

## REGULATORY OVERVIEW

### OVERVIEW

This section provides a summary of applicable laws, regulations or normative documents (hereinafter referred to as “Chinese regulations”) which have significant influence on the Group’s business in China as of the date of this [REDACTED], but does not provide all the Chinese regulations governing the operation of the Group in China. Such Chinese regulations may change in the future.

#### **1. China’s policies and regulations on manufacture or installation of cables and pre-stressed materials**

##### *(1) Production licence for industrial products*

In accordance with the “Regulations of the People’s Republic of China on the Administration of Production Licence for Industrial Products” that was promulgated by the State Council on 9 July 2005 and came into effect on 1 September 2005, as well as the “Measures for Implementation of the Regulations of the People’s Republic of China on the Administration of Production Licence for Industrial Products” that was promulgated by the State Administration of Quality Supervision, Inspection and Quarantine on 21 April 2014 and came into effect on 1 August 2014, the production licence system is enforceable on the producers of dairy products, meat products, beverages, rice, flour, edible oil, alcohol and other processing foods that are directly related to human health; the producers of electric blankets, pressure cookers, gas water heaters and other products that may endanger personal and property safety; the producers of fiscal cash registers, security currency detectors, satellite TV broadcasting ground receiving equipments, radio and television broadcasting equipments and other products that are related to financial security and communication quality and safety; the producers of safety nets, helmets, construction fasteners and other products that are designed to protect labour safety; the producers of power towers, bridge bearings, railway industrial products, hydraulic metal structures, dangerous chemicals and their packaging, containers and other products that affect the production safety and public safety; and the producers of other products that are subject to the production licence management as specified by laws and administrative regulations. Any enterprise that does not obtain a production licence is not allowed to manufacture the products listed in the catalogue. No unit or individual may sell or use the products listed in the catalogue without the production licence in the business activities.

##### *(2) Qualification standards for construction enterprises*

In accordance with the “Regulations on Qualification Management of Construction Enterprises” that was promulgated by the Ministry of Housing and Urban-Rural Construction on 22 January 2015 and entered into force on 1 March 2015, and newly revised on 13 September 2016, the enterprises are allowed to engage in the construction activities that are covered in the qualification certificate of construction enterprise under the premise that the enterprises apply for construction enterprise qualification based on their own assets, staffing, completed project performance and technical equipment and other conditions, and obtain the qualification certificate upon the review and approval. In accordance with the “Qualification Standards for Construction Enterprises” that was

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promulgated by the Ministry of Housing and Urban-Rural Construction on 6 November 2014, the enterprises that are eligible for special engineering contracting business can undertake the corresponding special engineering construction projects, including building rectification and movement, structural reinforcement, special equipment hoisting, special lightning protection and other projects.

(3) *Outline of national medium and long-term scientific and technological development programme*

In accordance with the “Outline of National Medium and Long-Term Scientific and Technological Development Programme (2006-2020)” that was promulgated by the State Council on 26 December 2005 and entered into force on the same day, the “transportation infrastructure construction and conservation technology and equipment” is classified as a focus field industry and a priority technology cluster, specifically including the “key research and development of key technology and equipment on the highly challenged transport infrastructure construction and conservation such as rail transportation, cross-bay access, offshore deepwater ports, large airports, large bridges and tunnels, integrated three-dimensional transport hubs, deep-sea oil and gas pipelines”.

(4) *Industrial restructuring guidance catalogue*

In accordance with the “Industrial Restructuring Guidance Catalogue (2011)” that was promulgated by the National Development and Reform Commission on 16 February 2013 and came into effect on 1 May 2013, the long-span bridge construction, maintenance and repair technology application is recognised as the encouraged programme.

## 2. China’s laws and regulations on production safety and product quality

(1) *Product quality*

In accordance with the “Product Quality Law of the People’s Republic of China” (hereinafter referred to as the “Product Quality Law”) that was promulgated by the Standing Committee of the National People’s Congress on 22 February 1993 and entered into force on 1 September 1993, and newly revised on 27 August 2009, the product quality supervision authority of the State Council is the competent authority for the national product quality supervision work, and the local product quality supervision departments at and above county level are responsible for the product quality supervision work within their jurisdictions.

Both producers and sellers should establish and improve the internal product quality management system, and strictly implement the post-related quality standards, quality responsibility and the corresponding assessment methods.

The state encourages the implementation of scientific quality management methods, and takes advantage of the advanced science and technology to encourage the enterprise product quality to meet and exceed industry standards, national standards and international standards. The incentives are granted for the entities and individuals that have the significant achievements in their advanced product quality management and product quality in compliance with international advanced levels.

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### (2) *Safe production*

In accordance with the “Safety Production Law of the People’s Republic of China” (hereinafter referred to as “Safety Production Law”) that was promulgated by the Standing Committee of the National People’s Congress on 29 June 2002 and entered into force on 1 November 2002, and newly revised on 31 August 2014, with the purpose to standardise the main laws governing the production safety supervision and management in China, the entities that engage in production and business activities in China should abide by the relevant laws and regulations (e.g. providing the production safety training and safe working environment for the employees) in order to comply with the relevant laws and regulations. Any production and business unit incapable of providing the required safe working environment is not allowed to engage in the production activities. The production and business unit that fails to comply with the above provisions or rectify the violations within the prescribed time limit is likely to be punishable by a fine or ordered to suspend production for rectification, and even is held accountable for criminal behaviours in accordance with the relevant provisions of the “Criminal Law”.

### 3. **China’s laws and regulations on intellectual property rights**

China has joined in and become the contracting party of the “Paris Convention for the Protection of Industrial Property”, “Madrid Agreement Concerning the International Registration of Marks”, “Patent Cooperation Treaty”, “Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure”, “Agreement on Trade-Related Aspects of Intellectual Property Rights”, “World Intellectual Property Organisation Copyright Treaty” and other major intellectual property conventions.

#### (1) *Trademark*

In accordance with the “Trademark Law of the People’s Republic of China” (hereinafter referred to as “Trademark Law”) that was promulgated by the Standing Committee of the National People’s Congress on 23 August 1982 and entered into force on 1 March 1983, and newly revised on 30 August 2013, as well as the “Regulations on Implementation of the Trademark Law of the People’s Republic of China (hereinafter referred to as “Regulations on Implementation of Trademark Law”) that was promulgated by the State Council on 3 August 2002 and entered into force on 15 September 2002, and newly revised on 29 April 2014, the trademarks that are approved to register by the Trademark Office are defined as the registered trademarks, including commodity trademarks, service marks and collective marks, certified trademarks, and the trademark registrants shall enjoy the exclusive right to use the trademark and be protected by law. The registered trademark is valid for ten years and is counted from the date of approval. Without the authorization of a trademark registrant, the behaviour to use the same or similar trademark as the registered trademark on the same or similar goods shall constitute a violation of the exclusive right.

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### (2) *Patent*

In accordance with the “Patent Law of the People’s Republic of China” (hereinafter referred to as “Patent Law”) that was promulgated by the Standing Committee of the National People’s Congress on 12 March 1984 and came into force on 1 April 1985, and newly revised on 27 December 2008, the purpose is to protect the lawful rights and interests of inventions, utility models and designs owned by patentees. After the invention and utility patents are granted, the invention patents are valid for 20 years, and utility patents and design patents are valid for 10 years, and both of those are calculated from the date of application. Unless otherwise specified, no unit or individual may enforce its patent if without the permission of patentee, that is, the patented products of such patentee are not allowed to be produced, promised to sell, sold or imported; nor the patented methods of such patentee are used; nor the products directly obtained by such methods are used, promised to sell, sold or imported for the purpose of production and operation. After the appearance design patent is granted, no unit or individual may enforce its patent if without the permission of patentee, that is, the patented products designed by such patentee are not allowed to be produced, promised to sell, sold or imported for the purpose of production and operation.

### (3) *Domain name*

In accordance with the “Regulation on Internet Domain” that was promulgated by Ministry of Industry and Information Technology of the People’s Republic of China on 24 August 2017 and entered into force 1 November 2017, the “Rules on Domain Name Registration of China Internet Network Information Centre” that was promulgated by China Internet Network Information Centre on 28 May 2012 and came into effect on 29 May 2012, as well as the “Domain Name Dispute Resolution of China Internet Network Information Centre” that was promulgated by China Internet Network Information Centre on 1 September 2014 and entered into force on the same day, the domain name registration should be completed through the domain name service agencies that are established according to relevant laws and regulations, the applicants after the successful registration become the domain name holders, and the domain name disputes should be submitted to the agencies authorised by Internet Information Centre for resolution.

## 4. **China’s laws and regulations on import and export trade**

### (1) *Registration of customs declaration entities and foreign trade operators*

In accordance with the “Provisions on the Administration of Registration of Customs Declaration Entity of the People’s Republic of China” that was promulgated by the General Administration of Customs on 13 March 2014 and entered into force on the same day, and newly revised on 29 May 2018, the customs declaration entities shall handle the registration at the customs office. The registration of customs declaration entities includes the registration of customs declaration enterprises and the registration of cargo import and export consigners and consignees. The customs declaration enterprises are allowed to handle the customs declaration business only with the approval of local customs office or its authorised subordinate customs office for registration. The cargo import and export consigners and consignees shall directly handle the registration formalities at the local customs office. The customs declaration entities

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shall, before 30 June of each year, submit the “Annual Report on Registration Information of Customs Declaration Entities” to the customs office where the registration is completed.

In accordance with the “Registration Method for Foreign Trade Operators” that was promulgated by the Ministry of Commerce on 25 June 2004 and entered into force on 1 July 2004, and newly revised on 18 August 2016, the foreign trade operators that engage in cargo import and export or technology import and export should complete the registration formalities at the Ministry of Commerce of the People’s Republic of China or the agencies designated by the Ministry of Commerce.

### *(2) Port business licence*

Our Group uses its docks to transport bridge cables to its customers and therefore are required to comply with the relevant laws and regulation in relation to ports operations. In accordance with the “Port Law of the People’s Republic of China” that was promulgated by the Standing Committee of the National People’s Congress on 28 June 2003 and entered into force on 1 January 2004, and newly revised on 4 November 2017, the enterprises that engage in port operations should submit the written application to the port administration authority in order to obtain the licence for port operations, and handle the registration of industry and commerce according to law. The port operations include the operation of terminals and other port facilities, port passenger transport services, cargo handling, warehousing operations in port area, port tug services and so on.

## **5. China’s laws and regulations on environmental protection**

In accordance with the “Environmental Protection Law of the People’s Republic of China” (hereinafter referred to as “Environmental Protection Law”) that was promulgated by the Standing Committee of the National People’s Congress on 26 December 1989 and entered into force on the same day, and newly revised on 24 April 2014, a legal framework for environmental protection shall be necessary to be established in China. The competent authority of environmental protection under the State Council shall exercise the unified supervision and administration over the work of environmental protection throughout the country; and the competent departments of environmental protection of local people’s government at or above the county level shall exercise the unified supervision and administration over environmental protection work of jurisdiction.

### *(1) Pollution control*

The prevention and control over the water pollution, air pollution, noise pollution and solid waste pollution are provided with the detailed provisions in the “Law of Prevention and Control of Water Pollution of the People’s Republic of China” that was promulgated by the Standing Committee of the National People’s Congress on 28 February 2008 and came into effect on 1 June 2008, and newly revised on 27 June 2017, the “Air Pollution Control Law of the People’s Republic of China” that was promulgated by the Standing Committee of the National People’s Congress on 5 September 1987 and entered into force on 1 June 1988, and newly revised on 26 October 2018, the “Environmental Noise Pollution Prevention Law of the People’s Republic of China” that

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was promulgated by the Standing Committee of the National People's Congress on 29 October 1996 and entered into force on 1 March 1997, and the "Environmental Pollution Prevention and Control Law of Solid Wastes of the People's Republic of China" that was promulgated by the Standing Committee of the National People's Congress on 29 December 2004 and entered into force on 1 April 2005, and newly revised on 7 November 2016.

### *(2) Environmental protection of construction projects*

In accordance with the "Environmental Impact Assessment Law of the People's Republic of China" that was promulgated by the Standing Committee of the National People's Congress on 28 October 2002 and came into effect on 1 September 2003, and newly revised on 2 July 2016, the "Environmental Protection Management Regulations for Construction Projects" that was promulgated by the State Council on 29 November 1998 and entered into force on the same day, and newly revised on 16 July 2017, the "Construction Project Environmental Protection Acceptance Management Measures" that was promulgated by the State Environmental Protection Administration on 27 December 2001 and entered into force on 1 February 2002, and newly revised on 22 December 2010, and the "Construction Project Environmental Impact Assessment Classification Management Catalogue" that was promulgated by the Ministry of Environmental Protection on 9 April 2015 and entered into force on 1 June 2015, and newly revised on 29 June 2017, the enterprises that plan to engage in the construction projects should prepare the environmental impact report, environmental impact report form or environmental impact registration form according to the foregoing specific stipulations. After the completion of construction projects, the enterprises should apply for the acceptance on environmental protection facilities. The construction projects can be put into formal production or operation only with the approval of relevant environmental protection facilities.

## **6. China's relevant laws and regulations on taxes**

### *(1) Corporate income tax*

In accordance with the "Corporate Income Tax Law of the People's Republic of China" (hereinafter referred to as "Corporate Income Tax Law") that was promulgated by the National People's Congress on 16 March 2007 and entered into force on 1 January 2008, and newly revised on 24 February 2017, and the "Regulations on Implementation of Corporate Income Tax Law of the People's Republic of China" (hereinafter referred to as "Regulations on Implementation of Corporate Income Tax Law") that was promulgated by the State Council on 6 December 2007 and entered into force on 1 January 2018 the enterprises that are established in China according to laws or are established according to foreign (regional) laws but are actually subject to management in China should be bound to pay the corporate income tax at 25%. In addition, companies are required to prepay tax every month or quarter based on their calculation on their income tax payable for that corresponding period. As regards important high-tech enterprises necessary to be supported by the state, the corporate income tax shall be levied at the reduced tax rate of 15%. Our main operating subsidiaries enjoy a reduced tax rate of 15% during the Track Record Period.



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In accordance with the “Notice on Amending and Issuing the Measures for Determination and Administration of High-tech Enterprises” that was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on 29 January 2016 and entered into force on 1 January 2016, the high-tech enterprises refer to the resident enterprises that are registered in the territory of China (excluding Hong Kong, Macao and Taiwan) and engage in the ongoing research and development and technological achievement transformation within the “key high-tech areas with national supports” to form the core independent intellectual property rights, and carry out business activities on this basis. The high-tech enterprises that are identified according to the aforesaid conditions may enjoy the tax preferential policies in accordance with the “Enterprise Income Tax Law” and its “Regulations on Implementation of Enterprise Income Tax Law”, the “Tax Administration Law of the People’s Republic of China” (hereinafter referred to as “Tax Administration Law”) and “Regulations on Implementation of Tax Administration Law of the People’s Republic of China” (hereinafter referred to as “Regulations on Implementation of Tax Administration Law”) and other relevant provisions. After obtaining the qualification of high-tech enterprise, the enterprises shall enjoy the tax benefits from the year when the certificate of high-tech enterprise is issued, and may handle the preferential tax formalities at the competent tax authorities in accordance with the provisions of Article 4 of these Measures. The qualification for the identified high-tech enterprises is valid for three years from the date of issuance of certificate.

In accordance with the “Measures for the Handling of Matters concerning Preferential Enterprise Income Tax Policies” that was promulgated by the State Administration of Taxation on 25 April 2018 and entered into force on the same day, the enterprises shall determine whether they meet the conditions stipulated in the preferential policies of tax at their discretion based on business circumstance and relevant tax laws, and those are eligible shall calculate deductions of their own in terms of the time listed on the Catalogue, and enjoy the tax preference through filling enterprise income tax return. And the enterprises shall collect and keep relevant materials for review.

In accordance with the “Measures for the Administration of Final Settlement and Payment of Enterprise Income Tax” that was promulgated by the State Administration of Taxation on 16 April 2009 and entered into force on 1 January 2009, and newly revised on 15 June 2018, enterprises are required to calculate the annual income tax payable, file their income tax assessment, and settle or claim the difference between the annual tax payable and any prepaid tax to/from the tax authority based on the tax authority’s final tax assessment amount by the end of May after the end of each financial year.

In accordance with the “Notice on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses” that was promulgated by the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on 2 November 2015 and entered into force on 1 January 2016, and newly revised on 25 June 2018, part of research and development expenses of enterprises could have weighted tax deduction when satisfy certain criteria.

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### (2) *Value-added Tax*

In accordance with the "Provisional Regulations on Value-added Tax of the People's Republic of China" (hereinafter referred to as "Provisional Regulations on Value-added Tax") that was promulgated by the State Council on 10 November 2008 and came into effect on 1 January 2009, and newly revised on 19 November 2017, and the "Rules on Implementation of Provisional Regulations on Value-added Tax of the People's Republic of China" (hereinafter referred to as "Rules on Implementation of Provisional Regulations on Value-added Tax") that was jointly promulgated by the Ministry of Finance and the State Administration of Taxation on 15 December 2008 and entered into force on 1 January 2009, and newly revised on 28 October 2011, the entities and individuals that sell goods or provide processing, repair and repair services and import goods in the territory of China shall be classified into the taxpayers of value-added tax, and shall pay the value-added tax. The tax rate of 11% is compulsory for the taxpayers who provide transport, postal, basic telecommunications, construction, real estate leasing services, sell real estates, transfer land use rights, and sell or import cereals and other agricultural products, edible vegetable oil, edible salt, tap water, heating, air conditioning, hot water, gas, liquefied petroleum gas, natural gas, dimethyl ether, biogas, residential coal products, books, newspapers, magazines, audio and video products, E-journal, feed, fertiliser, pesticide, agricultural machinery and other goods stipulated by the State Council. The tax rate is 0% for the taxpayers who export goods, unless otherwise provided by the State Council. The tax rate is 0% for domestic entities and individuals who engage in cross-border sales of service and intangible assets within the scope prescribed by the State Council. The tax rate of 17% is compulsory for the taxpayers who sell or import goods other than the above items, or provide processing, repair and repair services. The tax rate of 6% is compulsory for the taxpayers who sell service or intangible assets other than the above items (export of goods is excluded).

In accordance with the "Notice of Taxation on Adjusting Value-added Tax Rates" that was jointly promulgated by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and entered into force on 1 May 2018, the tax rates of 17% and 11% applicable to any taxpayer's Value-added Tax taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

### (3) *Urban maintenance and construction tax*

In accordance with the "Provisional Regulations on Urban Maintenance and Construction Tax of the People's Republic of China" that was promulgated by the State Council on 8 February 1985 and entered into force on the same day, and newly revised on 8 January 2011, and the "Notice of the State Council on the Unification of the System of Urban Maintenance and Construction Tax and Education Surcharge for Domestic and Foreign Enterprises and Individuals" that was promulgated by the State Council on 18 October 2010 and entered into force on 1 December 2010, the entities and individuals that are required to pay the consumption tax, value-added tax and business tax should pay the urban maintenance and construction tax. The tax rate is 7% for the taxpayers who are located in the urban areas, the tax rate is 5% for the taxpayers who are located in the county and town, and tax rate is 1% for the taxpayers who are not located in the urban area, county or town. Our subsidiaries are subject to the urban maintenance and construction tax with tax rates ranges from 5% to 7%.



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### *(4) Stamp duty*

In accordance with the “Provisional Regulations on Stamp Duty of the People’s Republic of China” (hereinafter referred to as “Provisional Regulations on Stamp Duty”) that was promulgated by the State Council on 6 August 1988 and entered into force on 8 October 1988, and newly revised on 8 January 2011, and the “Rules for Implementation of Provisional Regulations on Stamp Duty of the People’s Republic of China” (hereinafter referred to as “Rules for Implementation of Provisional Regulations on Stamp Duty”) that was promulgated by the Ministry of Finance on 29 September 1988 and came into force on 1 October 1988, and newly revised on 5 November 2004, the stamp duty is compulsory for the various domestic enterprises, public institutions, authorities, groups and troops as well as Sino-foreign joint ventures, cooperative enterprises, foreign-funded enterprises, foreign companies and other economic organisations and their institutions in China, and other entities and individuals in the territory of China that are involved in establishment, purchase and sale, processing contracting, construction contracting, property leasing, cargo transport, warehousing, borrowing, property insurance and technical contracts, or have the contract certificate, property transfer data, business books, rights, licence and other taxation vouchers recognised by the Ministry of Finance. The stamp duty is required for the aforesaid vouchers that are established in or outside China according to the provisions. The required stamp duty may be fully deducted from the consolidated industrial and commercial taxes that are paid by Chinese-foreign equity joint ventures, cooperative enterprises, foreign-funded enterprises, foreign companies and other economic organisations.

For the years ended 31 December 2016, 2017 and 2018, the effective tax rate was 11.7%, 12.1% and 13.8%.

## **7. China’s laws and regulations on labours**

### *(1) Labour relations*

In accordance with the “Labour Contract Law of the People’s Republic of China” (hereinafter referred to as “Labour Contract Law”) that was promulgated by the Standing Committee of the National People’s Congress on 29 June 2007 and entered into force on 1 January 2008, and newly revised on 28 December 2012, these provisions are enforceable for the enterprises, individual economic organisations, private non-enterprise entities and other organisations in the territory of China to establish the labour relations with workers, and to enter, fulfil, change, cancel or terminate the labour contracts, and also specifically specify the terms and conditions relating to the labour contracts signed by the forgoing two parties. The maximum working hours per day and every week are specified and the minimum wage is set out in the “Labour Contract Law”.

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### (2) *Social insurance and housing provident fund*

In accordance with the "Social Insurance Law of the People's Republic of China" that was promulgated by the Standing Committee of National People's Congress on 28 October 2010 and entered into force on 1 July 2011, all the employees are required to be covered in the basic pension insurance, basic medical insurance and unemployment insurance programmes, and the related insurance premiums must be paid by the companies and employees. All the employees are required to be covered in the work injury insurance and maternity insurance programmes, and the related insurance premiums must be paid by the companies. The companies must complete the registration at the local social security authority and must pay the social insurance premiums in full and on time. If the company fails to pay social insurance premiums in full and on time, the social insurance premium collection agency shall order such company to pay or supplement within the time limit, and the overdue fine of 0.05% shall be paid on a daily basis from the date of arrears. If the overdue payment is made, the fine that is twice to three times of the owed payment may be imposed by the relevant administrative authority.

In accordance with the "Regulations on Housing Provident Fund Management" that was promulgated by the State Council on 3 April 1999 and entered into force on the same day, and newly revised on 24 March 2002, the companies must complete the registration at the competent housing provident fund management centre, and open the special bank account of housing provident fund for the employees. The companies must also pay the housing provident funds for the employees on time. If the companies fail to apply for housing provident fund deposit registration or fail to open the special bank account of housing provident fund for the employees, the housing provident fund management centre should order such companies to handle within a prescribed time limit. If the companies fail to do so, such companies shall be fined at not less than RMB10,000 and not more than RMB50,000. If the companies fail to pay or fully pay the housing provident fund, the housing provident fund management centre shall order such companies to pay within a prescribed time limit. If the overdue payment is made, the management centre may apply to the people's court for compulsory execution.

### 8. **China's laws and regulations on foreign investment**

In accordance with the "Rules for Guidance of Foreign Investment Orientation" that was promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002, the "Foreign Investment Industry Guidance Catalogue" that was jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on 28 June 2017 and entered into force on 28 July 2017, and the "Special Administrative Measures (Negative List) for the Access of Foreign Investment" that was jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on 28 June 2018 and entered into force on 28 July 2018, the foreign investors in China should be subject to their supervision. The foreign investment projects are divided into three categories, including encouraged category, permitted category, and the negative list. The foreign investment projects other than encouraged category, or category in the negative list are classified into the permitted category. The foreign investment projects under permitted category are not included in the "Foreign Investment Industry Guidance Catalogue".

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The “Company Law of the People’s Republic of China”, which was promulgated by the Standing Committee of the National People’s Congress on 29 December 1992 and came into effect on 1 July 1994, and newly revised on 26 October 2018, is the main laws and regulations governing the establishment, operation and management of corporate entities in China. It also applies to foreign-invested entities, however, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The “Foreign-Funded Enterprise Law of the People’s Republic of China (2016 Revision)” (implemented on 12 April 1986 and revised in 2000 and 2016) and the “Rules for Implementation of Foreign-Funded Enterprise Law of the People’s Republic of China (2014 Revision)” (implemented on 12 December 1990 and revised in 2001 and 2014) are the main laws and regulations governing the foreign-funded enterprises in China that are established by the foreign companies and other economic organisations or individuals. These regulations make the specific provisions on the incorporation of foreign-invested enterprises, the changes in the registered capital, shareholders, company forms, merger and division after the establishment of foreign-invested enterprises, and the dissolution and termination of foreign-invested enterprises.

In accordance with the “Interim Administrative Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises” that was promulgated by the Ministry of Commerce on 8 October 2016 and came into effect on the same day, and newly revised on 30 June 2018, if the establishments and changes of foreign-invested enterprises do not fall within the scope of special administration measures for foreign investment admission as stipulated by the State, the enterprises shall go through filing procedures instead of the procedures for approvals. However, if the establishment and changes of foreign-invested enterprises fall within the scope of the special administration measures for foreign investment admission as stipulated by the State, the entities shall go through procedures for approvals according to relevant laws and regulations governing foreign investment.

### **9. China’s laws and regulations on foreign exchange administration**

#### *(1) Foreign exchange administration*

The “Regulations on Foreign Exchange Control of the People’s Republic of China” (hereinafter referred to as “Regulations on Foreign Exchange Control”) that was promulgated by the State Council on 29 January 1996 and entered into force on 1 April 1996, and newly revised on 5 August 2008 is the important legal basis for supervising and regulating foreign exchange by relevant Chinese institutions. In accordance with the “Regulations on Foreign Exchange Control”, the RMB is freely convertible to cover the current account items (such as foreign exchange transactions and dividends related to goods, trades and services) under the premise of real and legitimate basis for transaction; but the RMB is not allowed to be freely convertible to cover the capital account items (such as equity transfer, direct investment, securities investment, derivative products or loans) if without the prior approval of the State Administration of Foreign Exchange.

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In accordance with the "Circular on Improving the Operations of Foreign Exchange Capital Payment Settlement Management for Foreign-Funded Enterprises" (hereinafter referred to as Circular No.142) that was promulgated by the State Administration of Foreign Exchange on 29 August 2008 and entered into force on the same day, the RMB funds from foreign exchange settlement of foreign-funded enterprises shall be used within the scope of business approved by the governmental approval authority. Unless otherwise stipulated, the RMB funds from foreign exchange settlement shall not be used for domestic equity investment. Later, the "Circular on Reforming the Management of Foreign Exchange Settlement of Foreign-Funded Enterprises" (hereinafter referred to as "Circular No.19") that was promulgated by the State Administration of Foreign Exchange on 30 March 2015 and entered into force on 1 June 2015 shall replace the Circular No.142 from the date of its entry into force, and some adjustments in the Circular No.19 have been made for a number of provisions relating to foreign exchange capital settlement of foreign-funded enterprises, and a number of foreign exchange restrictions as specified in the Circular No.142 have been cancelled. According to the relevant provisions of the Circular No.19, the foreign exchange settlement of foreign-funded enterprises is subject to the supervision of foreign exchange settlement policy. However, the Circular No.19 also reiterates that the foreign exchange settlement only applies to various purposes within the scope of business of foreign-funded enterprises.

### (2) *Circular No. 37*

The "Circular of the State Administration of Foreign Exchange on the Relevant Issues Concerning the Foreign Investment and Financing of Domestic Residents through Companies for Special Purposes and Administration of Foreign Exchange of Return Investment" (hereinafter referred to as "Circular No.37") that was promulgated by the State Administration of Foreign Exchange on 4 July 2014 and entered into force on the same day shall replace the "Circular No.75 of the State Administration of Foreign Exchange" that was promulgated by the State Administration of Foreign Exchange on 21 October 2005. The Circular No.37 stipulates that the registration should be completed at the State Administration of Foreign Exchange and its branches by the domestic residents who directly set up or indirectly control the overseas enterprises by taking advantage of their legally-held domestic corporate assets or interests or their legally-held overseas assets or interests for the purpose of investing or financing. The Circular No.37 further stipulates that the registration for overseas investment foreign exchange change formalities should be completed at the State Administration of Foreign Exchange in a timely manner, and such changes shall include the change of basic information such as individual shareholder's name and business period of the domestic residents in the companies that have completed the registration of overseas special purposes or the change of individual capital increase, decrease, equity transfer or replacement, merger or division and other important matters of domestic residents in such companies.

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### (3) *Circular No. 13*

In accordance with the "Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policy on Foreign Exchange Administration of Direct Investment" (hereinafter referred to as "Circular No.13") that was promulgated by the State Administration of Foreign Exchange on 13 February 2015 and entered into force on 1 June 2015, in order to further deepen the reform of foreign exchange management of capital projects, promote and facilitate the operation of cross-border investment funds, regulate the direct investment in foreign exchange management business, and improve the management efficiency, the banks shall be responsible for the direct approval and operation relating to the registration of foreign exchange under domestic direct investment and the registration of foreign exchange under foreign direct investment, while the State Administration of Foreign Exchange and its branches shall implement the indirect supervision on the registration of foreign exchange under direct investment through the banks.

### **10. China's laws and regulations on properties**

The "Urban Real Estate Administration Law of the People's Republic of China" (promulgated on 5 July 1994 and came into effect on 1 January 1995, and newly revised on 27 August 2009) and the "Measures for Administration of Leases of Commodity Properties" (promulgated on 1 December 2010 and came into effect on 1 February 2011) stipulate that parties to a building lease should enter into a written lease and register the lease with the relevant real estate administration authority. Parties will be subject to fines if they fail to register information set forth above even after being ordered by the relevant authorities.