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SWITZERLAND GLOBAL ENTERPRISE

# China

## Legal Provisions

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Beijing, April 2026

## GENERAL REMARKS

The purpose of this document is to give an overview of trade-related legal provisions and regulations, particularly those relevant for small and medium sized Swiss companies operating from outside the target country. It outlines the current state of legislation and, to the extent possible, its practical application.

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## CUSTOMS LAW AND DUTIES

1. Declaration procedures

According to the Administrative Measures for Customs on the Levying of Duties on Imported and Exported Goods (Revised in 2024), taxpayers and withholding agents declaring imports and exports to China's customs authorities shall submit relevant documents pursuant to the provisions. Where necessary, they shall also provide relevant materials to determine the classification of commodities, taxable value, place of origin, etc., in order to determine the applicable tax category and tax rate. Taxpayers may request that customs authorities keep their commercial secrets confidential by specifying the exact contents to be protected. However, they cannot refuse to provide relevant materials to the customs authorities based on the grounds of commercial confidentiality.

2. Calculation and collection basis

China's customs shall levy various duties on an ad valorem or quantity, or compound basis according to the relevant provisions. The formula for calculating the customs duties ad valorem is: payable duties = taxable value × customs duty rate; and the formula for calculating the specific tariff is: payable duties = quantity of goods × unit amount of customs duty. The formula for calculating compound customs duty is: payable duties = taxable value × customs duty rate + quantity of goods × unit amount of customs duty.

3. Taxes and tax rates

The following three main types of taxes are applicable to companies importing products from, or exporting to, China: customs duty, VAT and consumption tax. In addition to the collection of customs duties, the customs shall also collect import VAT and import consumption tax on behalf of the company.

(1) Customs duty

China's tariff rates vary depending on specific entities, and specifically include most-favored-nation tariff rates, conventional tariff rates, preferential tariff rates, provisional tariff rates, quota tariff rates, general tariff rates, and export tariff rates.

The most-favored-nation tariff rate is the most generally adopted import tariff rate, which must be accorded to the members of the World Trade Organization under normal trade conditions. It will be applied to the imported commodities from the countries or regions that have signed articles of most-favored-nation treatment with China, and for the imported commodities which originated from the territory of the People's Republic of China. The application of conventional and preferential tariff rates is not as common as the most-favored-nation tariff rates, which are based on regional trade agreements or trade agreements with particular countries. The application scope of the provisional tariff rates fluctuates, but what is certain is that commodities subject to provisional tariff rates will enjoy a tariff rate that is more preferential than the most-favored-nation tariff rate. The tariff quota rates shall be applicable to the imported goods subject to tariff quota management. For the goods within the tariff quota, the quota tariff rate shall apply, and for the goods beyond the tariff quota, other tariff rates shall be applied in light of different circumstances. The general tariff rate shall apply to the import of goods from the countries or regions other than those listed in the regulations, and the import of goods whose place of origin is unknown.

(2) Value added tax

The China VAT rate was lowered to 9% or 13% from April 1, 2019. The 9% rate applies mainly to certain goods in the agricultural and public utility categories, while the 13% rate applies to other goods subject to VAT.

Under the current stipulations, when foreign companies provide services within China's territory, commonly known as cross-border services, they have the option to either engage a tax agent in China to withhold VAT from the service payment or have the VAT withheld by the service purchaser in China. However, in practice, the VAT withholding obligation is sometimes uncertain due to potential communication issues, resulting in disputes among the parties involved. To address this challenge and facilitate tax compliance, the Draft explicitly designates the service purchaser as the withholding agent. This explicit designation simplifies tax compliance procedures in practical terms.

On December 25, 2024, the 13th meeting of the 14th National People's Congress (NPC) Standing Committee passed the "Value-Added Tax (VAT) Law of the People's Republic of China," which came into effect on January 1, 2026. The key changes introduced by the new VAT law are as follows:

Narrower Scope of Deemed Sales: The new law stipulates that transactions deemed as taxable activities include: the use of self-produced or consigned processed goods by business entities and individual industrial and commercial households for collective welfare or personal consumption; the gratuitous transfer of goods by business entities and individual industrial and commercial households; and the gratuitous transfer of intangible assets, real estate, or financial products by business entities and individuals.

Adjustment to Simplified Tax Calculation Method: The simplified tax calculation method now specifies a collection rate of 3%, without mentioning the previous 5% rate.

Optimization of Tax Exemption Items: The tax exemption for "contraceptive drugs and devices" has been removed. New tax-exempt items promoting agricultural development have been added, such as a series of documents related to agricultural producers being exempt from tax. Furthermore, the law explicitly states that admission revenues of public welfare museums, parks, etc., are also tax-exempt.

Furthermore, according to VAT Law, in instances where the party responsible for withholding VAT is situated outside of China, it shall be required to submit tax returns for the withheld VAT to the competent tax authority at the location where the taxable transaction takes place. This implies that foreign companies, acting as purchasers of services provided within China, will also bear the obligation of withholding VAT. However, in practical situations where both the buyers and sellers are situated outside of China, the actual tax assessment may become more complicated. It is anticipated that the tax authority will issue additional implementation rules to address such scenarios.

(3) Consumption tax

In addition, China levies consumption tax on certain consumer goods, such as tobacco, alcohol, jewelry, cosmetics, automobiles, etc. The consumption tax rate in China can be classified into two forms: the proportional tax rate and the fixed tax rate. The selection of the appropriate form depends on the characteristics of the taxable items. The tax rate varies by product type and value and is collected by manufacturers, importers, and sellers.

4. Sino-Swiss Free Trade Agreement (FTA)

A bilateral Free Trade Agreement (FTA) between Switzerland and the People’s Republic of China entered in force on July 1, 2014. The FTA enables a competitive advantage compared to other countries, which do not have a FTA with China. For the vast majority of bilateral trade, the FTA dismantles tariffs fully or partially, immediately or depending on transition periods, after 5, 10, 12 or in specific cases 15 years. In order to assess goods being imported into China at preferential Sino-Swiss FTA tariff, the proof of origin indicated in the Sino-Swiss free trade agreement is required. Detailed information see web link of the State Secretariat for Economic Affairs (SECO).

## IMPORT REGULATIONS / NON-TARIFF RESTRICTIONS

1. Import quota system

The first manifestation of China's non-tariff trade restriction is the import quota system, which aims at imposing quantitative restrictions on imports to protect domestic industries. Although China has been reducing the scope of quotas year by year, dozens of different types of commodities are still subject to the quota system. Taking agricultural products as an example, the National Development and Reform Commission (NDRC) recently released the detailed rules for applying and distributing the import tariff quota of grain for 2023. Enterprises may independently choose to apply for state-owned trade quotas, non-state-owned trade quotas or a combination of the two.

2. Import licenses

The import license is also a commonly used non-tariff trade restriction measure, which is a license issued by the Ministry of Commerce (MOFCOM) and its authorized license issuing agencies in accordance with the law, to approve the import of goods subject to quantitative restrictions or other restrictions.

MOFCOM and the General Administration of Customs (GACC) release the catalogues of goods that are subject to import licensing on an annual basis, and release catalogues of goods that are prohibited from import from time to time. The import licensing catalogue for the year 2026 has also been updated in December 30 2025, encompassing a total of 14 categories of imported goods, such as chemical equipment, machinery, ships, etc. These updates include certain minor adjustments, wherein the customs series numbers and good names have been modified within the "electric power equipment" category. These updates include adding new categories of goods, such as ozone-depleting substances, chemical equipment, and metal smelting devices. They also involve adjusting the customs commodity codes and measurement units for certain goods.

However, the scope of application of the import license is not wide. According to the Joint Announcement (2021) No. 49 of the GACC and MOFCOM, only two types of commodities will be subject to the import license administration in 2022: ozone-depleting and specified used mechanical and electrical products. Among them, the MOFCOM is responsible for issuing import licenses for specified use mechanical and electrical products, local license issuing agencies are responsible for issuing import licenses for ozone-depleting substances, and MOFCOM is also responsible for issuing import licenses applied for by centrally-administered enterprises in Beijing.

The validity period of an import license is from the date of issuance to December 31 of the same year. The application for extension of an import license shall be filed within the validity period. An import license may only be extended once, and the maximum extension shall not exceed three months.

3. Entry quarantine

Entry quarantine is another important part of import administration regulations, and specifically can be divided into import commodity inspection, entry animal and plant quarantine, import food safety and frontier health quarantine. Among them, the implementation basis of import commodity inspection is mainly the commodities included by GACC in the catalogue of import and export commodities subject to compulsory inspection. The scope of commodities covered by this catalogue is very wide, and some adjustments are made every year, so it is necessary to pay attention to the new changes.

## PRODUCT REGISTRATION AND TECHNICAL STANDARDS

1. Registration requirements

Foreign companies must fulfill certain product registration requirements to engage in business in China. For imported drugs, medical devices and cosmetics, a pre-market approval by the National Medical Products Administration (NMPA) is required, while all imported food products are required to comply with the registration rules set by the General Administration of Customs (GACC).

Taking food & beverage (F&B) products as an example: under China's Administrative Provisions on the Registration of Overseas Manufacturers of Imported Food (GACC Order No. 280), which will take effect on 1 June 2026, and with Announcement No. 27 (2026) providing additional implementation guidance, all registrations for exporting food to China are enterprise-driven. This means companies must submit their applications directly via the GACC CIFER Registration System in order to obtain a registration code. For 17 specific product categories, an official recommendation from the competent national authority is required. In Switzerland, this authority is the Federal Food Safety and Veterinary Office (FSVO). Registrations are generally valid for five years and are automatically renewed for another five years. An exception applies to meat and meat products and bird's nest products, where an active renewal is mandatory. Finally, it is important to note that overseas cold storage facilities handling animal-derived foods and aquatic products are also covered by this regime and must be registered as well.

Since May 1, 2024, the National Medical Products Administration (NMPA) has implemented the digitalization of administrative documents for drug registration. These digital documents hold the same legal force as their paper counterparts.

2. Technical standards

China's technical standards can be categorized into two types: mandatory and voluntary. Mandatory standards possess the legal force equivalent to other technical regulations in China. They are enforced by laws and administrative regulations and primarily focus on safeguarding human health, personal property, and safety. Standards that do not fall within these parameters are regarded as voluntary standards.

In addition, China's regulations consist of five categories of technical standards: national standards, industry standards, local or regional standards, corporate standards of individual companies, and association standards. The national standards are both compulsory (coded as GB) or recommended (coded as GB/T) and are formulated and issued by the Standardization Administration of China (SAC). In practice, the national standards, either compulsory or recommended, take precedence over other types of standards. With the development of standardization reforms, however, industry or association standards may play an increasingly large role. Those standards are formulated and implemented in instances where no national standard is available, but there is a requirement for a unified technical specification within a specific industry sector in China. These standards are designated by industry sector codes to ensure effective implementation and adherence.

The Certification and Accreditation Administration (CNCA) is the competent authority responsible for the unified administration, supervision and comprehensive coordination of certification and accreditation work in China. Certain products, such as certain electrical products, information technology products, consumer electronics, fire safety equipment, and automobile parts, must obtain the China Compulsory Certification Mark (CCC Mark) from the Certification and Accreditation Administration before they are sold or imported.

In addition to the national standards and the CCC Mark, various government authorities may also stipulate industry-specific standards or testing requirements for products under their jurisdiction.

3. Labeling management

Improper labeling is one of the main reasons for the failure of import products to pass the inspection.

All imported products sold in China must have Chinese labels, and many electronic products also have the practical application of the CCC Mark mentioned above on the packaging. Products requiring the CCC mark, in addition to undergoing an application and testing process, must have the mark physically affixed on the products prior to their importation or sale within China. Failure to comply with CCC regulations will lead to imported goods being detained at the border or returned to the sender.

China has developed a series of national standards to provide specific guidance for product labeling. Taking food labeling as an example, the General Principle for Labeling of Pre-packaged Food (GB7718-2011, as amended, and its updated version GB 7718-2025 scheduled to take effect in 2027) requires that imported food shall have a clear mark of origin in addition to the name and address of the general distributor registered in the country. Labels of staple and supplementary food intended for infants, young children and other specific groups must also indicate the main nutritional ingredients and their contents.

## CURRENCY REGULATIONS AND OTHER TRANSFER RESTRICTIONS

The State Administration of Foreign Exchange (SAFE) and local branches of SAFE are the regulatory authorities of China's foreign exchange administration. They oversee the supervision, administration, and inspection of various activities, including the opening and usage of foreign exchange accounts, receipts and payments, remittance and exchange of funds, and futures trading within specific domestic categories conducted by overseas traders, overseas brokers, domestic futures exchanges, and members. Banks in China are the de facto institutions responsible for implementation, examination and approval of foreign exchange administration. Individuals and legal entities may choose at their own

discretion to complete foreign exchange registration, currency swap, and inward and outward remittance of funds at banks in the places where they are registered. China's foreign exchange administration is divided into the administration of current accounts and the administration of capital accounts.

Current accounts refer to items that frequently occur as a result of economic transactions between China and foreign countries, including foreign trade income and expenditure, non-trade transactions and free transfers. The foreign exchange settlements (receipts and payments) for goods trade shall have true and legitimate transaction backgrounds. Further, it is strictly prohibited to fabricate trade backgrounds, and the remitter and beneficiary must be the contractual parties (importer and exporter). In cases where import/export is conducted through an agent, the payment/receipt must be made/collected by the agent. Banks are obligated to strengthen scrutiny of transactions and verify their authenticity, logicality, and reasonableness.

Capital accounts refer to increases and decreases of assets and liabilities as a result of capital inflow and outflow in the international balance of payments, including direct investment, securities investment and cross-border loans. In the event that the foreign-invested enterprise fails to comply with SAFE requirements, the foreign exchange bureaus reserve the right to assume control over the capital account information. Consequently, banks will refuse to process any foreign exchange business under the foreign-invested enterprise’s capital account. Moreover, if the foreign-invested enterprise fails to meet the conditions set forth by SAFE, banks are prohibited from permitting the distribution of profits to foreign shareholders of the foreign-invested enterprise.

On the premise of authentic and legitimate transactions, convertibility of currencies under the current account of Renminbi (CNY) is relatively free. Banks can directly handle the formalities of currency swap, and inward or outward remittance after examining the consistency of transaction documents and foreign exchange receipts and payments. On the other hand, capital accounts are subject to stricter administration and control. Domestic and foreign direct investment, securities investment and cross-border loans are regulated separately. The types of accounts to be opened and the requirements for submission of examination and approval documents are different under these circumstances.

- Domestic and foreign direct investment: The forms of direct investment mainly include establishing companies, conducting mergers and acquisitions and equity transactions in domestic and foreign countries. Items to be examined and approved include, but are not limited to: foreign exchange registration of onshore foreign-invested enterprises; opening of foreign exchange capital accounts for foreign-invested enterprises for foreign exchange receipts and payments; opening of special margin accounts and their corresponding entries, foreign exchange registration and inward/outward remittance of funds for strategic investment in/A-share listed company shareholding reduction by foreign investors strategic investment by foreign investors, etc.
- Cross-border loans: Domestic debtors, whether non-banking or non-financial institutions, are required to open special accounts in the occurrence of foreign debts. With respect to two special guarantee forms, namely Nei Bao Wai Dai (where the security provider is registered onshore, and the debtor and the creditor are registered offshore) and Wai Bao Nei Dai (where the security provider is registered offshore, and the debtor and the creditor are registered onshore), additional prior business registration is required. However, multinational corporations, after filing with banks, may directly open primary domestic capital accounts (with the banks with which they have filed) to conduct the relevant business of centralised operation of cross-border funds.
- Securities investment: Foreign exchange regulations relating to cross-border securities investment include registration requirements for qualified foreign institutional investors and qualified domestic investors, foreign institutions' direct access to the interbank bond market, domestic and foreign depository receipts account opening and fund exchange for listed companies' repurchase of B-share stocks, etc.

In general, China's foreign exchange and currency laws are relatively strict and fragmented, imposing different pre-examination requirements for different inward or outward remittance scenarios. Notwithstanding the relevant restrictions, foreign investors may, in accordance with the law, freely remit into or out of China, in CNY or foreign currencies, their contributions, profits, capital gains, income from asset disposal, intellectual property royalties, legally acquired compensation or indemnity, proceeds of liquidation, etc., from within the territory of China, as long as the authenticity is guaranteed.

## COMMERCIAL REGISTER AND OTHER SOURCES OF COMPANY INFORMATION

According to the law of China, any person may establish a company, or equity participation in a company, in China, provided that certain registration and pre-approval procedures are completed. For corporate shareholder(s), a foreign parent company (existing corporation) seeking to hold 100% of the shares of a company in China is required to establish a wholly foreign-owned enterprise (WFOE) through registration. For individual shareholders, non-residents are also eligible to hold shares in a WFOE, which serves as an independent subsidiary for conducting business operations in the local market.

1. Company registration

The establishment, alteration and de-registration of companies shall be subject to registration with the company registration authority in accordance with the law. Specifically, the market regulatory department of the People's Government at or above the county level is in charge of registration work within its jurisdiction.

For investors, the first step is to determine whether it is subject to any pre-approval procedures when applying for registration of the establishment of a new company.

- If project approval or record-filing is involved, it should be conducted by the State Council and the National Development and Reform Commission (NDRC).
- For foreign investments, China will adopt the pre-establishment national treatment and negative list systems. On the premise that foreign investors enjoy treatment no less favorable than that enjoyed by domestic investors and their investments, China has imposed investment restrictions for foreign investors in certain fields by issuing the Special Administrative Measures for Access of Foreign Investment (Negative List) and the Special Administrative Measures for Access of Foreign Investment in Pilot Free Trade Zones (Negative List).
- For foreign investment in circumstances where the investment area affects, or may affect, national security, companies may be established only after security review by the working mechanism office of NDRC.

The registration and incorporation process for the general Chinese companies, and for the foreign direct investment that does not require approval, will generally take no more than 7 working days; for the foreign direct investment that requires approval, the application and verification period shall be more than 30 working days; for the alteration or cancellation of companies, the examination and approval process shall take no more than 5 working days. Upon completion of registration, any member of the public may apply to the competent market regulatory department for an enquiry about company registration matters. The public may also directly enquire about basic information of companies through the National Enterprise Credit Information Publicity System, which is an online database in Chinese only.

2. Foreign investment information reporting system

China implements a foreign investment information reporting system. In case of a foreign investment, after completing the amendment registration with the market regulatory department, the foreign investor or foreign-invested enterprise concerned is also required to submit additional investment information through the enterprise registration system of the market regulatory department. The aforementioned system is not a prerequisite for businesses to process business registration procedures or similar matters, nor is it a new administrative approval mechanism specifically targeting foreign investors or foreign-invested enterprises.

To provide further guidance on the implementation of foreign investment information reporting in China, two regulatory documents were issued: (1) Measures on Reporting of Foreign Investment Information (Ministry of Commerce, State Administration for Market Regulation Order No. [2019] No. 2), and (2) Announcement of the Ministry of Commerce on Matters Relating to Reporting of Foreign Investment Information (Ministry of Commerce Announcement [2019] No. 62).

After a foreign investor, or a foreign-invested enterprise, completes its information submission, the relevant information will be automatically transmitted by the market regulatory department to the system of the Ministry of Commerce (MOFCOM), which is authorized to share the information with other relevant authorities. The foreign investment information reporting mechanism guarantees the comprehensive and consolidated submission of reports, minimizing the need for duplicate reporting to multiple government agencies.

## LEGAL FORMS OF COMPANIES

The common types of companies set up in China are limited liability company and company limited by shares.

1. Limited liability company

A limited liability company refers to an economic organization that is jointly invested and established by at least one, but no more than fifty, shareholders, and each shareholder bears limited liability to the company within the limit of its subscribed registered capital. The company bears limited liability for its debts with all of its assets. The internal governance structure required by law will consist of a shareholders' meeting, a board of directors, and a board of supervisors (or supervisor), or a limited liability company may, in accordance with the articles of association, set up an audit committee consisting of directors to exercise the powers and functions of the board of supervisors (or supervisor) without setting up the board of supervisors (or supervisor). The shareholders' meeting is the highest authority of the company. The shareholders are entitled to appoint and remove directors by law in accordance with the method as stipulated in the articles of association. In general, a limited liability company will have another position of manager or general manager to manage and execute the company's business operations. In a limited liability company, the exercise of voting rights by a shareholder during the shareholders' meeting is determined by the proportion of its capital contribution, unless otherwise specified in the company's articles of association.

There is generally no minimum registered capital requirement for a limited liability company, and China adopts a subscription system. Shareholders shall determine the amount of the company's registered capital at the time of incorporation, and the capital contributed shall be paid in full by all shareholders within five years from the date of incorporation of the company in accordance with the articles of association. As an exception, the minimum registered capital of a limited liability company may be imposed by special laws for certain industries, such as financial institutions, labor dispatch companies, transportation companies, telecommunication companies, etc. It should be noted that foreign-invested enterprises are subject to requirements for the ratio of registered capital to total investment, as stipulated by the Interim Regulations of the State Administration for Industry and Commerce on the Ratio of the Registered Capital to the Total Investment of Sino-Foreign Equity Joint Ventures, and therefore there is also a minimum registered capital requirement for a limited liability company.

2. Company limited by shares

A company limited by shares is an economic organization whose entire registered capital is constituted by equal shares, and the capital is raised by the issuance of shares. Each of the shareholders is liable to the Company to the extent of the shares subscribed for by it, and the liability of the Company is limited to all of its assets. The internal governance structure required by law shall consist of a shareholders' meeting, a board of directors, a board of supervisors/audit committee, managers, and senior management personnel. The shareholders' meeting is the highest authority of the company.

A company limited by shares shall be established by at least one, and no more than 200, promoters (i.e., shareholders), of which more than half shall have a domicile within the territory of China. A company limited by shares may be established by way of promotion where the promoters subscribe for all the shares to be issued by the company and set up a company limited by shares, or where the promoters subscribe for a portion of the shares to be issued by the company and offer the remaining shares to the general public, or to specific investors. The shares subscribed for by the promoters shall not be less than 35 percent of the company's total shares in the case of establishment by share offering to the public, unless otherwise provided by laws or administrative regulations. A limited liability company may change its corporate form to a company limited by shares. In a company limited by shares, the core principle of "one share, one vote" is followed, wherein each share held by a shareholder corresponds to one voting right in the shareholders' meetings.

3. Other types of companies

In general, investors who choose to establish limited liability companies are quite common, but there are a few special types of companies, such as one-person limited companies (formed by a natural person or a legal person shareholder; a natural person is only allowed to invest in a single one-person limited liability company, and is not allowed to set up other one-person limited liability companies), and wholly state-owned companies (companies solely funded by the state).

## REGULATIONS GOVERNING SALES AGENTS AND COMMERCIAL REPRESENTATIVES

1. Sales agency

(1) The Civil Code

Pursuant to the Civil Code of the People's Republic of China (" the Civil Code") and the Regulations on Causes of Action in Civil Cases of the Supreme People's Court of the People's Republic of China, disputes arising from sales agency contracts fall under entrustment contract disputes, and thus sales agency activities are governed by the Civil Code. Depending on the industry to which the sales agency belongs, there are also specific laws and regulations governing sales agency activities, such as those set out below.

(2) Real estate sales agency

According to the Administrative Measures for the Sales of Commodity Houses issued by China's Ministry of Housing and Urban-Rural Development (MOHURD), when a real estate developer entrusts an agency to sell its commodity houses, the entrusted agency shall be a duly incorporated real estate agency with a business license. The real estate developer shall enter into a written commission agreement with the entrusted real estate agency, which shall indicate the terms of commission, scope of authority, rights and obligations of the principal and the agent. When selling the commodity houses, the entrusted real estate intermediary service organization shall produce relevant certificates of the commodity houses and the letter of authorization for selling commodity houses to the buyer. Further, the entrusted real estate agency shall not act as an agent to sell disqualified commodity houses, and when acting as an agent for the sale of commodity houses, the entrusted real estate agency shall not collect fees other than commission. The commodity house sales personnel shall engage in such sales only after they have received professional training.

(3) Civil air transport sales agency

According to the reform of the sales agency management system announced by the China Air Transport Association (CATA), the previous recognition of Sales Agency Qualifications for Civil Air Transport has been cancelled, and CATA now administers the industry through self-regulatory rules. To engage in sales agency activities of air transport, sales agencies shall comply with the relevant industry rules issued by CATA. No entities or individuals that fail to comply with such rules may engage in sales agency business activities of air transport. Air transport enterprises (including foreign air transport enterprises) shall independently select sales agencies to engage in sales activities authorized by them; agencies that fail to comply with CATA's industry rules may find it difficult to obtain such authorizations. According to the "Announcement of the State Taxation Administration, the Ministry of Finance, and the Civil Aviation Administration of China on Promoting the Use of Fully Digitized Electronic Invoices for Civil Aviation Passenger Transport Services", starting from December 1, 2024, Public air transport enterprises ("air transport enterprises") and air transport sales agencies ("agency enterprises") registered within the People's Republic of China may issue electronic invoices (i.e., electronic air ticket itineraries) ("electronic itineraries") for domestic passenger transportation services.

(4) Agency sales by commercial banks

According to the Circular on Regulating the Commissioned Sale Businesses of Commercial Banks issued by the China Banking and Insurance Regulatory Commission (CBIRC) (which has been restructured into the National Financial Regulatory Administration (NFRA), and the Circular has been repealed and replaced by the Measures for the Administration of Agency Distribution Business of Commercial Banks (Jin Gui [2025] No. 6), effective October 1, 2025), commercial banks shall, conduct commission-based sale businesses in accordance with the requirements on the commission sale of the

relevant financial products specified by the financial regulatory authorities under the State Council, strengthen the appropriate management of investors, fully disclose the risks of the commission-based sale products, and sell to customers the financial products which match the risk tolerance of customers. Moreover, they should establish a risk separation system between the commission-based sale businesses and other businesses to ensure the strict separation of such businesses in terms of accounts, funds and accounting, and they may not conduct the commission-based sale of products issued by institutions other than those specified in the Circular, except for government bonds, physical precious metals and other products otherwise specified by CBIRC. The Measures further provide that the main contents include strengthening the management responsibilities of commercial banks for the access of cooperative institutions and products, and clarifying the requirements for the access examination of cooperative institutions and the due diligence investigation of products; standardizing the agency sales behaviors of commercial banks, and making specific provisions on sales channels, the management of sales personnel, product display, suitability management, risk warnings, etc.; and strengthening the obligations that commercial banks should fulfill during the duration of the products sold on an agency basis.

(5) Domestic sales agent of imported drugs

According to the Provisions on Record Filing of Domestic Sales Agents of Imported Drugs issued by the National Medical Products Administration (NMPA), domestic sales agents who are engaged in domestic sales of imported drugs shall file records according to the required procedures, time and materials outlined by the Provisions. Domestic sales agents of imported drugs shall file records within two months after signing a domestic sales agency agreement with foreign drug manufacturers. The filing procedures shall be submitted directly to the Drug Supervision and Administration Department of NMPA by a domestic sales agent. No person other than the agent may be authorized to complete the filing procedures.

2. Commercial representative

(1) Without the status of a legal person

According to the Administrative Regulations on the Registration of Resident Representative Offices of Foreign Enterprise issued by China's State Council, Resident Representative Offices of Foreign Enterprises ("ROs") refer to the offices established by foreign enterprises in China to engage in non-profit activities related to the foreign enterprises' business, and ROs do not have the status of a legal person. Therefore, any civil liabilities of ROs shall be assumed by the foreign enterprise that established such ROs.

(2) May engage in non-profit activities relating to business

In accordance with the Administrative Regulations on the Registration of Resident Representative Offices of Foreign Enterprise, the representative offices shall not engage in profit-making activities. Where international treaties and agreements to which China is a contracting party or participating party provide otherwise, such provisions shall prevail, except for those provisions on which China has announced reservations. ROs may engage in the following activities in relation to the business of the foreign enterprises: (1) market research, exhibition and promotion activities in relation to the products and services of the foreign enterprises; and (2) liaison activities in relation to the sale of products, provision of services, domestic procurements and domestic investment of the foreign enterprises. Where laws, administrative regulations or the provisions of the State Council require prior approval for engaging in the aforesaid activities, ROs shall obtain such approval.

(3) The administrative procedures for establishment

According to the Interim Provisions of the State Council on the Administration of Permanent Representative Offices of Foreign Enterprises, foreign enterprises that need to establish permanent representative offices in China should first of all apply for approval and then go through the registration procedures. Without approval, no foreign enterprises are allowed to engage in the business activities of a permanent representative office. The application of a foreign enterprise for establishing a permanent representative office shall, in accordance with the nature of its business, be submitted to the competent commissions, ministries and bureaus of the Chinese Government for approval.

The establishment of an RO shall be subject to registration with the Registration Authorities; where laws, administrative regulations or the provisions of the State Council require prior approval for the establishment of an RO, the foreign enterprise should apply for registration with the Registration Authorities within 90 days from the date of such approval, and submit relevant approval documents.

Where the international treaties and agreements to which China is a signatory or participant stipulate that an RO may be established to engage in profit-making activities, the corresponding documents shall be submitted in accordance with laws, administrative regulations or the provisions of the State Council.

(4) Submit an annual report to the registration authorities

According to the Administrative Regulations on Registration of Permanent Representative Offices of Foreign Enterprises, the ROs are required to submit their annual reports to the registration authorities between March 1st and June 30th each year. The annual report should include information about the foreign enterprise's legal continuity, the RO's business activities, audited statements of income and expenses by an accounting firm, and other relevant information. It is important for ROs to ensure timely translation of the necessary documents into Chinese to avoid any delays in the preparation and submission of the required documentation.

(5) Tax

For ROs, there are three different types, each of which may be subject to different tax treatments depending on their business activities and accounting conditions. The first type applies to foreign law firms, financial companies, auditors, and consulting companies that operate as an extension of their overseas parent companies. These ROs have limited business operations and are subject to taxation in accordance with applicable tax regulations. The second type pertains to foreign-invested commercial enterprises engaged in industries such as trade and agency business. These ROs primarily focus on corporate liaison and market promotion and are generally taxed based on their expenditures or other reasonable methods where income cannot be accurately calculated, in accordance with tax regulations. The third type covers representative offices of non-profit international organizations or foreign government offices, which are eligible to apply for tax exemption.

## ENTRY CONDITIONS FOR STAFF PERFORMING MAINTENANCE OR REPAIR SERVICES

In China, the entry conditions for staff performing maintenance or repair services vary based on the specific service targets, for example, as set out below.

1. Maintenance of special equipment

According to the Measures for the Supervision and Administration of Special Equipment Operators originally released by the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ, now revoked, whose functions have since been assumed by the State Administration for Market Regulation (SAMR), operators of such special equipment as boilers, pressure vessel (gas cylinders), pressure pipelines, elevators, cranes, passenger cableways, large-scale entertainment facilities and in-plant (in-factory) special motor vehicles, and the relevant management personnel, shall be collectively referred to as special equipment operators. A special equipment operator may not undertake the corresponding operation or managerial work unless he/she has passed the examination and obtained the Special Equipment Operator's License.

2. Maintenance and repair of household appliances

According to the Measures for the Administration of Household Appliance Maintenance and Repair Service Industry issued by the Ministry of Commerce (MOFCOM), personnel in the household appliances maintenance and repair industry shall have the professional and technical qualifications for the corresponding maintenance and repair activities. Special work personnel in household appliances maintenance and repair, welding and thermal cutting, refrigeration and air conditioning, electrical engineering, safe operation of hazardous chemicals, etc. shall have the special qualifications and certificates required by the State. The person in charge, and safety management personnel for household appliance maintenance and repair operators who engage in special work must receive safety responsibility training.

3. Maintenance and repair of agricultural machinery

According to the Notice on Strengthening Interim and Ex-post Supervision after the Cancelation of Administrative Licensing for the Issuance of Technical Qualification Certificates for Agricultural Machinery Maintenance issued by the Ministry of Agriculture and Rural Affairs (MOA), from July 28, 2018, all local agricultural mechanization authorities will stop accepting applications for, and issuing, the Technical Qualification Certificates for Agricultural Machinery Maintenance. Each authority will no longer take obtaining the Technical Qualification Certificates for Agricultural Machinery Maintenance as a precondition for engaging in agricultural machinery maintenance, which will further bring convenience and benefit to the people and stimulate the vitality of the agricultural machinery maintenance market.

4. Communications equipment maintenance

According to the Measures for the Implementation of Skills Appraisal for the Unique Occupations (Types of Work) in the Communications Industry (Trial), telecommunications equipment maintenance personnel must receive professional training, hold a Certificate of National Professional Qualifications in the Communications Industry jointly issued by the former Ministry of Labor and Social Security (currently, the Ministry of Human Resources and Social Security "MOHRSS") and the former Ministry of Information Industry (currently, the Ministry of Industry and Information Technology "MIIT"). A Certificate of National Professional Qualifications is the proof of an employee's professional skills, the main basis for job hunting and holding an office, and a valid certificate for notarization of skills for overseas employment and labor export.

5.Maintenance of Fire Safety Equipment

Pursuant to the Notice on Implementing the National Occupational Skill Standards for Fire Facility Operators issued by the Fire Rescue Bureau of the Ministry of Emergency Management (now reorganized as the National Fire Rescue Bureau), personnel who monitor and operate fire control rooms equipped with interlinked control equipment and those engaged in the inspection, maintenance, and repair of fire safety equipment shall hold a Fire Occupational Qualification Certificate at the Intermediate Level (Level Four) or above. This certificate is supervised by the National Fire Rescue Bureau and printed, produced, and distributed by the provincial-level fire rescue corps under the respective provinces, autonomous regions, and municipalities directly under the Central Government.

## PROTECTION OF INTELLECTUAL PROPERTY

### 1. Authorities responsible for intellectual property protection

In China, the authorities responsible for the protection of intellectual property mainly include the National Copyright Administration of China (NCAC) and China National Intellectual Property Administration (CNIPA). Among them, NCAC is responsible for the administration of national copyright (the Copyright Protection Center of China- CPCC is the software registration organization authorized by NCAC), while CNIPA is responsible for the administration of national patents, trademarks, geographical indications and integrated circuit diagrams. In addition, the Ministry of Industry and Information Technology (MIIT) and the communications administrations for all provinces, autonomous regions and municipalities are responsible for the supervision and administration of domain name services.

| Authorities | Administration scope |
|---|---|
| National Copyright Administration of China (NCAC) | Copyright |
| Copyright Protection Center of China (CPCC) | Software copyright |

| Authorities | Administration scope |
|---|---|
| China National Intellectual Property Administration (CNIPA) | Patents, trademarks, geographical indications and integrated circuit diagrams |
| Ministry of Industry and Information Technology of China (MIIT) | Domain name |

2. Copyright

(1) Acquisition of copyright

Pursuant to the Copyright Law of the People's Republic of China (the "Copyright Law") and the Implementing Regulations of the Copyright Law of the People's Republic of China (the "Implementing Regulations of the Copyright Law"), works of Chinese citizens, legal entities or unincorporated organizations, whether published or not, shall be entitled to copyright protection in accordance with the law. The copyright of works by foreigners and stateless persons, vested pursuant to an agreement signed between the home country or the country of habitual residence of the author and China, or an international treaty to which both home country or the country of habitual residence of the author and China are parties, shall be protected by the Copyright Law. Works of foreigners and stateless persons first published in China shall be entitled to copyright protection in accordance with the law; such copyright shall be protected from the date of first publication of the work. Works of foreigners and stateless persons first published outside China and subsequently published in China, within 30 days of the first publication, shall be deemed to have been simultaneously published in China. Works of authors from a country which has not entered into an agreement with China or acceded to an international treaty to which China has acceded, or works of stateless persons which are first published in a country that is a signatory to an international treaty to which China has acceded, or are simultaneously published in a signatory country and a non-signatory country, shall be protected by the Copyright Law.

(2) Computer software copyright

Pursuant to the Copyright Law and the Implementing Regulations of the Copyright Law, computer software works shall be entitled to copyright protection. In addition, the Copyright Protection Center of China (CPCC) operates a voluntary registration system. According to the Regulations on Computer Software Protection amended by the State Council on January 30, 2013, and implemented on March 1, 2013, and the Measures for Registration of Computer Software Copyright amended by National Copyright Administration of China (NCAC) on February 20, 2002, and implemented on the same day, software copyright holders may apply for software copyright registration with CPCC, which is the software registration agency recognized by NCAC. Software copyright commences from the date on which the development of the software is completed. The protection period for a natural person's software copyright shall be the natural person's lifetime plus 50 years after his/her death, expiring on December 31 of the 50th year after the natural person's death; or, if the software is developed jointly, expiring on December 31 of the 50$^{th}$ year after the last natural person's death. The protection period for a legal person or other organization's software copyright shall be 50 years, expiring on December 31 of the 50th year after the software's initial release; however, if the software has not been released within 50 years from the date on which the development of the software is completed, it shall no longer be protected.

3. Patent

(1) General provisions

According to the Patent Law of the People's Republic of China (hereinafter referred to as the "Patent Law") and the Implementing Rules of the Patent Law of the People's Republic of China promulgated by the State Council, patent protection shall be classified into three categories, i.e., the patent for invention, the patent for utility model and the patent for appearance design. The duration of patent right for invention shall be 20 years, the duration of patent right for utility model shall be 10 years, and the duration of patent right for appearance design shall be 15 years, all commencing from the application date. After the grant of the patent right for an invention or utility model, except as otherwise provided for, no entity or individual may, without the authorization of the patentee, exploit the patent, namely, for production or business purposes, to manufacture, use, offer to sell, sell or import the patented product

thereof, or to use the patented process, and to use, offer to sell, sell or import the product directly obtained by the patented process. After the grant of the patent right for appearance design, no entity or individual may, without the authorization of the patentee, exploit the patent, namely, manufacture, offer to sell, sell or import the design patented product, for production or business purposes.

(2) Patents for foreigners

According to the Patent Law, where a foreigner, foreign enterprise or any other foreign organization, having no habitual residence or business office in China, files an application for patent in China, the application shall be filed under this law in accordance with any agreement concluded between the country to which the foreigner, foreign enterprise, or any other foreign organization (having no habitual residence or business office in China) belongs, or in accordance with any international treaty concluded between the country to which the foreigner, foreign enterprise or any other foreign organization which has no habitual residence or business office in China belongs, or in accordance with the principle of reciprocity. Whoever files an application for patent, or has other patent matters to attend to in China, shall entrust a patent agency established according to law to act as his or its agent. Where, within twelve months from the date on which any applicant first filed in a foreign country an application for a patent for invention or utility model (or within six months from the date on which any applicant first filed in a foreign country an application for a patent for appearance design), he or it files in China an application for a patent for the same subject matter, he or it may, in accordance with any agreement concluded between the said foreign country and China, or in accordance with any international treaty to which both countries are party, or in accordance with the principle of mutual recognition of the right of priority, enjoy a right of priority. Where, within twelve months from the date on which any applicant first filed in China an application for a patent for invention or utility model, or within six months from the date on which any applicant first filed in China an application for a patent for design, he or it may, in accordance with the principle of priority, enjoy a right of priority. As far as foreign priority is concerned, the subsequent Chinese application which claims priority is independent of the prior application. According to provisions in the Paris Convention, the withdrawal, abandonment, or rejection of the “prior application” does not affect the application’s ability to serve as the basis for claiming a priority. According to the newly revised Implementing Regulations of the Patent Law, if an applicant for an invention patent or a utility model patent misses the 12-month priority period due to legitimate reasons, they may request to restore the priority within two months after the expiration of the said period. Regarding international applications entering China via the PCT route, the Implementing Regulations of the Patent Law stipulate that if the priority has already been restored at the international stage, it will be automatically recognized in China; if it has not been restored, an application to restore the priority can be made within two months after entering the Chinese national phase (legitimate reasons required).

4. Trademark

(1) General provisions

Pursuant to the Trademark Law of the People's Republic of China (hereinafter referred to as the "Trademark Law") and the Regulations on the Implementation of the Trademark Law of the People's Republic of China (hereinafter referred to as the "Regulations on the Implementation of the Trademark Law"), registered trademarks include commodity trademarks, service trademarks, collective trademarks, and certification trademarks, and trademarks approved and registered by the Trademark Office. The period of validity of a registered trademark is 10 years, counted from the date of registration approval. A trademark registrant shall go through the renewal formalities 12 months prior to the expiry of the period of validity.

(2) Trademarks of foreigners

According to the Trademark Law and the Regulations on the Implementation of the Trademark Law, where foreigners or foreign enterprises without habitual residence or business address in China apply for trademark registration in China, the matter shall be handled in accordance with any agreement concluded between the country to which the foreigner or foreign enterprise belongs and China, or in accordance with any international treaty to which both countries are party, or in accordance with the principle of reciprocity; where foreigners or foreign enterprises apply for trademark registration in China or handle other trademark matters, they shall entrust a trademark agency established in accordance with the law to handle the matter. Where, within six months from the date on which an application for trademark registration was filed for the first time in a foreign country, an application for trademark registration is filed in China for the same trademark in respect of the same product, the applicant may enjoy the right of priority in accordance with any agreement concluded between the country to which

the applicant belongs and China, or in accordance with the international treaty to which both countries are party, or in accordance with the principle of mutual recognition of the right of priority. Where a trademark is used for the first time on products exhibited at an international exhibition organized or recognized by the Chinese Government, the applicant for trademark registration may enjoy the right of priority for six months from the date of the exhibition. A written declaration of trademark priority should be filed at the same time as the trademark application, and the documentation in support of the priority claim must be filed within 3 months of the filing date, including the exhibition name, the evidence of the use of the trademark on the exhibited goods, and the exhibition date, etc.

(3) Geographical indications

According to the Trademark Law and the Regulations on the Implementation of the Trademark Law, a geographical indication may be registered as a certification mark or a collective mark. Other specific regulations with respect to geographical indications include the Provisions on the Protection of Geographical Indication Products, which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of China (AQSIQ, now revoked) on June 7, 2005 and implemented on July 15, 2005, the Administrative Measures for the Use of Special Marks of Geographical Indications (for Trial Implementation) promulgated by the China National Intellectual Property Administration (CNIPA) on April 3, 2020 and implemented on the same day, and the Administrative Measures for Geographical Indications of Agricultural Products revised by the Ministry of Agriculture and Rural Affairs (MOA) on April 25, 2019, and implemented on the same day.

5. Integrated circuit layout design

(1) General provisions

According to the Regulations on the Protection of Integrated Circuit Layout Design promulgated by the State Council (the "Regulations on the Protection of Layout Design") and the Detailed Rules for the Implementation of the Regulations on the Protection of Integrated Circuit Layout Design promulgated by the China National Intellectual Property Administration (CNIPA) (the "Detailed Rules for the Implementation of the Regulations on the Protection of Layout Design"), the proprietary right of a Layout Design is acquired upon registration by the China National Intellectual Property Administration (CNIPA). The term of protection of the proprietary right of a Layout Design is 10 years, counted from the date of application for registration of the Layout Design, or the date on which it was first commercially exploited anywhere in the world, whichever is earlier. However, regardless of whether it has been registered, or whether it has been commercially exploited, a Layout Design shall no longer be protected by the Regulations after 15 years from the date of completion of its creation. Where a Layout Design does not apply for its registration to CNIPA within two years from the date on which it was first commercially exploited anywhere in the world, CNIPA shall not grant its registration.

(2) Integrated circuit layout design for foreigners

According to the Regulations on the Protection of Layout Design and the Detailed Rules for the Implementation of the Regulations on the Protection of Layout Design, Chinese natural persons, legal persons or other organizations shall enjoy the proprietary right of the Layout Design in accordance with the Regulations. Where a Layout Design is first commercially exploited in China by a foreigner, the foreigner shall enjoy the proprietary right of the Layout Design in accordance with the Regulations. Where a Layout Design is created by a foreigner, and the country to which the foreigner belongs has signed an agreement with China to protect the Layout Design, or both the country and China have acceded to an international treaty concerning the protection of Layout Design, the foreigner shall enjoy the proprietary right of the Layout Design in accordance with the Regulations. Where a foreigner, foreign enterprise or other foreign organization, that does not have a habitual residence or place of business in China, wishes to apply for the registration of a Layout Design in China or handle other matters related to Layout Design, he/it shall commission a patent agency designated by CNIPA to do so.

6. Domain names

According to the Regulations on the Administration of Internet Domain Names promulgated by the Ministry of Industry and Information Technology (MIIT), MIIT shall supervise and administer the domain name services nationwide, and the communications administrative bureaus of all provinces, autonomous regions and municipalities directly under the central government shall supervise and administer the domain name services within their respective administrative regions. MIIT will announce

the China Internet Domain Name System. MIIT may, in light of the actual development of domain names, make adjustments to the China Internet Domain Name System.

7. Technology import and export

(1) General provisions

In accordance with the Foreign Trade Law of the People's Republic of China and Regulations on Technology Import and Export Administration of the People's Republic of China, technology import and export refer to the cross-border transfer of ownership, or right to use of, technologies between domestic and foreign parties，through trade, investment, or economic and technical cooperation. This includes the transfer of patent rights, the transfer of patent application rights, the licensing of patent implementation, the transfer of technological secrets, providing technological services and other means of technology transfer.

(2) Technology import and export categories

Based on the sensitivity of the concerned technologies, technology import and export has three categories: free import and export technology, restricted import and export technology, and prohibited import and export technology. The list of restricted and prohibited categories is formulated by the Chinese government accordingly. Technologies on the prohibited list are forbidden from import and export in any way. Technologies on the restricted list are subject to the license management principle, which means a corresponding license from the Chinese government is required beforehand. Technologies not included on either the prohibited or the restricted list are free to be import and exported, although the contract registration procedures with the Chinese government are advised.

Most of the technologies involved in the investment field of foreign enterprises belong to free import and export technologies. The registration of contracts for free import and export technologies is not a mandatory requirement and does not affect the validity of the contract.

## PROCEDURES FOR COLLECTING PAYMENT

1. Authorities responsible for foreign exchange

In China, there are two authorities responsible for regulating the flow of foreign exchange, the State Administration of Foreign Exchange (SAFE) and the People’s Bank of China (PBOC), the central bank. PBOC is responsible for macro management and supervision of national foreign exchange. SAFE is the administrative agency responsible for managing foreign exchange activities in China, formulating relevant regulations, and managing China's foreign exchange reserves. A series of transactions involving inbound and outbound foreign exchange payments require approval by, or filing with, SAFE.

2. Can Swiss investors make direct capital contributions

Swiss investors can remit capital from abroad into China.

Foreign Invested Enterprises (FIEs) shall register their capital contribution in the form of currency at the counter of the bank, and the remitted capital can only be put into normal use after the registration of currency contribution is completed. After receiving the foreign exchange capital remitted by foreign investors, the FIEs may, based on their actual business needs, apply to banks for discretionary settlement of the foreign exchange, or may choose to settle the foreign exchange when there is a demand for payment.

3. Means of capital contribution

Before the implementation of the Foreign Investment Law, the original Law of the People's Republic of Foreign-owned Enterprises, and the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures provided for several restrictions on the means of foreign investment. China has been

continuously establishing and improving its legal system for foreign investment, and the Foreign Investment Law has played a very important role in stabilizing the confidence of foreign investors and improving the investment environment. The Foreign Investment Law does not provide for the proportion and means of capital contribution by foreign investors, nor does it require foreign investors to submit non-cash capital contributions to examination and vetting authorities for approval. Pursuant to the Foreign Investment Law, the Company Law of the People's Republic of China, and the Partnership Enterprise Law of the People's Republic of China, these and other relevant laws shall apply to the form of organization, structure and operating rules of FIEs. Therefore, the same means of capital contribution as adopted by domestic entities in establishing enterprises will apply to the Foreign Investment Law of Foreign Investments. The newly revised Company Law mandates that companies established before July 1, 2024, must adjust their remaining subscribed capital contribution periods to within five years by June 30, 2027.

| | |
|---|---|
| Limited Liability Company and Company Limited by Shares | Shareholders may make capital contributions in cash, in kind, with intellectual property rights, land use rights and other non-monetary properties that may be evaluated on the basis of currency and may be transferred in accordance with the law, with the exception of the properties that shall not be used as capital contributions according to laws and administrative regulations. |
| Partnership Enterprise | Partners may make capital contributions in cash, in kind, with intellectual property rights, land use rights or other property rights, or with labor service. |

4. Different methods of payment settlement

The capital of FIEs and CNY funds obtained from foreign exchange settlement shall be used within the business scope of FIEs in accordance with the principles of authenticity and self-use, and shall comply with the relevant foreign exchange regulations. Foreign investors may, in accordance with the law, freely remit inward and outward contributions, profits, capital gains, income from asset disposal, royalties of intellectual property rights, lawfully acquired compensation or indemnity, income from liquidation and so on,., in CNY or a foreign currency.

5. Registration of up-front expenses for foreign direct investment

SAFE and local SAFE branches are responsible for the supervision and administration of foreign exchange. According to the relevant regulations on foreign exchange administration, the state implements foreign exchange registration management for domestic direct investment by foreign investors. Institutions and individuals involved in domestic direct investment activities shall not carry out foreign exchange transactions unless they have completed the foreign exchange registration formalities. From June 2015, FIEs may choose at their own discretion to complete foreign exchange registration with a bank in the place where they are registered.

Foreign investors may complete the registration and open an up-front expenses account by submitting the required materials to a bank in the place where the subsequent FIEs are registered. The nature of an up-front expenses account is a domestic non-resident foreign exchange account opened for foreign investors, and it should be opened at a bank in the place where the FIEs to be established are registered.

## ENFORCING COMMERCIAL CONTRACTS AND RESOLVING DISPUTES

The relevant provisions in the contract part of the Civil Code shall apply to the enforcement of commercial contracts. According to the Civil Code, the parties shall fully perform their obligations as

agreed, and perform obligations of notification, assistance, confidentiality, etc., under the principle of good faith and based on the nature and purpose of the contract as well as trade practices.

1. Contents of a contract which are not clearly agreed upon

Autonomy of will is a core concept of contractual law, and the parties' agreement on certain matters in a contract clearly reflects their autonomy of will. However, in practice, it is quite common that certain matters are not stipulated, or are not clearly stipulated, in the contract by the parties. The Civil Code provides some ways to fill such "contract gaps".

Where, after a contract becomes effective, there is no agreement reached between the parties on quality, price or remuneration, place of performance, etc., or such agreement is unclear, the Civil Code respects the party's autonomy of will, and the parties may in the first place supplement the contract by agreement. However, if the parties fail to reach a supplementary agreement due to disputes, the court will make a determination in accordance with the relevant provisions of the contract or trade practices. If the loophole in the contract cannot be filled in accordance with the above rules, more detailed rules are available in part two of the Code.

2. Right of defense of performance in a mutual contract

After occurrence of a dispute, the parties will usually not immediately enter into legal proceedings, but will experience a long "cold war" period. During this period, the parties have a weapon to protect themselves, i.e., the right of defense of performance, so as to protect their rights to the greatest extent, even in the event that the other party will not give counter-performance.

Under the Civil Code, the parties to a contract have three rights of defense in different periods. Upon satisfaction of the conditions for exercise of such rights, after the right of defense is exercised, the invoking party may refuse the other party's request for performance, and such refusal of performance does not constitute a breach of contract.

3. System of change of circumstances

After the parties have reached an agreement based on autonomy of will, they shall strictly abide by the contract in the course of its performance. However, if, after the formation of the contract, a material change in the basic conditions of the contract occurs, which could not be foreseen by the parties at the time of the formation of the contract, does not constitute a commercial risk, and it is obviously unfair to the party concerned to continue to perform the contract, then it is unfair to demand specific performance by the adversely affected party. In such a case, according to the provisions of the Civil Code, the adversely affected party may renegotiate with the other party, and if the negotiation fails within a reasonable time limit, it may request the people's court or an arbitration institution to modify or terminate the contract.

4. Creditor’s right of subrogation

If the debtor neglects to exercise its claims or the collateral rights relating to the claims, thereby affecting the creditor’s realization of due claims, the creditor may petition a People's Court to subrogate the exercise of the obligor's rights against the counterparty in its own name, unless such rights belong exclusively to the debtor. The subrogation shall be exercised to the extent of the creditor's due claims. The necessary expenses incurred by the creditor in exercising the subrogation shall be borne by the obligor. Where a People's Court affirms the subrogation, the counterparty of the debtor shall perform the obligations to the creditor, and after the creditor has accepted the performance, the corresponding rights and obligations between the creditor and the obligor, and between the debtor and the counterparty, shall be terminated.

5. Rescinding the contract

The parties may rescind the contract under any of the following circumstances: (1) the purpose of a contract is not able to be achieved due to force majeure; (2) prior to expiration of the period of performance, one of the parties explicitly expresses or indicates by his act that he will not perform the principal obligation; (3) one of the parties delays his performance of the principal obligation and still fails

to perform it within a reasonable period of time after being demanded; (4) one of the parties delays his performance of the obligation or has otherwise acted in breach of the contract, thus makes it impossible for the purpose of the contract to be achieved; or (5) any other circumstance as provided by law.

For a contract under which the debtor is required to continuously perform an obligation for an indefinite period of time, the parties thereto may rescind the contract at any time, provided that the other party shall be notified within a reasonable period of time.

6. Dispute settlement

Dispute settlement methods mainly include litigation, arbitration and alternative dispute settlement methods (such as mediation and settlement). Disputes with administrative authorities can also be resolved through administrative reconsideration and administrative litigation. In addition, mediation is advocated in the process of litigation, reconsideration or arbitration. According to law, the parties are entitled to stipulate in their contract that any dispute arising from the contract shall be subject to the jurisdiction of the people's court or an arbitration institution, and they may choose the specific competent court or arbitration institution in accordance with the relevant law. Generally, the parties to a contract may also agree on the applicable law and the language to be used for the arbitration award, etc.

Courts of China are divided into the Supreme People's Court, people's courts at various levels (including higher people's courts, intermediate people's courts, and basic people's courts) and special people's courts (military courts, maritime courts, intellectual property courts, financial courts, etc.)

China has a sophisticated arbitration mechanism. Arbitration in China is conducted by arbitration commissions established in municipalities directly under the Central Government, provincial capitals and other cities, divided into districts. The China International Economic and Trade Arbitration Commission (CIETAC) and the China Maritime Arbitration Commission (CMAC) are the world's major permanent commercial arbitration institutions, both enjoying a worldwide reputation for independence, impartiality and efficiency.

## OVERVIEW OF PUBLIC PROCUREMENT SYSTEM

1. Overview of China's government procurement legal system

(1) Overview

The period from 1998 to 2002 was the embryonic stage of China's modern government procurement system.

Since the promulgation of the Government Procurement Law of the People's Republic of China ("Government Procurement Law") on January 1, 2003, which was amended and implemented in 2014, China has established a multi-level and comprehensive government procurement legal system consisting of laws, administrative regulations, and departmental rules.

The first tier of China's legal system for government procurement is legal, which mainly includes the Government Procurement Law, the Bid Invitation and Bidding Law of the People's Republic of China (the "Bid Invitation and Bidding Law"), the Law of the People's Republic of China on Administrative Review, the Civil Code of the People's Republic of China and the Administrative Procedure Law of the People's Republic of China concerning the challenge and litigation of government procurement contracts and government procurement activities. The second level is laws and regulations, including administrative laws and regulations promulgated by the State Council, and local laws and regulations promulgated by local people's congresses. The Implementation Regulations on the Bid Invitation and Bidding Law of the People's Republic of China came into effect on February 1, 2012 (amended and implemented in 2019), which mainly cover the bid invitation, bidding, bid opening, bid evaluation, bid winning, complaint handling and legal liability. The Implementation Regulations of the Government Procurement Law promulgated by the State Council came into effect on March 1, 2015, which mainly cover the scope of government procurement, the parties involved in government procurement, the government procurement procedures, questions and complaints of suppliers, and the supervision and inspection of the regulatory authority. There are also numerous local laws and regulations in place, such

as the Yunnan Government Procurement Regulation issued by Yunnan Province, which governs government procurement activities within Yunnan Province. The third level is departmental regulations and regulatory documents, including regulations promulgated by the ministries and commissions of the State Council and local governments. The Ministry of Finance (MOF), as the competent authority in charge of China's government procurement, is responsible for the formulation, supervision and administration of government procurement system. Therefore, most departmental regulations and regulatory documents concerning China's government procurement are issued by the MOF, such as the Administrative Measures on Non- Bidding Government Procurement, Measures for the Administration of Government Procurement of Services, Interim Administrative Measures for Procurement under the Government Procurement Framework Agreement, Government Procurement Goods Sales Contract (Trial), Property Management Services Government Procurement Demand Standards (Trial), and so on. To safeguard fair competition in the procurement market, the National Development and Reform Commission, together with seven other governmental departments, jointly issued the Fair Competition Review Rules in the Field of Bidding and Tendering.

(2) Government Procurement Law and the Bid Invitation and Bidding Law

Currently, China's government procurement is governed by both the Government Procurement Law and the Bid Invitation and Bidding Law, which are administered by different authorities. In general, government procurement of goods and services is led by the Ministry of Finance (MOF) and governed by the Government Procurement Law; tendering and bidding of government procurement projects is led by the National Development and Reform Commission (NDRC) and governed by the Bid Invitation and Bidding Law; and procurement of medicine is led by the National Health Commission (NHC), the National Healthcare Security Administration (NHSA) and other relevant authorities, with some implementing the Government Procurement Law and more implementing the Bid Invitation and Bidding Law.

The Government Procurement Law stipulates that MOF shall be responsible for the supervision and administration of government procurement; the Bid Invitation and Bidding Law and its implementation regulations stipulate that a system shall be adopted in which decentralized supervision is the main method supplemented by comprehensive supervision by various authorities. The power to guide and coordinate tendering and bidding activities is exercised by NDRC, and the relevant authorities of the State Council shall supervise tendering and bidding activities according to their respective duties, as well as investigate and punish illegal activities therein; MOF shall supervise the implementation of government procurement policies for government procurement and construction projects which are subject to tendering and bidding by law.

For procurement and organization, government procurement shall be carried out by means of both centralized and decentralized procurement. For government procurement items included in the centralized procurement catalogue, buyers must entrust centralized procurement agencies to do it on their behalf or arrange for centralized procurement of the departments concerned. The Bid Invitation and Bidding Law has no corresponding provisions.

In terms of procurement procedures, the two laws differ in their provisions on the circumstances and consequences of bid annulment. The Bid Invitation and Bidding Law stipulates that the bid evaluation committee may veto all bids if it finds that all bids are inconsistent with the requirements set forth in the bid invitation documents. If all bids for a project for which bid invitation is required by law are vetoed, the bid inviter shall invite bids again according to the law. The Government Procurement Law stipulates four circumstances under which a bid shall be annulled, and stipulates that after a bid is annulled, a new bid invitation shall be organized or other procurement methods shall be adopted upon approval, unless the project is cancelled. In addition, the two laws have different provisions on the media for issuing bid invitation notices, the circumstances for invalid bids or bids being vetoed, and the return of bid bonds.

The Government Procurement Law stipulates that a supplier may raise a query to the buyer if the supplier believes that the procurement documents, processes and results have harmed its rights and interests. If the supplier is not satisfied with the reply of the buyer, or the buyer fails to reply in a timely manner, the supplier may complain to the Ministry of Finance. The submission of a query is a precondition for filing a complaint, and the matters complained about must not go beyond the scope of matters already queried. The Bid Invitation and Bidding Law stipulates that "if a bidder or any other interested party considers a bid invitation or bidding activity not to be in conformity with the relevant provisions of this Law, it shall have the right to raise an objection to the bid inviter, or to complain to the relevant administrative supervision departments according to the law." The subject of objection or complaint is not limited to the bidder, and raising an objection is not a pre-requisite procedure for all

complaints. In addition, objection and query differ in terms of the time limit for raising an objection, the method of raising an objection and the period of reply.

(3) China's government procurement legal system and the Government Procurement Agreement

To ensure open, fair and transparent conditions of competition in the government procurement markets, a number of WTO members have negotiated the Agreement on Government Procurement (the GPA). The GPA is a plurilateral agreement within the framework of the WTO, meaning that not all WTO members are parties to the Agreement. At present, 49 WTO members (including the EU and its 27 member states) are bound by the Agreement. The United Kingdom is the latest member to have acceded to the Agreement earlier in 2021. China applied for accession to the GPA in 2007 and has submitted several revised offers during the accession negotiations.

Currently, there are differences between China's government procurement legal system and the GPA, for example, in terms of procurement principles, targets, methods and procedures. Before joining the GPA, China needs to improve its legal system, accelerate the revision of, and make adjustments to, the government procurement legal system to comply with the GPA rules.

2. What is government procurement?

The subjects, funds and scope of government procurement under the Government Procurement Law are respectively as follows:

- Subject: state organs, public institutions and social organizations at all levels;
- Capital: fiscal capital; and
- Scope: goods, projects and services within the catalogue for centralized procurement or above the procurement limits.

In principle, domestic goods, projects and services shall be procured. Foreign goods, projects and services may also be procured under the following circumstances:

- where the goods, construction or services necessary to be procured are not available within the territory of China, or are not available to be procured on reasonable commercial terms;
- the goods are to be procured for use outside China; and
- other circumstances separately provided for in laws and administrative regulations.

3. Parties participating in government procurement

The procuring entity refers to the state organs, public institutions and social organizations engaged in government procurement.

Procuring agencies include centralized procurement institutions and procuring agencies other than centralized procurement institutions.

- Centralized procurement institutions shall be set up by people's governments, at or above the level of cities and autonomous prefectures, with subordinate districts according to the requirements of the projects to be procured by governments at the same level.
- Procuring agencies other than centralized procurement institutions shall be subject to directory-based administration by registration, and such agencies shall be established and publicized by the provincial finance departments based on the sub-network of the Chinese government procurement network at each province level.

Suppliers refers to legal persons, other organizations or natural persons that supply goods, projects or services to procuring entities. Suppliers participating in government procurement activities shall have good qualifications in such areas as civil liability capacity, business reputation, financial accounting systems and professional and technical capacity.

4. Two methods of government procurement

| Project name | Centralized procurement | Decentralized procurement |
|---|---|---|

| | | |
|---|---|---|
| Scope of procurement | Projects included in the centralized procurement catalogue. | Projects whose budget reaches or exceeds the standards of procurement limits but is not included in the centralized procurement catalogue. |
| Procuring agencies | Centralized procurement by centralized procuring agencies or departments. | Procuring on their own or through procuring agencies. |

5. Five major methods of government procurement

| Methods of government procurement | Applicable circumstances |
|---|---|
| Public bidding | Specific provisions shall be made for the centralized catalogue and quota for government procurement. |
| Bidding on invitation | Any of the following circumstances shall be met:<br>• special characteristics and can only be procured from a limited number of suppliers; or<br>• expenses of public bidding account for too large a proportion of the total value of the government procurement items. |
| Competitive negotiation | Any of the following circumstances shall be met:<br>• where after the bidding is conducted, no supplier submits any tender, or qualified tender is lacking, or re-bidding fails;<br>• where the technology is complicated or the nature of the project is special, so that detailed specifications or specific requirements are unable to be determined;<br>• where the time needed by bidding is unable to satisfy the urgent needs of the users; or<br>• where the total price amount cannot be calculated in advance. |
| Single source procurement | Any of the following circumstances shall be met:<br>• procurement only from a sole supplier;<br>• where procurement from other suppliers cannot be made due to the occurrence of unforeseeable emergency; or<br>• where consistency of the items or services procured need to be ensured with the original items or services procured, and the total purchase price does not exceed 10 percent of the original purchase price in the contract. |
| Request for quotation | Where the goods to be procured are of unified specification and standard, the spot supply is sufficient, and the price change is small. |

6. Other important systems in government procurement

(1) Principles that must be followed in government procurement

In accordance with the relevant provisions of the Government Procurement Law, the principles of openness and transparency, fair competition, impartiality, honesty and good faith shall be followed in government procurement.

(2) Methods of challenge and complaint of government procurement

| Name of matter | | Challenge | Complaint |
|---|---|---|---|
| Subject | Person of challenge (complaint) | Suppliers | Suppliers |
| | Person replying | Procuring entity and authorized procurement agency | Finance department at the same level of the procuring entity |
| Circumstances | Status of challenge (complaint) | Believing that its rights and interests have been jeopardized due to its procurement documents, process and bid winning and transaction results | • Unsatisfied with the reply of the procuring entity and its agent; or<br>• The purchaser or the procurement agency fails to make a reply within the prescribed time limit |
| Time limit | Time limit for challenge (complaint) | Within seven working days from the date when the supplier knows or should have known the damage to its rights and interests | Lodging a complaint within 15 working days of the expiration of the reply period |
| | Time limit for reply | Within seven working days of receipt of a written challenge from the supplier | Should reply within 30 working days of receipt of the complaint |

(3) Release of government procurement information

Government procurement information includes government procurement project information such as the announcement of public bidding, announcement of pre-qualification, single-source procurement announcement, announcement of bid-winning (transaction) result and announcement of government procurement contract, as well as government procurement regulatory information such as result of handling complaints, result of supervision and inspection and assessment results of centralized procurement institutions.

The media for releasing government procurement information include the website of China Central Government Procurement, and the media designated by finance departments at or above the provincial level. The government procurement information of central budget entities shall be released on the website of China Central Government Procurement, while that of local budget entities shall be released on the provincial sub-networks of the website of the China Central Government Procurement in the administrative divisions of the places where they are located.

7. Major laws and regulations related to government procurement

| Name of regulation | Promulgating authority | Effective date |
|---|---|---|
| Government Procurement Law of the People's Republic of China (Amended in 2014) | Standing Committee of the National People's Congress | August 31, 2014 |

| | | |
|---|---|---|
| Implementation Regulations for the Government Procurement Law of the People's Republic of China | State Council | March 1, 2015 |
| Bidding Law of the People's Republic of China (Amended in 2017) | Standing Committee of the National People's Congress | December 28, 2017 |
| Interim Administrative Measures for Agencies for Government Procurement | Ministry of Finance | March 1, 2018 |
| Measures for Challenges to and Complaints about Government Procurement | Ministry of Finance | March 1, 2018 |
| Implementing Regulations for the Bidding Law of the People's Republic of China (Revised in 2019) | State Council | March 2, 2019 |
| Guidelines on Centralized Procurement Catalogue and Standards for Local Budget Entities (Edition 2020) | Ministry of Finance | December 31, 2019 |
| Administrative Measures for the Disclosure of Government Procurement Information | Ministry of Finance | March 1, 2020 |
| Administrative Measures for Government Procurement of Services | Ministry of Finance | March 1, 2020 |
| Interim Administrative Measures for the Procurement Method of Government Procurement Framework Agreements | Ministry of Finance | March 1, 2022 |
| Fair Competition Review Rules in the Field of Bidding and Tendering | National Development and Reform Commission | May 1, 2024 |
| Opinions on Innovating and Improving Systems and Mechanisms to Promote the Standardized and Healthy Development of the Bidding and Tendering Market | General Office of the State Council of the People's Republic of China | May 2, 2024 |

8. A second draft revision of the Government Procurement Law (GPL)

On 15 July 2022, China's Ministry of Finance (MOF) released the second draft revision of the Government Procurement Law (GPL) for public comment. The revision significantly broadens the scope of the GPL by extending its application beyond traditional government entities to include public welfare state-owned enterprises (SOEs) involved in public utilities and infrastructure - a major shift in China's procurement regime.

Key changes include stronger support for indigenous innovation and small businesses, the establishment of a national security investigation system, and a continued emphasis on the preference for domestic products. Foreign companies should pay particular attention to the requirement that government entities procure domestic goods and services unless unavailable or not obtainable on reasonable commercial terms, with domestic products meeting specified value-added criteria receiving preferential treatment in procurement evaluations. This could have significant implications for foreign companies that rely on government procurement in China.

9. China to introduce a framework defining what qualifies as "domestically made" products

On 28 September 2025, China issued the Notice on Implementing Domestic Product Standards and Related Policies in Government Procurement (Guobanfa 2025/34), effective 1 January 2026. Within a

five-year framework, the Notice sets out the criteria under which products assembled or manufactured in China will be officially recognised as “domestically made,” making them eligible for a 20% price-evaluation advantage in government procurement and signalling stricter compliance requirements going forward.

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