnership (RCEP)

Among the multilateral and bilateral free trade agreements signed by China, the *Regional Comprehensive Economic Partnership (RCEP)* is one of the most important.

^① China Council for the Promotion of International Trade: www.ccpit.org/Contents/Channel_4117/2018/1122/1090837/content_1090837.htm.

^② China Free Trade Zone Service website: fta.mofcom.gov.cn/index.shtml.

Overview of RCEP

On November 15, 2020, the 10 ASEAN countries and the 5 countries including China, Japan, Korea, Australia and New Zealand signed the Regional Comprehensive Economic Partnership Agreement (RCEP). This is the most important achievement made in the construction of East Asian economic integration program in the past 20 years, marking the official launch of the free trade zone with the largest population, the largest size of economy and trade, and the most potential for development in the world. Currently, the total population, total GDP and total exports of the 15 member states of RCEP account for about 30% of the global total respectively.

RCEP consists of preamble, 20 chapters (including: initial clauses and general definitions, trade in goods, rules of origin, customs procedures and trade facilitation, sanitary and phytosanitary measures, standards, technical regulations and conformity assessment procedures, trade remedies, services trade, temporary flows of natural persons, investment, intellectual property rights, e-commerce, competition, small- and medium-sized enterprises, economic and technical cooperation, government procurement, general terms and exceptions, institutional terms, dispute resolution, final clauses), and 4 attached market access commitment sheets (including: tariff commitment sheet, specific service commitment sheet, commitment sheet on investment reservation and non-conforming measures, and specific commitment sheet on the temporary flows of natural persons).

RCEP allows the unity of high quality and inclusiveness. The share of final zero-tariff products in goods trade will exceed 90% overall, and the overall opening-up of service trade and investment will expand significantly. Meanwhile, RCEP also considers the national circumstances of different countries and grants special and differential treatment to the least developed countries to promote the inclusive and balanced development of the regions. As a result, all parties can fully share the results of RCEP and significantly improve the level of economic integration in East Asia.

RCEP will promote the integration of regional industrial chains, supply chains and value chains, and regional economic growth. The economic structures of RCEP members are highly complementary, with complete capital, technology, and labor elements in the region. RCEP has further relaxed the market access of goods, services, investment and other fields among member countries, gradually unified the rules of origin, customs procedures, inspection and quarantine, and technical standards, etc., significantly optimized the overall business environment in the region, greatly reduced the institutional costs of enterprises, strengthened the cooperation of members in the division of production, promoted the free flow of economic factors in the region, further enhanced the trade creation effect brought by the free trade agreement, and promoted the expansion and upgrading of the consumer market in the region. According to the calculations by an internationally renowned think tank, by 2025, RCEP is expected to drive the exports, foreign investment stocks, and GDP of its member countries to increase by 10.4%, 2.6%, and 1.8% respectively from the baseline.

China's commitment to RCEP

SCHEDULE OF TARIFF COMMITMENTS. The *Schedule of Tariff Commitment Form*^① consists of 5 parts, This Schedule is composed of five Sections applicable respectively for Member States of ASEAN, Australia, Japan, Korea, and New Zealand. China shall, as of the effective date of the RCEP, grant concessions to the tariffs levied on the goods of origin under this agreement. Tariff lines indicated with “U” in each stage of reduction in this Schedule shall be excluded from any commitment of tariff reduction or elimination.

Regarding the period of tariff concessions, the “price list of tariffs to be eliminated non-linearly” listed in *Schedule of Tariff Commitment of China* is subject to review by the parties concerned. The review will be completed within 3 years from the effective date of *RCEP*. Unless otherwise agreed in the review, all linear phased content of the tariff lines shall commence within

① China Tariff Commitment Table: [fta.mofcom.gov.cn/rcep/rceppdf/01%20Headnotes % 20-%20CN_cn.pdf](http://fta.mofcom.gov.cn/rcep/rceppdf/01%20Headnotes%20-%20CN_cn.pdf).

3 years after the completion of review.

SCHEDULE OF SPECIFIC COMMITMENTS FOR SERVICES. The *Schedule of Specific commitments for Services of China* adopts a positive list to make commitments to trade in services^①, and adopts a “negative list” to make commitments to non-service industry investments (manufacturing, agriculture, forestry, fishing, and mining). This mixed model of positive and negative list sets out specific commitments concerning national treatment, most-favored-nation treatment, local presence, prohibition of performance requirements, senior management and board appointments, etc.^②

Table 8-2 Schedule of Specific Commitment for Services of China

Modes of Supply: (1) Cross-border Supply; (2) Consumption abroad; (3) Commercial presence; (4) Presence of natural persons.			
Sector or subsector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
Legal Services	(1) None (2) None (3) Foreign law firms can provide legal services only in the form of representative offices. Representative offices can engage in profit-making activities. Business scope of foreign representative offices is only as follows: (a) to provide clients with consultancy on the legislation of the country/region where the lawyers of the law firm are permitted to engage in lawyer’s professional work, and on international conventions and practices; (b) to handle, when entrusted by clients or Chinese law firms, legal affairs of the country/region where the lawyers of the law firm are permitted to engage in lawyer’s professional work; (c) to entrust, on behalf of foreign clients, Chinese law firms to deal with the Chinese legal affairs; (d) to enter into contracts to maintain long-term entrustment relations with Chinese law firms for legal affairs; and (e) to provide information on the impact of the Chinese legal environment.	(1) None (2) None (3) All representatives shall be resident in China no less than six months each year. The representative office shall not employ Chinese national registered lawyers.	representative offices in the China (Shanghai) Pilot Free Trade Zone (‘FTZ’) DUH SHUPLWWHG WR IRUP commercial association with Chinese law firms in Shanghai FTZ. Within the validity of commercial association, the two law firms from both sides respectively have independent legal status, name, and financial operation, and bear civil liabilities independently. Clients of the commercial association are not limited within Shanghai FTZ. Foreign lawyers in this type of commercial association are not permitted to conduct the practice of Chinese law.

① China Service Specific Commitment Table committed to: fta.mofcom.gov.cn/rcep/rceppdf/01%20CN’s%20Annex%20II_cn.pdf

② Ministry of Commerce of China: fta.mofcom.gov.cn/zwgkp/zwgk.html.

Continued

Sector or subsector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
Legal Services	Entrustment allows the foreign representative office to directly instruct lawyers in the entrusted Chinese law firm, as agreed between both parties. The representatives of a foreign law firm shall be practitioner lawyers who are members of the bar or law society in a Party and have practiced for no less than two years outside of China. The Chief representative shall be a partner or equivalent (e.g., member of a law firm of a limited liability corporation) of a law firm of a Party and have practiced for no less than three years outside of China. (4) Unbound except as indicated in horizontal commitments.	(4) Unbound except as indicated in horizontal commitments.	-
Accounting, auditing and bookkeeping services	(1) None (2) None (3) Partnerships or incorporated accounting firms are limited to Certified Public Accountants (CPAs) licensed by the Chinese authorities. (4) Unbound except as indicated in horizontal commitments.	(1) None (2) None (3) None (4) Unbound except as indicated in horizontal commitments.	- Foreign accounting firms are permitted to affiliate with Chinese firms and enter into contractual agreements with their affiliated firms in other Parties. - Issuance of licences to those foreigners who have passed the Chinese national CPA examination shall be accorded national treatment. - Applicants will be informed of results in writing no later than 30 days after submission of their applications. - Accounting firms providing services in CPC 862 can engage in taxation and management consulting services. They will not be subject to requirements on form of establishment in CPC 865 and 8630.
Taxation services	(1) None (2) None (3) Wholly foreign-owned subsidiaries are permitted. (4) Unbound except as indicated in horizontal commitments.	(1) None (2) None (3) None. (4) Unbound except as indicated in horizontal commitments.	-

SCHEDULE OF SPECIFIC COMMITMENTS FOR INVESTMENT. The *Schedule of Reservations and Non-conforming Measures for Investment of China*^①, sets out minimum

① A Commitment Sheet of China Investment Reservation and Non-conforming Measures, Ministry of Commerce of China: fta.mofcom.gov.cn/rcep/rceppdf/01%20CN's%20Annex%20III_cn.pdf.

restrictions with respect to China's national treatment, most-favored-nation treatment, prohibition of performance requirements, senior management and board appointments., etc. This List sets out, pursuant to *Reservations and Non-Conforming Measures*, China's existing measures that are not subject to some or all of the obligations imposed by *Article 10* of RCEP.

(1) Foreign investors shall not be allowed to invest in the research and development, breeding, planting, and production of related propagation materials (including good genes in planting, animal husbandry, and aquaculture) of rare and unique precious and excellent varieties in China.

Foreign investors shall not be allowed to invest in the selection and breeding of genetically modified varieties of crops, breeding livestock and poultry, aquatic seedlings, and the production of genetically modified seeds (seedlings).

The selection and breeding of new varieties of wheat and corn and seed production for foreign investment must be controlled by Chinese enterprises.

(2) Foreign investors shall not be allowed to invest in the fishing of aquatic products in the waters under the jurisdiction of China and inland waters.

(3) Any international organization, foreign organization, or individual that conducts exploration or development of natural resources in China's exclusive economic zone and continental shelf, or drills for any purpose on China's continental shelf, must be approved by the Chinese government.

(4) Foreign businessmen shall not be allowed to invest in the prospecting, mining or beneficiation of rare earth ores and tungsten ores.

Without approval, foreign investors shall not be allowed to enter rare earth mining areas or obtain geological data, ore samples, and production technology of mines.

(5) Except for special vehicles and new energy vehicles, the Chinese shareholding ratio of the entire vehicle manufacture invested by foreign investors shall not be less than 50%. The same

foreign investor can set up 2 joint venture enterprises at the utmost in China to produce similar vehicle products (passenger vehicles and commercial vehicles).

(6) Foreign investors are prohibited from investing in satellite TV broadcasting ground receiving facilities and the production of key components.

(7) Foreign investors shall not be allowed to invest in the processing of Chinese medicinal materials listed in the Regulations on *the Protection and Management of Wild Medicinal Resources and the List of Rare and Endangered Plants in China*.

Foreign investors shall not be allowed to invest in the application of processing technologies such as steaming, frying, broiling, and calcining of Chinese herbal medicines, or the production of confidential prescription products of Chinese patent medicines.

(8) Other provisions.

Rights reserved or maintained by China:

(1) China reserves the right to take or maintain any measures in respect of new sectors and industries.

(2) China reserves the right to adopt or maintain measures related to any special arrangements or preferential treatment for any investors and any investment in Hong Kong, Macau, and Taiwan.

(3) China reserves the right to adopt or maintain any measures that give different parties differential treatment in accordance with any bilateral or multilateral international agreement that has entered into force or signed before the effective date of this agreement.

In the field of fisheries, China reserves the right to adopt or maintain any measures that give different parties differential treatment in accordance with any bilateral or multilateral agreements that come into force or sign after the date of entry into force of this agreement.

(4) China reserves the right to take or maintain any measures regarding the acquisition, modification, distribution, transfer and disposal of assets or equity held by state-owned

enterprises and government agencies.

(5) China reserves the right to take or maintain any measures on the land.

(6) China reserves the right to take or maintain any measures against non-governmental organizations (including but not limited to private non-enterprise units, associations, foundations, foreign non-governmental organizations and other folk social organizations, groups and their representative agencies).

(7) China reserves the right to take or maintain any measures to produce traditional national crafts, including rice art paper, ink, tiger bone, and ivory.

(8) Other's clauses.

SCHEDULE OF SPECIFIC COMMITMENTS ON TEMPORARY MOVEMENT OF NATURAL PERSONS. China grants temporary entry and stay for the following 4 categories of natural persons. Temporary entry and temporary stay for a business visitor is limited to a 90-day period. Temporary entry and temporary stay for an intra-corporate transferee is granted as stipulated in the terms of contract concerned or an initial stay of three years, whichever is shorter. Temporary entry and temporary stay for a contractual service supplier (CSS) is subject to the duration of contract, but shall not exceed one year. Temporary entry and temporary stay for installers and servicers is subject to the duration of contract, but shall not exceed three months. Temporary entry and temporary stay for accompanying spouses and dependents shall not exceed 12 months, and shall not exceed the same period of stay for the entrants.^①

^① Specific Commitment Form for the Temporary Movement of Natural Persons in China: fta.mofcom.gov.cn/rcep/rceppdf/01%20CN's%20Annex%20II.pdf.

9

The Belt and Road Initiative

The Belt and Road (B&R) is the abbreviation of “the Silk Road Economic Belt” and “the 21st-Century Maritime Silk Road”. When Chinese President Xi Jinping visited Central Asia and Southeast Asia in September and October of 2013, he raised the initiative of jointly building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road, which have attracted close attention from all over the world. At the China-ASEAN Expo in 2013, Li Keqiang, the Premier of the State Council emphasized the need to build the Maritime Silk Road oriented toward ASEAN, and to create strategic propellers for hinterland development.

Accelerating the building of the Belt and Road can help promote the economic prosperity of the countries along the Belt and Road and regional economic cooperation, strengthen exchanges and mutual learning between different civilizations, and promote world peace and development. It is a great undertaking that will benefit people around the world. The Belt and Road Initiative is a systematic project, which should be jointly built through consultation to meet the interests of all, and efforts should be made to integrate the development strategies of the countries along the Belt and Road. As of the end of January 2021, China has signed 205 cooperation documents with 171 countries and international organizations to jointly build the “Belt and Road”^① to promote the continuous advancement of the joint construction of the “Belt and Road” in the direction of

① The Belt and Road Portal: <https://www.yidaiyilu.gov.cn/>.

high-quality development.

The “Belt and Road” initiative is mainly based on 5 cooperation priorities, namely, policy coordination (important guarantee), facilities connectivity (priority area); unimpeded trade (major task), financial integration (important underpinning) and people-to-people bond (public support).

The economic and trade cooperation between China and the “Belt and Road” line countries has been continuously strengthened. In 2020, the trade volume of goods between China and the countries along the “Belt and Road” reached US\$ 1.35 trillion, a year-on-year increase of 0.7%, accounting for 29.1% of China’s total foreign trade. The role of the China-Europe freight trade channel is even more prominent, with more than 12,000 trains operating in 2020, a year-on-year increase of 50%, reaching 92 cities in 21 countries abroad. Non-financial direct investment in countries along the route was US\$ 17.79 billion, an increase of 18.3%, accounting for 16.2% of China’s outbound investment. The turnover of contracted projects in countries along the route reached US\$ 91.12 billion, accounting for 58.4% of the China’s foreign contracted projects. Many overseas projects or park constructions, such as the China-Laos Railway and Jakarta - Bandung High Speed Railway, are progressing steadily through overcoming the epidemic. In addition, the enterprises from countries along the Belt and Road route are optimistic about China’s development opportunities. As of the end of 2020, 4,294 new foreign companies have been founded in China with a direct investment of US\$ 8.27 billion.



Support Measures against COVID-19

After the outbreak of the COVID-19 epidemic in 2020, the Chinese government coordinating all the activities of the nation like moves in a chess game, quickly formulating and implementing a series of epidemic prevention and control and rescue measures and has achieved world-renowned achievements.^①

10.1 Economic Security Policies

After the outbreak of the epidemic, the State Council of China and its subordinate departments formulated and issued a series of policies involving financial subsidies, tax relief, government support and social security, covering aspects such as simplifying the government approval process, strengthening financial subsidies, and reducing business costs. These policies can help the country's economy to resume normal operations as soon as possible and achieve the effects of timely prevention and control of the country's epidemic situation and rapid economic recovery to normal operations. For details, please refer to the State Council Policy Document Database.^②

① Xinhua Net: www.xinhuanet.com.

② The State Council of the People's Republic of China: www.gov.cn/zhengce/zhengcewenjianku/index.htm.

Table 10-1 Main economic safeguard measures promulgated by China by the end of 2020

Category		Administration	Main measures
1st category	2nd category		
Financial subsidies	Special government bonds	Ministry of Finance	Issue about RMB 1 trillion of special national debts for anti-epidemic to local governments for public health and other infrastructure construction and anti-epidemic related expenditures.
	Special local government bonds		The new local government special bonds amounted to approximately RMB 1.6 trillion, and a total of RMB 3.75 trillion of special bonds were arranged. At the same time, increase the proportion of special debt used as project capital. Focus on supporting new infrastructure and new urbanization initiatives and major projects (construction of new types of infrastructure, the development of a new type of urbanization, efforts to develop major transportation and water conservancy projects).
	Fiscal deficit and interest subsidy		Increase the size of the fiscal deficit by about RMB 1 trillion, with a quota of RMB 3.76 trillion; at the same time, a total of RMB 2.92885 billion of interest subsidy funds will be allocated as a key guarantee for the prevention and control of the epidemic.
Tax reduction and exemption	Value-added tax	The Ministry of Finance, State Taxation Administration ^①	a) Reduce value-added tax for small-scale taxpayers. Exempt value-added tax on services in the fields of public transportation, catering and accommodation, tourism and entertainment, culture and sports until the end of 2020. b) Allow micro and small businesses and self-employed individuals to postpone the 2020 income tax payment to the 2021 fiscal year; c) Refund all the incremental value-added tax credits paid by the key manufacturers of epidemic protection materials; d) Exempt value-added tax on transportation of key materials used for epidemic prevention and control.
	Income tax	Ministry of Finance, State Taxation Administration ^②	a) In 2020, personal income tax shall be exempted for temporary work subsidies and bonuses for epidemic prevention and control that meet the standards established by the government; b) Exempt income tax for individuals to obtain funds for epidemic prevention issued by units.
	Tariff	Ministry of Finance, State Taxation Administration, General Administration of Customs ^③	a) In 2020, in addition to strictly limit exports of resource products and products whose production consumes large quantities of energy and resources or is highly polluting, all export products that have not previously been refunded at the nominal tax rate shall be fully refunded. b) Exempt import duties and other taxes (value-added tax, consumption tax) on materials donated by collectives or individuals for epidemic prevention and control; c) Exempt import duties on epidemic prevention and control materials organized by relevant government departments.

① Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of Novel Coronavirus Pneumonia (COVID-19).

② Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of Novel Coronavirus Pneumonia (COVID-19).

③ Announcement of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration on the Tax Exemption Policies for Imported Supplies for the Prevention and Control of the Novel Coronavirus (COVID-19).

Continued

Category		Administration	Main measures
1st category	2nd category		
Tax reduction and exemption	Domestic sales tax	Ministry of Finance ^①	Exempt domestic sales tax interest expenses for processing trade enterprises (until the end of 2020).
Monetary Policy ^②	Special loan funds	People's Bank of China, China Banking and Insurance Regulatory Commission	Set up special re-loan funds of RMB 300 billion to strengthen financial support for key enterprises that produce medical and living materials.
	Expand the proportion of loans		Increase financial support to key areas such as micro and small businesses, private enterprises and manufacturing industries, expand the scale of commercial bank credit loans and medium-term and long-term loans, and reduce the comprehensive financing costs of enterprises.
	Expand the scope of loan issuance		For enterprises that are temporarily experiencing financial difficulties because of the epidemic, blindly withdrawing loans, suspending loans, or suppressing loans shall be prohibited.
	Financing support for micro, small and medium-sized enterprises ^③		a) Increase the special credit line of commercial banks for small and micro enterprises, reduce or exempt their overdue and unpaid interest, and provide strong financing support for small and micro enterprises affected by the epidemic. b) Commercial banks are allowed to relax the loan interest payment date (extending to June 30, 2020 at the utmost) for small, medium and micro enterprises that need to pay loan interest (limited to the period from January 25 to June 30, 2020). c) The deferred repayment of principal and interest for RMB 7.3 trillion of loans to small and micro enterprises is granted. The RMB 4 trillion of unsecured credit loans for small and micro enterprises is offered.
Government Service ^④	Online government affairs	Ministry of Human Resources and Social Security	Governments at all levels optimize the functions of the State Electronic Tax Administration, make online tax payment, and strengthen the personalized inquiry function of the 12366 hotline and WeChat channel.
	Government subsidies		Considering the local epidemic situation, all provincial financial departments may accept applications for the postponement of social insurance premiums for enterprises that encounter severe production and operation difficulties due to the epidemic. The postponement period shall not exceed 6 months and overdue fines shall be exempted during the period.

① Notice by the Ministry of Finance of Temporary Exemption of Tax-deferred Interest on Domestic Sales Tax for Processing Trade Enterprises.

② Notice by the People's Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, and Other Departments of Further Strengthening Financial Support for the Prevention and Control of the Epidemic of Novel Coronavirus Pneumonia.

③ Notice by the China Banking and Insurance Regulatory Commission, the People's Bank of China, the National Development and Reform Commission and Other Departments of Implementing Temporarily Deferred Repayment of Principal and Interest for Loans to Micro, Small and Medium-sized Enterprises.

④ Notice by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises.

Continued

Category		Administration	Main measures
1st category	2nd category		
Government Service	Others	Ministry of Human Resources and Social Security	Coordination and cooperation are organized between various ministries and commissions and between the places where migrant workers flow in and out of, to provide transportation and employment services for returned migrant workers.
Stabilize Foreign Trade ^①	Support policies for foreign-funded enterprises	Ministry of Commerce	Improve the complaint mechanism for foreign-funded enterprises; strengthen the contact with foreign-funded enterprise associations and foreign chambers of commerce and learn about the production and operation status and investment trends of member enterprises in time to facilitate targeted enhancement of services and guidance.
Export-import management	Customs Procedures ^②	General Office of the State Council of China	a) Implement the system of early declaration of import and export goods and advance declaration of enterprises. After the goods have been delivered at the customs-supervised workplace, the customs can inspect the goods and handle the release procedures; b) Optimize the “two-step declaration” import customs clearance model and implement the “Summary of the Declaration”. c) For qualified supervisory workplaces, “direct delivery at the ship side” of imported goods and “direct loading at the port upon arrival” for export goods will be implemented; d) Inspection of the job is monitored throughout the entire process. The unreasonable measures such as simplifying daily limitation of the flows of goods and controlling customs declaration time shall be prohibited.
	Fee Reduction ^③	National Development and Reform Commission and other 6 ministries	a) By December 31, 2020, implement a unified reduction of 20% for port charges and port facility security charges, and increase the reduction of port charges, pilotage fees, etc.; b) Exempt port construction fees for import and export cargo (until December 31, 2020).
Support Key Industries and Key Regions ^④	Key industries	Ministry of Finance, State Taxation Administration	For the enterprises in difficult industries that are more affected by the epidemic (such as transportation, catering, accommodation, tourism, etc.), the carry-over period for losses incurred in 2020 has been extended to 8 years.
	Key areas		a) Cancel the counter-guarantee requirements of enterprises that are more affected by the epidemic. Reduce financing guarantee fees and re-guarantee fees. b) Halve the re-guarantee fees levied for financing guarantee and re-guarantee institutions in areas severely affected by the epidemic.

① Notice by the Ministry of Commerce of Effectively Stabilizing Foreign Trade and Foreign Investment and Promoting Consumption in Response to the COVID-19 Outbreak.

② Implementation Opinions of the General Office of the State Council on Further Optimizing the Business Environment and Better Serving Market Participants.

③ The National Development and Reform Commission, the Ministry of Finance, the Ministry of Transport, the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission of the State Council, the General Administration of Customs, and the State Administration for Market Regulation of the People’s Republic of China issued Action Plan on *Clearing and Regulating Charges at Maritime Ports*.

④ Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of Novel Coronavirus Pneumonia (COVID-19).

10.2 Economy Revitalization Measures

“Security is the prerequisite for development, and development is the guarantee of security.” After the epidemic is effectively controlled, the Chinese government insists on shoring up weak spots on live hood, ensuring there is a cushion in place for those most in need of live hood, enhancing and benefiting the live hood. Guided by the development policy of “two circulations”, coordinate the overall domestic and international situations.^①

In March 2021, Li Keqiang, the Premier of the State Council, made the *2021 Government Work Report* (referred to as the *Report*), pointing out that a proactive fiscal policy should improve quality and efficiency. In 2021, the deficit rate is planned to be controlled at around 3.2%. Covid-19 bonds will no longer be issued. In addition, RMB 2.8 trillion of central fiscal funds will be made it a normal practice to directly allocate budgetary funds, which will be directly provided to prefecture-level/county-level governments. The *Report* provides clear support policies for small and micro enterprises, mainly including the following aspects.

(1) Continue to maintain financial support for small and micro enterprises, realize the facilitation of financing for small and micro enterprises, and further promote the stability and decline of the comprehensive financing costs of small and micro enterprises.

(2) Monetary policy tools will continue to be implemented until 2021.

(3) For specific inclusive small and micro enterprise loan projects (that is, the loan maturity date is before the end of 2021), enterprises and banks can further extend the repayment period of small and micro enterprises through independent negotiation, and grant and extend corresponding loan extensions to commercial banks with prescribed incentives (1% of loan principal).

(4) For commercial banks that grant small and micro credit loans and are qualified, provide corresponding financial support based on 40% of the loan principal. Later, it will study and introduce more supportive measures for individual industrial and commercial enterprises.

① Xinhua Net: www.xinhuanet.com.

Afterwards, the National Development and Reform Commission of China formulated *Report on the 2021 Draft Plan for National Economic and Social Development*, which clarified the main goals for national economic and social development in 2021, including the following aspects. GDP growth rate shall be increased by more than 6%, and new urban employment population shall be more than 11 million people. The urban surveyed unemployment rate shall be controlled at around 5.5% or so, the CPI increase shall be around 3%. etc., The relevant measures such as fiscal policy and monetary policy in 2021 shall be implemented.

(1) Continue to implement a proactive fiscal policy. In 2021, more than RMB 25 trillion of expenditure in general public budget will be arranged, which is expected to increase by 1.8% over the previous year. The general transfer payments from the central government to local governments shall increase by 7.8% and the balanced transfer payments will increase by more than 10%. The employment priority policy will continue to be implemented in 2021 and the number of new jobs in urban areas will increase by 2 million from last year. The necessary financial support will continually be provided to enterprises that do not lay off or have fewer layoffs. It is planned to continue to reduce the national unemployment and work-related injury insurance rates.

(2) Continue to implement a prudent monetary policy. In 2021, the growth rate of the national money supply and the scale of social financing shall basically match the nominal economic growth rate.

(3) Improve financial policies for enterprises. First, continue to implement the systemic tax reduction policy, extend the implementation period of some phased policies, and implement new structural tax reduction measures. Second, continue the deferred principal and interest systematic tax cut policies policy for inclusive small and micro enterprise loans, and guide bank funds to flow more to small and micro enterprises, individual industrial and commercial businesses, and large commercial banks to achieve a scale growth rate of more than 30% in inclusive small and

micro enterprise loans. The targeted support shall be provided for the industries and enterprises continuously affected by the epidemic. Thirdly, focus on “cost reduction”, continue to promote general industrial and commercial electricity prices, small and medium-sized broadband, and the average tariff rate of dedicated lines to reduce by 10% on the existing basis, abolish port construction fees, encourage the areas that are more affected by the epidemic to reduce or exempt state-owned housing rents for small and micro enterprises and individual industrial and commercial businesses in the service industry.

(4) Increase support for key industries. Carry out a special action for the development of advanced manufacturing clusters, increase the rate of deduction for R&D expenses of manufacturing enterprises to 100%, and refund the inclusive finance lending tax credits of advanced manufacturing enterprises monthly.



Contact Information of Relevant Departments and Institutions

11.1 Contact Information of Government Departments and Related Institutions

The State Council of People's Republic of China website (www.gov.cn/fuwu/bm/index.htm) hosted by the General Office of the State Council of the People's Republic of China is an important platform for China's e-government construction. This website can be logged to inquire all government department websites, department settings, contact ways and other information.

Table 11-1 Contact information of some government departments and relevant institutions in China

Department/agency	Contact Information	Website
Ministry of Foreign Affairs	+86 10 6596 1114	www.fmprc.gov.cn
Ministry of National Defense	mod@mod.gov.cn	www.mod.gov.cn
National Development and Reform Commission	+86 10 6850 5050	www.ndrc.gov.cn
Ministry of Education	+86 10 6609 6114	www.moe.gov.cn
Ministry of Science and Technology	+86 10 5888 1800	www.most.gov.cn
Ministry of Industry and Information Technology	+86 12381	www.miit.gov.cn
National Ethnic Affairs Commission	+86 10 6650 8000	www.neac.gov.cn
The Ministry of Public Security	+86 10 6626 2114	www.mps.gov.cn
Ministry of State Security	+86 12339	www.12339.gov.cn
Ministry of Civil Affairs	+86 10 5812 3114	www.mca.gov.cn
Ministry of Justice	+86 10 6515 3508	www.moj.gov.cn
Ministry of Finance	+86 10 6855 1114	www.mof.gov.cn
Ministry of Human Resources and Social Security	+86 10 8421 2333	www.mohrss.gov.cn
Ministry of Natural Resources	+86 10 6388 2118	www.mnr.gov.cn

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Department/agency	Contact Information	Website
Ministry of Ecology and Environment	+86 10 6564 6114	www.mee.gov.cn
Ministry of Housing and Urban-Rural Development	+86 10 5893 3465	www.mohurd.gov.cn
Ministry of Transport	+86 10 6529 2114	www.mot.gov.cn
Ministry of Water Resources	+86 10 6320 2114	www.mwr.gov.cn
Ministry of Culture and Religious Affairs	+86 10 5919 3366	www.moa.gov.cn
Ministry of Commerce	+86 10 6519 8114	www.mofcom.gov.cn
Ministry of Culture and Tourism	+86 10 5988 1114	www.mct.gov.cn
National Health Commission	+86 10 6879 2114	www.nhc.gov.cn
Ministry of Veterans Affairs	+86 10 8793 3720	www.mva.gov.cn
Ministry of Emergence Management	+86 10 6446 3685	www.mem.gov.cn
State-owned Assets Supervision and Administration of the State Council	+86 10 6319 2000	www.sasac.gov.cn
The People's Bank of China	+86 10 6619 4114	www.pbc.gov.cn
National Audit Office	+86 10 6215 0912	www.audit.gov.cn
General Administration of Customs	+86 10 6519 4114	www.customs.gov.cn
State Taxation Administration	+86 10 6341 7114	www.chinatax.gov.cn
State Administration for Market Regulation	+86 10 8865 0000	www.samr.gov.cn
National Bureau of Statistics	+86 10 6857 6320	www.stats.gov.cn
China Securities Regulatory Commission	+86 10 6624 0182	www.csrc.gov.cn/pub/newsite
China Banking and Insurance Regulatory Commission	+86 12378	www.cbirc.gov.cn
State Administration of Science, Technology and Industry for National Defence	+86 10 8858 1069	www.sastind.gov.cn
China Atomic Energy Authority	+86 10 8858 1046	www.caea.gov.cn

11.2 Contact Information of Business Associations and Service Providers

The China Investment Guide Network (fdi.mofcom.gov.cn) sponsored by the Investment Promotion Agency of the Ministry of Commerce, aims to implement China's "Invest in China" and "Invest Overseas" policies for absorbing foreign investment and enterprises to provide two-way investment promotion service platform, serve domestic and foreign governments, institutions and enterprises, and use the Internet to provide online services for foreign investors to invest in China more efficiently and conveniently. The main columns of the website shall include dynamic information, investment project information database, laws and regulations, statistical

data, investment service agencies, etc., and provide investors with contact channels for investment promotion agencies in various provinces and cities in China.^①

The Investment China Platform (www.investchinaccpit.com) sponsored by China Council for the Promotion of International Trade (CCPIT), guided by investor needs, gathers the advantages of the trade promotion system at home and abroad, and strives to become an effective platform for the global investors to acknowledge China, walk into China and explore China's business opportunities.

Table 11-2 Contact information of some chambers of commerce, association and service providers in China

Title	Contact	Website
China Council for the Promotion of International Trade	+86 10 8807 5000	www.ccpit.org
China International Economic and Trade Arbitration Commission	+86 10 8221 7788	www.cietac.org
CCPIT Patent and Trademark Law Office	+86 10 6641 2345	www.ccpit-patent.com.cn
China Maritime Arbitration Commission	+86 10 8221 7900	www.cmac.org.cn
CCPIT/CCOIC Mediation Center	+86 10 8221 7081	www.adr.ccpit.org
CCPIT Commercial Legal Service Center	+86 10 8221 7056	www.ccpit.org/shangfazhongxin
Beijing Investment Promotion Service Center	+86 10 6554 1880	invest.beijing.gov.cn
Invest Shanghai	+86 21 6236 8800	www.investsh.org.cn
Invest Guangzhou	+86 24 8690 3186	www.investguangzhou.gov.cn
Shenzhen Outbound Alliance	+86 755 8810 7023	commerce.sz.gov.cn/ztzl/zcq
China Cooperative Trade Enterprises Association	+86 10 6602 3320	www.ccoop.org.cn
China Association of Small and Median Enterprises	+86 10 8865 3636	www.ca-sme.org
China Chamber of Commerce	+86 10 5889 1255	www.fctacc.org
China General Chamber of Commerce	+86 10 8529 5021	www.cgcc.org.cn
China Building Materials Federation	+86 10 5781 1569	www.cbmf.org
China Machinery Industry Federation	+86 10 6523 0771	www.cmif.org.cn
China National Textile and Apparel Council	+86 10 8522 9207	www.ctei.cn
China Chamber of Commerce for Import and Export of Textiles	+86 10 6773 9273	www.ccct.org.cn
China Sugar Association	+86 10 5856 8971	www.chinasugar.org.cn
China National Light Industry Council	+86 10 6839 6228	www.enlic.org.cn

^① The contact information of investment promotion agencies in various provinces and cities in China can be found in the Investment Promotion Bureau of the Ministry of Commerce: fdi.mofcom.gov.cn/sstejg.html?id=57.

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Title	Contact	Website
China Electronics Enterprises Association	+86 10 6825 6060	www.ceea.org.cn
China Information Technology Industry Federation	+86 10 6820 8088	www.citif.org.cn
China Semiconductor Industry Association	+86 10 6820 7275	www.csia.net.cn/Index.asp
China Electronics Chamber of Commerce	+86 10 6825 6762	www.cecc.org.cn
All China Federation of Supply and Marketing Cooperatives	+86 10 6602 2066	www.chinacoop.gov.cn
China International Contractors Association	+86 10 8113 0028	www.chinca.org
China Association of International Engineering Consultants	+86 10 6424 5409	www.caiec.org.cn
China Sippers' Association	+86 10 5861 2042	www.china-commerce.org.cn
China Banking Association	+86 10 6655 3368	www.china-cba.net
Securities Association of China	+86 10 6657 5825	www.sac.net.cn
Insurance Association of China	+86 10 6629 0333	www.iachina.cn
Silk Road Fund	+86 10 6388 6800	www.silkroadfund.com.cn
China Export & Credit Insurance Corporation	+86 10 6658 2288	www.sinosure.com.cn
China International Import EXPO	+86 21 968 888	www.ciie.org
China International Fair for Investment & Trade	+86 592 285 9831	www.chinafair.org.cn
EXPO Central China	+86 10 6440 4548	www.expocentralchina.org.cn



Frequently Asked Questions

1. What are the main service of the 12345-government service hot-line?^①

In China, all municipal governments have set up public service platforms that specialize in handling hotline matters, mainly including telephone 12345, mayor's mailbox, mobile phone text messages, Weibo and WeChat, etc., providing "7 days' time 24 hours" manual services. The service contents shall include the following aspects.

(1) Accept relevant government affairs information, policy regulations, business matters and other public service information consultations.

(2) Complaints, opinions and suggestions on administrative management, social management, and public services.

(3) Requests for assistance in non-emergency management and services within the scope of administrative powers.

(4) Reporting violations of laws and regulations by citizens, legal persons and other organizations that endanger the safety of people's lives and property, endanger the safety of public property, and affect economic and social development.

(5) Praise the government departments and their staff in terms of work efficiency and administrative efficiency.

^① China Investment Guide Network: fdi.mofcom.gov.cn.

2. What are the categories of Chinese visas?^①

There are 4 Chinese visas: Ordinary visa, Service visa, Diplomatic visa, and Courtesy visa. Ordinary visas are subdivided into 12 categories and 16 types, which are suitable for foreigners entering China for non-diplomatic and official reasons such as work, study, family visits, tourism, business activities, and talent introduction. Foreigners can choose to apply for an applicable visa according to the purpose of coming to China. Those who meet the conditions can also enter China visa-free.

3. How to immigrate to China?^②

Foreign citizens holding a Foreign Permanent Resident ID Card are not subject to any time limit for residence in China.

Foreigners applying for permanent residence in China should abide by Chinese laws, be in good health, have no criminal record, and meet one of the following conditions. a) Direct investment in China, stable investment for 3 consecutive years and good tax records; b) Serving as deputy general manager, deputy factory director or above in China, or associate professor, associate researcher or above, and enjoy the same treatment, have served for 4 consecutive years, have stayed in China for at least 3 years within 4 years, and have a good tax record; c) Significant, outstanding contribution and special needs of the country; d) The spouse of a citizen of the country or a foreigner who has obtained permanent residence in China must meet the following conditions, having a marriage relationship of 5 years or more, staying in China for 5 years or more, and the average annual residence time at least 9 months and having a stable living security and domicile in China; e) Other family members of national citizens or foreigners who have obtained permanent residency in China, including: unmarried children under the age of 18 who need to come to China to depend on their parents; foreign family members who are over

① Chinese Foreign Ministry: www.fmprc.gov.cn.

② Chinese Foreign Ministry: www.fmprc.gov.cn.

60 years of age and who do not have immediate family members in other countries (regions) and need to live with their immediate family members in China must meet the following requirements. They have lived in China for 5 years or more, the average annual residence time is at least 9 months, and they have stable living security and housing.

4. How is China's education system?^①

The Chinese education system is mainly divided into 3 categories: basic education, higher education, and vocational education. Among them, preschool education, primary education, and secondary education belong to basic education. China implements nine-year compulsory education. The educational institutions at the primary and junior high school stages are generally invested and operated by the government's public finances. Higher education includes non-degree programmed; undergraduate universities and graduate schools. Vocational education is usually divided into 2 types: academic vocational education and non-academic vocational education. Non-academic vocational education is mainly based on IT training, accounting training, civil service examination training and teacher training.

In China, the pre-school education and general primary and secondary education schools mainly enroll foreign children whose admission requirements shall be accompanying children of foreign citizens legally residing in the local city. In addition, ordinary primary and secondary schools and kindergartens can also enroll foreign students in regular classes. The specific management measures shall be formulated by the provincial education competent authorities.

5. How is China's medical and healthcare quality?^②

China's medical service system is composed of specialized hospital, Community Sanitary Service Center and other medical institutions. The medical institutions are of various types, scales, and complete functions. There are both government-sponsored non-profit public medical

① The State Council of China e-government platform: www.gov.cn.

② The State Council of China e-government platform: www.gov.cn.

institutions and Community medical institutions (including foreign-funded medical institutions). Foreigners can choose to go to medical institutions for medical treatment, and the cost standard is the same as that of Chinese residents.

There are also “120” calling numbers in various parts of China to request pre-hospital emergency medical care, providing on-site first aid outside the medical institution, emergency treatment during transit, and monitoring medical services. Almost all hospitals have emergency departments to provide emergency medical treatment for patients in need.

According to *the Social Insurance Law* and *Interim Measures for Social Insurance System Coverage of Foreigners Working within the Territory of China*, the foreign workers employed in China can require the employer to purchase the system of medical insurance for urban workers (Medical Insurance) for them and enjoy the same medical insurance treatment for the insured employees. Foreigners can check the list of medical insurance designated hospitals, the scope and proportion of medical insurance reimbursement on the website of the local Human Resources and Social Security Bureau. Foreigners (or their employers) can purchase commercial medical insurance to protect risks outside the scope of medical insurance.

6. How do foreigners buy a car in China?^①

In restricted areas such as Beijing, Shanghai, and Guangzhou, foreign citizens also need to participate in (License Plate) Lottery. Take Beijing as an example. According to the Guidelines for Applying for Small Passenger Car Index (Individual), foreign citizens must meet the following conditions to participate in local lottery: a) the foreigner does not have a registered car in his own name; b) hold a valid motor vehicle driver’s license; c) hold a Permanent Residence in China or a foreign permanent residence ID card or a valid Resident Permit for foreign in China issued by Beijing for one year or more, and a valid registration form of the temporary residence for visitors that has lived in Beijing for one year or more.

^① Beijing Municipal Commission of Transportation: www.bjhjyd.gov.cn/bszn/2018115/1515979171232_1.html.