THE PRC LEGAL SYSTEM

The PRC legal system is founded on the Constitution and comprises written laws, administrative regulations, local regulations, departmental/local government rules, ratified international treaties, and ancillary regulatory instruments. While court judgments do not constitute binding precedent, they serve as judicial references. The Supreme People's Court may issue de facto binding judicial interpretations.

Pursuant to the Constitution and the Legislation Law (2023 Revision) (《中華人民共和國立法法》), legislative power resides with the National People's Congress ("**NPC**") and its Standing Committee. The NPC enacts basic laws governing civil and criminal matters and state organs; the Standing Committee formulates non-basic laws and may partially supplement and modify NPC-enacted laws during NPC adjournments, provided such actions adhere to statutory fundamental principles.

The State Council, as the supreme administrative organ, formulates administrative regulations. Provincial-level people's congresses may enact local regulations aligned with regional exigencies, provided they conform to superior legislation. Ministries under the State Council and local governments may issue rules within their delegated authority.

The Constitution holds supreme legal authority. All legislation must conform thereto, with laws superseding administrative regulations and local rules, and administrative regulations prevailing over local regulations and rules.

The NPC may annul Standing Committee-enacted laws or approved regulations violating the Constitution and the Legislation Law. The Standing Committee may invalidate non-compliant administrative and local regulations. The State Council and provincial authorities possess analogous annulment and amendment powers over subordinate rules.

Statutory interpretation authority rests solely with the Standing Committee per the Constitution and the Legislation Law. The Supreme People's Court may interpret specific legal applications in adjudication under the 1981 Decision on Strengthening Legal Interpretation. Administrative and regional rule-making bodies retain interpretive authority over their respective promulgated instruments.

THE PRC JUDICIAL SYSTEM

The People's Courts comprises the Supreme People's Court (SPC), local people's courts (primary, intermediate, and higher levels), and special courts, as established under the Constitution and the People's Courts Organization Law (2018 Revision) (《中華人民共和國人民法院組織法》). Higher-level courts supervise subordinate courts, while procuratorates exercise legal oversight over civil proceedings. The SPC oversees judicial administration nationwide.

The PRC Civil Procedure Law (2023 Revision) (《中華人民共和國民事訴訟法》), came into effect on January 1, 2024, governs civil actions, including jurisdiction, procedural rules, and judgment enforcement. Civil cases are generally initiated in the defendant's domicile court. Parties may contractually designate a competent forum (e.g., plaintiff/defendant domicile, contract performance location), provided such selection respects jurisdictional hierarchy and exclusive jurisdiction rules.

Foreign parties shall enjoy litigation rights equal to those of Chinese parties; if they need to entrust lawyers to handle litigation, they must retain Chinese legal practitioners. Reciprocal treatment applies: PRC courts may restrict rights of foreign nationals if their home courts impose analogous limitations on PRC parties. International judicial assistance (e.g., document service, evidence collection) is permitted under treaties or reciprocity principles, subject to sovereignty and public interest exceptions.

Legally effective judgments/arbitral awards must be performed. Non-compliance entitles prevailing parties to seek court enforcement within two years. Where the judgment debtor or assets are extraterritorial, recognition/enforcement may be sought directly in foreign courts or via treaty and reciprocity mechanisms. PRC courts similarly recognize foreign judgments absent violations of fundamental legal principles, sovereignty, security, or public interest.

COMPANY LAW OF THE PRC

Company Law of the PRC (《中華人民共和國公司法》) was promulgated by the SCNPC on December 29, 1993, latest amended on December 29, 2023 and came into effect on July 1, 2024. According to the Company Law, both limited liability companies and companies limited by shares established within China possess legal person status. Shareholders of a limited liability company are liable to the company to the extent of their respective capital contributions, while shareholders of a company limited by shares are liable to the company to the extent of their respective subscribed shares. Unless the laws on foreign investment provide otherwise, the Company Law is also applicable to foreign-invested enterprises.

Overseas [REDACTED]

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023, and came into effect on March 31, 2023, domestic companies in China that seek to list overseas shall submit an application to the CSRC in accordance to such measures.

Securities Laws and Regulations

The Securities Law of the PRC (《中華人民共和國證券法》) (the "**Securities Law**") was promulgated on December 29, 1998, latest amended on December 28, 2019 and came into effect on March 1, 2020. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the Securities Law provides that domestic enterprises issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign issued shares are mainly governed by the regulations and rules promulgated by the State Council and the CSRC.