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The China (Shanghai) Pilot Free Trade Zone

I Brief Introduction

The China (Shanghai) Pilot Free Trade Zone (the “FTZ”), which was formally approved by the State Council of China in August 2013, was officially launched on 29 September 2013. Covering an area of 28.78 square kilometers, the FTZ consists of the four following existing zones in Shanghai:

- Waigaoqiao Free Trade Zone;
- Waigaoqiao Free Trade Logistics Park;
- Yangshan Free Trade Port Area; and
- Pudong Airport Comprehensive Free Trade Zone.

Being the first of its kind in Mainland China, the FTZ specified the following main tasks:

- exploring new paths and models for China’s opening-up;
- accelerating the transformation of government functions and the reform of the administrative system; and
- promoting the transformation of means for economic development and optimizing the economic structures.

The FTZ is an experimental ground for China’s new round of reforms, and successful experiences gained from the FTZ are expected to be applied in other parts of China in the future.

The establishment of the FTZ is aimed at fostering the competitive advantage that China is seeking in the global economy, at forging a new platform for the cooperation between China and other countries, and at offering a new space for further economic development and improvement of its market economy.

II Summary of the General Plan

On 18 September 2013, the State Council released the General Plan for the China (Shanghai) Pilot Free Trade Zone (“the General Plan”), which became effective as of its date of release. The General Plan lists the major reform tasks and liberalizing measures for the China (Shanghai) Pilot Free Trade Zone. The three main tasks outlined in the General Plan are as follows:

2.1 Further opening up of investment sectors

The FTZ will adopt “negative list” approach towards foreign investment management, i.e. foreign investment in all sectors should be allowed unless listed as restricted under the “negative list”. The FTZ will offer easier investment access to both foreign and domestic capital in six service sectors, i.e. finance, shipping, trade and commerce, professional, cultural and public services.

2.2 Deepening the opening-up of the financial services sector

To accelerate the reform of the financial system, it is stipulated in the General Plan that the FTZ will, among other measures, pilot RMB convertibility under the capital account, interest rate liberalization, and cross-border RMB transactions.

2.3 Strengthening the legal system

Various administrative examination and approval items under three laws covering Wholly Foreign-Owned Enterprises, Chinese-Foreign Equity Joint Ventures and Chinese-Foreign Cooperative Joint Ventures have been suspended starting from 1 October 2013.

To better implement the General Plan, the relevant authorities have launched supporting policies with regard to the banking industry, the insurance industry, the capital market, the culture industry, the shipping industry, etc. The State Administration of Industry and Commerce released several policies to relax the restrictions on the registration procedures and requests for companies.

2.4 Liberalization of certain tax rules

The General Plan states that the income tax for value-added assets arising from asset restructuring may be paid in installments within a five-year period by the enterprises or individual shareholders registered in the FTZ. Where enterprises within the FTZ award highly-skilled employees or employees in short supply by means of shares or capital contributions, the relevant individual income tax may also be paid by installments. An earlier rumor that the capital gains tax may be reduced to a flat-rate of 15% in the FTZ is not confirmed by the newly enacted administrative measures.

III Departmental Rules issued by the departments of the State Council

After the establishment of the FTZ and the publication of the General Plan, the relevant governmental departments of the State Council of China released various supporting policies to better implement the General Plan and to support the development of the FTZ. Detailed information can be found as follows.

3.1 Registration Process Becomes More Efficient

The State Administration for Industry and Commerce (the “SAIC”) released the *Several Opinions on Supporting the Construction of Shanghai Free Trade Zone* (the “Opinions”) on September 26, 2013, just a few days after the release of the General Plan. The Opinions lists the following reform measures with regard to the industrial and commercial registration of enterprises in the FTZ.

3.1.1 Piloting a business registration system reform

- a. Piloting the subscribed capital registration system, relaxing the requirements for registered capital

Unless otherwise provided by specific laws and regulations, companies in the FTZ shall implement the subscribed capital registration system on a trial basis. Once the system is piloted, the FTZ Administration for Industry and Commerce (“AIC”) will register the capital subscribed by the founders or the total subscribed shares of the shareholders; it will no longer be recorded in the Business License whether and how much of the subscribed capital is paid up.

The following requirements for registered capital have been cancelled in the FTZ:

- the **minimum registered capital** of limited liability companies: RMB 30⁰000;
- the minimum registered capital of one-person limited liability companies: RMB 100⁰000;
- the minimum registered capital of joint stock limited companies: RMB 5⁰000⁰000;
- the **minimum amount of the initial capital contribution** upon the company’s establishment;
- the **minimum proportion of the registered capital to be paid up in currency**; and
- the **time period within which the shareholders shall fully pay up** their capital contribution.

However, where there are provisions for specific enterprises, such as investment companies, otherwise specifying the minimum amount of the registered capital, such provisions shall apply.

b. [Piloting the publication system for annual check reports](#)

The annual check system is changed to an annual check reports publication system in the FTZ, which means that the companies in the FTZ shall submit their annual reports to the registration authority through its official publication system, in which any entity or individual may query the reports.

c. [Piloting the record-filing system for foreign-invested advertising enterprises](#)

The establishment of a foreign-invested advertising enterprise, the application for expanding an advertising business, and the establishment of a branch office by a foreign-invested advertising enterprise in the FTZ are no longer subject to the following restrictions stipulated in *the Administration Regulations of Foreign-Invested Advertising Enterprises*:

Regarding the establishment of a Chinese-foreign joint venture advertising enterprise:

- Each party shall be an enterprise engaging in advertising business;
- Each party shall have existed and been in operation for over two years; and
- The joint venture shall have certain advertising business performances.

Regarding the establishment of a wholly foreign-owned advertising enterprise:

- The investor shall be an enterprise mainly engaged in advertising business; and
- The investor shall have been engaged in the advertising business for three years or more.

Regarding the establishment of a branch by a foreign-invested advertising enterprise:

- The foreign-invested advertising enterprise shall have paid up the registered capital; and
- The annual advertising business turnover of the foreign-invested advertising enterprise shall be not less than RMB 20 million.

The following examination and approval procedures for foreign-invested advertising enterprises have been replaced by the record-filing system:

- Advertising projects and establishment of branches by foreign-invested advertising enterprises; and

- Share transferring, change of the business scope related to advertising and registered capital.

3.1.2 Optimizing the setting-up process for enterprises

a. Granting the registration administration authority for foreign-invested enterprises to the FTZ industrial and commercial authorities

On 24 September 2013, the SAIC released the Notice on granting the Shanghai Administration for Industry and Commerce FTZ branch the authority to register and administrate the foreign-invested enterprises, which specifies the **jurisdiction of the Shanghai Administration for Industry and Commerce (the “Shanghai AIC”) FTZ branch** as follows:

- The Shanghai AIC FTZ branch is newly responsible for the registration of all foreign-invested enterprises and their branches located in the FTZ, subject to certain exceptions. Enterprises located abroad engaging activities such as contracting projects or the operation and management of foreign-invested enterprises by contracts or authorization subject to the jurisdiction of the AIC.
- Certain foreign-invested enterprises, which are normally subject to registration with the SAIC, may be subject to the jurisdiction of the Shanghai AIC FTZ branch after specific authorization by the SAIC.

Accordingly, Shanghai AIC released the Notice of the Shanghai Administration for Industry and Commerce on Issuing the Regulation on the registration and administration of enterprises in China (Shanghai) Pilot Free Trade Zone (the “Regulation”) dated 30 September 30 2013, listing the detailed rules for the registration and administration of foreign-invested enterprises in the FTZ.

b. Unifying the applications for the establishment of enterprises and piloting a new type of business license

The applications for the establishment of enterprises will be handled in a unified manner by the Shanghai AIC FTZ branch, who will accept all application material and forward it to the relevant departments of the Shanghai government.

Moreover, according to the *Reply of the State Administration of Industry and Commerce on Plans concerning Piloting the New Type of Business License in China (Shanghai) Free Trade Zone*, the FTZ will pilot a new type of business license.

3.1.3 New market entity supervision system

The FTZ will set up an information publication system to register, file and supervise the enterprises within the zone.

3.2 Preferential Tax Policies

3.2.1 Import tax and tariffs

On 15 October 2013, the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation of China jointly released the *Circular on Relevant Import Tax Policies for China (Shanghai) Free Trade Zone* (the “Circular”). Effective as of 29 September 2013, the Circular clarifies the import tax policies for the FTZ as follows.

a. VAT rate for purchases of overseas aircraft is reduced to 5%

Domestic leasing companies registered in the FTZ and their subsidiaries are entitled to a 5% import value-added tax (“VAT”) rate for purchasing aircrafts overseas upon the approval by relevant authorities. Such aircrafts shall have an inert weight over 25 tons and be leased to domestic airlines.

b. A pilot scheme on tariff policies will be implemented

Import VAT and consumption tax for goods produced and processed by enterprises in the FTZ and sold to the domestic market via the “second-line” (the gate between the FTZ and other domestic areas) shall still be levied. However, at the request of the enterprise, a pilot scheme on tariff policies will be implemented for goods sold to the domestic market based on their corresponding imported materials or actual declaration status.

c. Tariff is exempted for manufacturing and manufacturing service enterprises

Machinery, equipment and other goods imported by manufacturing and manufacturing service enterprises are entitled to import tax exemptions. Such tax exemption does not apply to goods imported by other enterprises in the FTZ, such as consumer service enterprises, and to certain specific goods imported by manufacturing enterprises, which are subject to import tax in accordance with specialized laws and regulations. Moreover, the establishment of “bonded display trading platforms”, a sort of duty-free shopping area, is allowed in certain areas of the FTZ.

3.2.2 Corporate income tax

On 15 November 2013, China's Ministry of Finance and the State Administration of Taxation jointly issued the *Circular on Corporate Income Tax Policies for Outbound Investment with Non-monetary Assets and Other Asset Restructuring Transactions by Enterprises in the China (Shanghai) Free Trade Zone (the "Circular")*, which allows enterprises in the FTZ to defer corporate income tax payments.

For the purpose of the Circular, outbound investment with non-monetary assets and other asset restructuring transactions refer to the following activities:

- establishing a company through capital contribution with non-monetary assets;
- making capital contributions with non-monetary assets;
- equity acquisition; and
- asset acquisition.

a. Preferential policy

The Circular provides that, with regard to the asset appreciation arising from outbound investment with non-monetary assets or other asset restructuring transactions, enterprises registered in the FTZ may pay corporate income tax for the gains from the transfer of non-monetary assets by installments within five years.

b. Income calculation

According to the Circular, enterprises that make outbound investment with non-monetary assets shall appraise the non-monetary assets first, and calculate the income from the transfer of the non-monetary assets based on the balance of the appraised fair value after deducting the tax base. The tax base for the equity acquired by an enterprise through investment with non-monetary assets shall be adjusted yearly.

c. Record-filing procedure

Enterprises in the FTZ shall go through the record-filing and registration formalities for deferred tax payment with the competent tax authority within 30 days after the relevant investment agreement has come into effect, the assets involved have been actually delivered and the equity registration formalities have been completed. The competent tax authority shall examine the submitted documents and notify the enterprise of the record-filing and registration results within the specified timeframe.

3.3 Other Supporting Policies

To better implement the General Plan, China's relevant authorities have released a package of policies to support the development of the FTZ. Detailed information can be found below.

3.3.1 Policies for the banking industry

With a view to supporting the banking industry in the FTZ, China's Banking Regulatory Commission issued *the Circular on Relevant Issues concerning the Supervision of the Banking Industry in the Shanghai Free Trade Zone* (the "Banking Circular") on 29 September 2013, which specifies the following policies:

Chinese-funded banks, policy banks and Shanghai local banks are allowed to establish branches and upgrade their banking outlets to branches or sub-branches. Qualified Chinese-funded banks are permitted to conduct offshore business in the FTZ.

The Banking Circular also supports the qualified large enterprise groups to set up finance companies of the enterprises groups, the qualified investors to establish auto finance companies and consumer finance companies, the national financial assets management companies to build branches, the financial lease companies to establish subsidiaries.

Moreover, qualified foreign-funded banks are allowed to establish outlets, branches and Chinese-foreign joint venture banks in the FTZ. Private capital is encouraged to participate in setting up Chinese-foreign joint venture banks, and to establish financial institutions such as private banks, financial lease companies and consumer finance companies.

Besides, banking financial institutions in the FTZ will be encouraged to develop the cross-border financing and investment business, including but not limited to, financing for bulk commodities trade, supply-chain trade, offshore shipping, modern services industry, loans for cross-border mergers and projects, cross-border assets management and fortune management, real estate investment trust.

The Banking Circular also simplifies the entry procedures for banks and changes the examination and approval procedures to record-filing system, which improves the efficiency of entry.

3.3.2 Policies for the insurance industry

China's Insurance Regulatory Commission issued several policies to support the development of the insurance industry in the FTZ on September 29, 2013, the major contents of which are:

- Supporting the establishment of foreign-funded specialized health insurance institutions in the FTZ;
- Supporting insurance companies to set up branches, to conduct RMB cross-border re-insurance business, to pilot the outbound investment and to innovate insurance products in the FTZ;
- Supporting internationally well-known specialized insurance intermediary agencies as well as social organizations and individuals engaged in the re-insurance business to conduct relevant business in accordance with laws in the FTZ; and
- Supporting Shanghai to conduct shipping insurance and to improve the insurance market system.

3.3.3 Policies for the capital market

China's Securities Regulatory Commission released the following five measures to further deepen the capital market reform in the FTZ:

- To build an international crude oil futures platform in the FTZ, through which foreign investors are able to participate in the domestic futures trading;
- Supporting qualified entities and individuals in the FTZ to invest in both the domestic and overseas securities and futures markets in accordance with laws and regulations;
- Encouraging overseas parent companies of the enterprises in the FTZ to issue RMB bonds at the domestic market;
- Supporting the establishment of specialized subsidiaries by the securities and futures institutions in the FTZ; and
- Supporting the securities and futures institutions in the FTZ to conduct over-the-counter trading of bulk commodities and financial derivatives for domestic clients.

3.3.4 Policies for the cultural service industry

To better implement the General Plan, China's Ministry of Culture issued a circular regarding the supporting policies for the culture industry in the FTZ, which provides that foreign-funded performance institutions and venues, entertainment venues are

allowed to be set up in the zone. Moreover, foreign-invested enterprises are allowed to produce and sell game machines in the FTZ, such machines may be sold in the domestic market upon approval from the Ministry of Culture.

It should be noted that the above-mentioned policies just apply to investors from HK, Macau, Taiwan and Chinese citizens living abroad.

3.3.5 Policies for the shipping service industry and policies issued by the GAQSIQ

The Ministry of Transport issued a series of opinions to implement the General Plan and to accelerate the construction of Shanghai International Shipping Center, which further clarify the international shipping service policies as stipulated in the General Plan.

Moreover, the General Administration of Quality Supervision, Inspection and Quarantine of China has rolled out opinions to uphold quality and safety standards in the FTZ.

IV Local Regulations issued by the Shanghai Government

The Shanghai government released several local regulations to support the development of the FTZ and to implement the General Plan and the above-mentioned departmental regulations.

4.1 Administrative Measures Released by the Shanghai Municipal Government

The Shanghai Municipal People's Government (the "Shanghai government") released the *Administrative Measures for China (Shanghai) Pilot Free Trade Zone* (the "Measures") on September 29, 2013, which sets out the following administrative measures for the FTZ.

4.1.1 Administrative body

The Shanghai government has set up the China (Shanghai) Pilot Free Trade Zone Administration Committee as a government agency to manage and coordinate relevant administrative affairs relating within the zone.

4.1.2 Investment management

a. Expanding the opening-up of the service industry

The Measures reiterate the General Plan with regard to expanding the opening-up of the service industry and stress again the focus on the financial services, shipping services, commercial and trade services, professional services, cultural services and social services. Moreover, the FTZ will suspend or cancel the entry requirements on investors' qualifications, restrictions on shareholding proportions and business scope.

b. [Negative List management mode](#)

The FTZ will implement a “Negative List” mode towards foreign investment management. Foreign investment projects covered under the Negative List shall obtain approval from relevant authorities, whereas, foreign investment projects which are not in the Negative List will only need to go through record-filing procedures.

The Shanghai government released the Negative List on 29 September 2013. However, the list appeared to be more restrictive than previously expected by the market. Tightly-controlled industries, such as news media, the radio and film industry, certain internet companies, auction and sale of cultural goods or gambling, are still completely banned from investment by foreign investors. Furthermore, certain industries which the market expected to be liberalized are still subject to the same restrictions as outside of the FTZ, e.g. insurance services, certain construction services, the hotel industry and convention centers. **In general, a comparison of the Negative List with the previous legal framework for foreign investment shows that liberalizations have so far occurred only to a limited extent and in a few areas.** One specific positive example is the maximum proportion of foreign ownership of security companies, which previously was capped at 1/3 and now has been increased to up to 49%.

The current list is the first trial edition of the Negative List and is a temporary in nature. According to recent news casts, the 2014 edition of the Negative List may be published before the end of March 2014. Seeing that the 2013 edition of the list is still rather restrictive, it is to be anticipated that the 2014 list will contain a number of further liberalizations.

c. [Record-filing system for outbound investment](#)

Where enterprises in the FTZ conduct outbound investments, the FTZ will implement a record-filing system for “ordinary projects” conducted under such investments (certain large-scale or sensible projects may still be subject to approval).

d. **Subscribed capital registration system**

The subscribed capital amount, forms and period of investment shall be agreed upon independently by the shareholders of the enterprises in the FTZ and recorded in the company's articles of association. The shareholders shall be liable for the authenticity and legality of the capital contribution.

e. Business licensing

As stipulated in the current Chinese laws, the enterprises in the FTZ may commence normal production and operation activities after obtaining the business license. However, enterprises engaged in activities requiring administrative approval must file an application for such approval with the competent authorities after obtaining the business license.

4.1.3 Trade development and facilitation

a. Transformation and upgrade of trading

The FTZ will encourage multinational corporations to establish Asia-Pacific headquarters and operating centers with trade, logistics and settlement functions in the zone.

Moreover, the FTZ will facilitate the transformation and promotion of some basic services such as international trade, warehousing and logistics as well as processing and manufacturing. Besides, the FTZ will develop the following new types of trade businesses: offshore business, international trade settlement, international bulk commodities transactions, financial leasing, bonded delivery of futures and cross-border e-commerce.

b. Shipping hub

The FTZ will facilitate the development of the following shipping businesses: shipping finance, international shipping, international ship management, international crew management, international shipping brokerage as well as shipping price index derivatives trading business.

4.1.4 Financial system innovation and risk control

a. Financial system innovation

The FTZ will carry out an innovation of the financial system and set up a coordinated system covering financial reform and the construction of an international financial center.

b. RMB convertibility under capital account

The FTZ will implement a trial program of RMB convertibility under the capital account, and innovate businesses and management modes by separate accounting under a controllable risk level.

c. Interest rate liberalization

The FTZ will cultivate an independent pricing mechanism in accordance with the development of the real economy, and gradually promote the reform of interest rate liberalization.

d. Cross-border RMB usage

According to the Measures, enterprises in the FTZ may conduct cross-border RMB transactions based on their actual operating needs. However, it is to be expected that cross-border transactions with RMB will still be subject to certain limitations.

e. Foreign exchange management

The FTZ will establish a foreign exchange management system in line with the development needs of the zone to facilitate trade investment.

4.1.5 Comprehensive conflict management services

a. Intellectual property protection

The FTZ authorities will strengthen the intellectual property protection and encourage professional institutions to provide intellectual property protection and mediation services.

b. Commercial dispute settlement

Where there is any commercial dispute between enterprises in the FTZ, such enterprises may bring a lawsuit to the People's Court or apply for arbitration or commercial mediation upon mutual agreement.

4.2 Record-Filing Measures for Foreign Investment Projects, Foreign-Invested Enterprises as well as Outbound Investment Projects and Outbound Investment Enterprises

4.2.1 Measures for foreign investment projects and foreign-invested enterprises

The Shanghai government released *the Administrative Measures for the Record-Filing of Foreign Investment Projects in the Shanghai Free Trade Zone* (the “Measures I”) and *the Administrative Measures for the Record-Filing of Foreign-Invested Enterprises in Shanghai Free Trade Zone* (the “Measures II”) on 29 September 2013, both of which have put forward the record-filing measures for foreign investors in the FTZ. Detailed information can be found below.

a. Measures I

Applicable scope: The Measures I apply to all foreign investment projects not covered under the Negative List in the FTZ, including Chinese-Foreign Equity Joint Ventures, Chinese-Foreign Cooperative Joint Ventures, wholly foreign-owned projects, foreign-invested partnerships, acquisitions of a domestic enterprise by a foreign investor and capital increases by a foreign-invested enterprise, among which projects subject to national security review shall be excluded.

Record-filing procedures: The Administration Committee of the FTZ is the record-filing authority for foreign investment projects and is responsible for record-filing and supervision thereof.

The following material shall be submitted to the Administration Committee by the applicants for foreign investment projects:

- a. **Certificate of incorporation (business license) and commercial registration certificate** of all investors (individual investors shall provide personal ID);
- b. **Term sheet** signed by all investors and **decisions of the board of directors or relevant investment resolutions** on capital increases and merger projects;
- c. Certificate for real estate property, bid-winning notice or leasing agreement; and
- d. **Other material** required by relevant laws and regulations.

The Administration Committee should issue the record-filing opinions to the applicant within 10 working days upon the receipt of the application materials. Based on the record-filing opinions, applicants for foreign investment projects may:

- a. Go through the approval procedures for planning, land use, environment assessment and construction;
- b. Apply for the preferential policies on government subsidies, re-lending businesses, discount loans; and
- c. Apply for tax preferential policies for imported equipments.

Applicants shall file the following significant changes to their project with the Administration Committee: changing of investors or equity, location and the main content of the project, total investment exceeding 20 percent of the original record-filing amount and other circumstances provided by laws and regulations.

b. Measures II

Applicable scope: The Measures II apply to the establishment and restructuring of foreign-invested enterprises in the FTZ not covered under the Negative List.

Record-filing for the establishment of enterprises: The Administration Committee of the FTZ is the record-filing authority for foreign investment projects. Investors setting up foreign-invested enterprises in the FTZ shall log into the foreign investment acceptance platform for online-filing after obtaining the approval for the company name.

Foreign-invested enterprises in the FTZ shall go update the record through the foreign investment platform under any of the following circumstances: changing of registered capital (increase or decrease), operating period, investment forms or period; transfer of equities or cooperation interests; pledge of shares; merger and division; early termination and early recouping of investment by foreign investors in Chinese-foreign cooperative joint ventures.

4.2.2 Measures for outbound investment projects and enterprises

The Shanghai government released *the Administrative Measures for the Record-Filing of Outbound Investment Projects in China (Shanghai) Pilot Free Trade Zone* (the “Measures III”) and *the Administrative Measures for the Record-Filing of Outbound Investment Enterprises in Shanghai Free Trade Zone* (the “Measures IV”) on 29 September 2013, both of which put forward the **record-filing measures for outbound investment in the FTZ**. Detailed information can be found below.

a. **Measures III**

Record-filing procedures: The administration committee of the FTZ is the record-filing authority for outbound investment projects by the enterprises in the zone.

The following material shall be submitted to the Administration Committee by the applicants for outbound investment projects:

- a. **Business license, articles of association or partnership agreement** as well as **decisions of the board of directors or relevant investment resolutions** of the applicants;
- b. **Material certifying the assets, operation and credit information** of the Chinese and cooperative foreign investors;
- c. In case of acquisition bidding, M&A, equity joint venture and cooperative joint venture projects: **term sheet or framework agreement** signed by all investors;
- d. **Other material** required by relevant laws and regulations.

Moreover, **significant outbound investment projects** subject to registration with the National Development and Reform Commission **shall be registered with the National Development and Reform Commission** in accordance with relevant procedures.

Applicants shall file the following changes with the Administration Committee: changing of investors or equity, location and the main scope of the project, a change in total investment of the Chinese investor exceeding 20 percent of the originally recorded amount.

b. **Measures IV**

Record-filing for the establishment of enterprises: The Administration Committee of the FTZ is the record-filing authority for outbound investment enterprises.

Under any of the following circumstances, outbound investment of a FTZ enterprise shall be prohibited:

- a. The outbound investment jeopardizes state sovereignty, national security, or public interest of China or violates any law or regulation of China;
- b. The outbound investment damages the relations between China and other relevant countries (or regions);
- c. The outbound investment may be in violation of an international treaty concluded by China;

- d. The outbound investment involves in any technology or goods prohibited by China from export.

Applicants shall record the following changes of outbound investment enterprises with the record-filing authority: changing of investors, investment amount, equity proportion, capital sources, business scope, operating period, etc.

V Recent practical developments in the FTZ

Due to the simplified registration system in the FTZ, there have been 3'633 new enterprises established in the zone by the end of last year.

In the securities sector, Guotai Junan Securities has established a branch in the FTZ on 13 January 2014. As the first securities company in the FTZ, the branch will conduct a broad range of business activities such as cross-border securities trading, international wealth management and asset management.

Moreover, 9 Chinese banks including ICBC, ABC, B.O.C., CCB, etc. have been approved to establish branches and 12 foreign banks including HSBC, Deutsche Bank, Citigroup, DBS and BEA, etc. have been approved to set up sub-branches in the FTZ by the end of November 2013. Amongst the foreign banks, Development Bank of Singapore and Bank of East Asia are the only two foreign banks which have already established branches in the FTZ by 11 January 2014. Bank of East Asia has announced that it will provide diversified RMB and foreign currency services to its clients in the FTZ.

Furthermore, Deloitte Touche Tohmatsu, a multinational provider of auditing, tax, consulting and financial advisory services, recently obtained a license to operate in the FTZ.

Microsoft has signed a joint venture agreement with a Chinese company and established a Chinese foreign joint venture to conduct the design, manufacture and sales of electronic games software.

Shanghai customs has also simplified the procedure for clearance in the FTZ. A trial, by which customs clearance does not have to be immediately obtained upon entry but can be dealt with at a later stage after the entry into of the cargo, has been expanded to 47 companies. Until the end of last year, the total value of the entering cargo has amounted to USD 163 million.

We may be reached under the following addresses:

Zurich

Wenfei Attorneys-at-Law Ltd.
Mainaustrasse 19
CH-8008 Zurich, Switzerland
T +41 43 210 8686
F +41 43 210 8688

苏黎世

瑞士文斐律师事务所
Mainaustrasse 19 号
CH-8008 瑞士文斐律师事务所
电话 : +41 43 210 86 86
传真 : +41 43 210 86 88

Beijing

Wenfei Attorneys-at-Law Ltd.
Room 901, Beijing Silver Tower,
No. 2, North Rd. Dong San Huan,
Chaoyang District,
Beijing 100020 P.R.C.
T +86 10 6468 7331
F +86 10 6460 3132

北京

瑞士文斐律师事务所北京代表处
中国北京朝阳区东三环北路 2 号
北京南银大厦 901 室
邮编 100027
电话 : +86 10 6468 7331
传真 : +86 10 6460 3132

Shanghai Cooperation:

Shanghai Cooperation:
Office 18D, Shanghai Industrial
Investment Building,
No.18, Cao Xi Bei Road,
Shanghai 200030 P.R.C.
T +86 21 6427 6258
F +86 21 6427 6259

上海合作单位 :

文斐商务咨询
中国上海市徐汇区漕溪北路 18 号
上海实业大厦 18D
邮编 200030
电话 : +86 21 6427 6258
传真 : +86 21 6427 6259

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