

Foreign Investment Guide of National Xuchang Economic and Technological Development Zone

(2022 Edition)

Investment Promotion Office

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1.An introduction to to National Xuchang Economic and Technological Development Zone

1.1 A Brief Introduction

Xuchang Economic and Technological Development Zone (referred to as "Xuchang Economic and Technological Development Zone") was established in October 1994, upgraded to provincial economic and technological Development Zone in November 1997, and promoted to national Economic and Technological Development Zone in December 2010. Xuchang Economic Development Zone has been awarded the "National Science and Technology Trade Innovation Base", "National Power Electronic Equipment Characteristic Industrial Base", "Advanced Unit of Opening to the Outside World in Henan Province", "Henan High-tech Characteristic Industrial Base", "Henan High-tech Industry Standardization Demonstration Zone", "Henan Innovative Industry Cluster (pilot)", "Henan Industrial Cluster Trademark Cultivation Base", "Henan Province Quality "Demonstration zone", "National Green Park" and other honorary titles.

1.2 Traffic advantage

As the "center of the Central Plains" , Xuchang is adjacent to the Zhengzhou Airport Economy Zone, 50 kilometers away from the Zhengzhou Xincheng International Airport, and 80 kilometers away from the provincial capital Zhengzhou. Beijing-Hong Kong-Macao Expressway, Xuchang-Guangzhou Expressway, Zhengzhou-Luanchuan Expressway and Yancheng-Luoyang Expressway converge at Xuchang. National Highway No. 107, Beijing-Guangzhou Railway and Beijing-Guangzhou High-Speed Railway pass through Xuchang from north to south, and the National Highway No. 311 and Sanmenxia-Yangkou Port pass through it from east to west. Xuchang has five railway stations for the Beijing-Guangzhou High-Speed Railway, Zhengzhou-Chongqing High-speed Railway and Zhengzhou-Hefei High-speed Railway, namely Xuchangdong station, Xuchangbei station, Yuzhoudong station, Changgebei station and Yanlingnan station, which have been put into use. Zhengzhou-Xuchang City Railway that connects to Zhengzhou metro network and the comprehensive transportation transfer center of the Zhengzhou Xincheng International Airport has been put into operation. The rapid transportation system integrating expressway, high-speed railway and aviation has initially taken shape, making it one of the most convenient areas for modern logistics in China.

1.3 Industrial strength

After 29 years of development, Xuchang Economic Development Zone has shown a high degree of industrial concentration, high-tech characteristics, development quality and efficiency of the situation. Leading industries such as equipment manufacturing and biomedicine have gradually formed in the development zones. Intelligent Elevator Industry West Jixundaas the leader, gathered more than 20 supporting enterprises, complete industrial chain, is the largest elevator production base in the Midwest of our country; Gathered more than 80 electrical equipment manufacturing enterprises. The Xuchang biopharmaceutical industry park has 3,000 acres of three types of industrial land and a total infrastructure investment of nearly 1.2 billion yuan, can provide perfect water, electricity, gas, heat and other basic guarantee for the enterprise.

1.3.1 Sino-swiss (Xuchang) Collaborative Innovation Center

The China-Switzerland (Xuchang) Collaborative Innovation Center was jointly initiated by the Swiss Chamber of Commerce in China and Beijing Zhongyuan Zhihui Information Consulting Co., LTD. Relying on the resources of the Swiss Chamber of Commerce and guided by the development direction of local industries, we plan to introduce high-quality foreign business and enterprise resources.

1.3.2 Southwest Park of Sino-German (Xuchang) Industrial Park

The Southwest Park of China-Germany (Xuchang) Industrial Park is located in the southwest of the development zone, with Tuntian Road in the north, South Outer Ring Road in the south, West Outer Ring Road in the west and Chaoyang Road in the east, covering an area of 1.44 square kilometers. The area will take the construction of the China-Germany (Xuchang) Industrial Park as an opportunity to vigorously develop advanced manufacturing industries such as biomedicine, elevator and key parts manufacturing, and electric power equipment.

1.3.3 Intelligent elevator industrial Park

The intelligent elevator Industrial Park mainly focuses on the development of elevator industry, with Xiji Schinda (Xuchang) Elevator Co., LTD as the leader, gathering 39 key parts supporting enterprises such as Weimard Machinery Manufacturing, Boma traction machine, Oshida, etc. It is the largest elevator production base in central and western China.

1.3.4 Intelligent equipment Industrial Park

It prioritizes the projects of high-end CNC, precision manufacturing and industrial robot. It has gathered 13 CNC machine tools and robot manufacturing companies, represented by Xuchang Zhongfeng Numerical Control Co., Ltd., and formed a relatively complete industrial chain of R&D, key component manufacturing, machine assembly, overall solution and maintenance. The matching rate of components and parts of the leading enterprises has exceeded 55%.

1.3.5 Electric power equipment Industrial Park

The Power Equipment Industrial Park has manufacturing bases for five major products including energy-saving and environment-friendly intelligent medium-voltage switch, and a test center for UHV DC transmission converter valves. With XJ Group Corporation as the leading player, it has gathered 72 related supporting enterprises and has developed into the most influential and most competitive power equipment base in China.

1.3.6 Biomedical Industrial Park

Covering an area of 3000 mu, the total construction area is about 800 thousand square meters, of which the first phase of the project covers an area of 1185 mu. The project, with a total investment of 7.5 billion yuan

and a planned investment of 3 billion yuan in the first phase, is mainly dominated by the biomedical industry and supplemented by food additives. The biomedical industry platform aims at the research and development of innovative drugs, the transformation and upgrading of biomedical varieties, and the transformation of scientific and technological achievements. It actively promotes the rapid and sustainable development of the biomedical industry in the central and western regions, and has become an influential and competitive biomedical industry base in China.

1.3.7 Cross-border e-commerce industrial park

The E-commerce Industrial Park prioritizes the introduction of e-commerce platform running, platform services, software system development, data analysis, marketing planning, warehousing and logistics, etc. and has attracted more than 40 e-commerce enterprises to settle in.

1.4 Investment environment

1.4.1 Investment service

Service departments such as Administrative examination and Approval Service Bureau and Investment Promotion Bureau have been reformed to provide one-stop and nanny-like assistance services for enterprises and projects settled in the whole process. With over 500 administrative examination and approval service authority, it takes the lead in carrying out "regional assessment" to speed up the "implementation of projects" and effectively reduce the cost of enterprises settled in.

1.4.2 Entrepreneur Day

As factor integrators, market pioneers and innovation promoters, entrepreneurs are scarce resources of the society. Respecting entrepreneurs and carrying forward the entrepreneurial spirit is the main melody of the Economic Development Zone. The Economic Development Zone sets July 21 as "Entrepreneur Day" every year, and the 20th of every month as "Entrepreneur Activity Day".

As a good enterprise "waiter" "shop assistant", nothing is not disturbed, on call, do what you say, good service, so that entrepreneurs in the open zone investment, peace of mind to start a business, comfortable development.

1.4.3 Human resources

Xuchang has 4 colleges and universities (Xuchang College, Electrical Vocational College, Xuchang Vocational and Technical College, Xuchang Campus of Henan Agricultural University), with more than 40,000 students, providing abundant human resources for enterprises.

1.4.4 Supporting facilities

xuchang Economic Development Zone has constructed ten and more roads, with a total length of more than 50km, including Yangguang Avenue, Ruixiang Road, Changhe Road and Ruichang Road; other supporting facilities and services in regard to finance, education and training, health care, recreation and entertainment ,and public rental housing are increasingly improved.

1.4.5 Preferential policy

The state vigorously supports national economic development and economic development, it has issued a number of policy supporting documents, including the State Council General Office opinions on promoting reform and innovative development in development zones, the circular of the State Council on measures for actively and effectively utilizing foreign capital to promote high-quality economic development,

and the opinions of the State Council on promoting Economic and Technological Development Zones innovation and building a new highland of reform and opening up, in 2022, the Ministry of Commerce and Other 10 departments jointly issued a circular on measures to support the promotion of Economic and Technological Development Zones innovation and better play an exemplary role, for the national economic development zones to stabilize and expand the scale of investment in manufacturing, stable industrial chain supply chain and other aspects of the direction of development.

2.An Introduction to the Chinese Legal System

2.1The Chinese Legal System

The Chinese Legal System is an organic integration of constitutional, civil and commercial laws, administrative, economic, social and criminal laws, litigation and non-litigation procedural laws, as well as other legal branches. It is an organic unity with the Constitution as the core. The Constitution has supreme legal authority in the socialist system of laws with Chinese characteristics. All laws, administrative and local regulations must be made in accordance with the Constitution and must not contravene the Constitution.

2.2 The Legal System for Foreign Investment

2.2.1 overview

In the early stage of reform and opening-up, China successively formulated the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures, Law of the People's Republic of China on Wholly Foreignowned Enterprises, and the Law of the people's Republic of China on ChineseForeign Contractual Joint Ventures (collectively referred to as the "Three Laws on Foreign Investment"), laying a legal foundation for China to attract foreign investment. In 2020, the *Foreign Investment Law of the People 's Republic of China* and its Implementing Regulations came into effect, replacing the "Three Laws on Foreign Investment" as the new fundamental law on foreign investment in China. The Foreign Investment Law sets a basic framework for China's new legal system for foreign investment, affirms that the "pre-establishment national treatment plus a negative list" management system is to be implemented for foreign investment, and further strengthens investment promotion and protection.

2.2.2 Foreign Market Access

china is implementing an administration system of “pre-establishment national treatment plus negative list” for foreign investment in accordance with the Foreign Investment Law. "pre-establishment national treatment" refers to foreign investors and investments are treated no less favorably than domestic investors and investments during the pre-establishment stage. The "Negative List" refers to the special entry administration measures for foreign investment in specific fields stipulated by the State. Foreign investors are not allowed to invest in any field which the negative list deems “forbidden” to foreign investors. For those fields that the negative list merely “restricts” from foreign investment access, foreign investors must meet the conditions set out by the negative list. Fields not included in the negative list for foreign investment access shall be managed in accordance with the principle of treating domestic and foreign investment equally.

The Special Administrative Measures for Foreign Investment Access (Negative List) (2021 Edition) were released on June 27, 2021. The number of items in the former was reduced from 40 to 33. Opening-up measures continue to be launched as where foreign investors are allowed to invest in Traditional Chinese Medicine (TCM) decoctions and establish wholly foreign-owned vocational training institutions within the school system.

In addition to the negative list for foreign investment access, foreign investors and foreign-invested companies should also follow the Negative List of Market Access (2020 Edition). In this list, the State Council clearly lists the industries, fields, businesses, etc. that are forbidden or restricted foreign investment or operation in China. Governments at all levels have adopted corresponding lawbased administrative measures. The items in list are divided into two categories: prohibited and licensed matter. For prohibited areas, market entities are not allowed to enter, administrative organs are not allowed to approve and ratify the relevant matter, and relevant procedures are not allowed. For areas with access under a license, market entities must apply in accordance with qualification requirements and procedures, technical standards and licensing requirements. Administrative organs are to make decisions on whether to grant access or not (in accordance with the law and regulations), or market entities shall gain access in accordance with the access conditions and methods stipulated by governments. For industries, fields, and businesses not included in the negative list of market access, all kinds of market entities shall be granted entry on an equal footing and in accordance with law. If project approval and filing are required, they shall be carried out in accordance with relevant national regulations and laws.

2.2.3 Investment Promotion

China implements policies to encourage and guide foreign investment. For foreign investment in fields specified in the Catalogue of Industries for Encouraging Foreign Investment, those qualified are eligible for preferential policies on taxation and others; qualified foreign-invested enterprises investing in encouraged industries in western regions are eligible for a lower CIT rate of 15%; the land for encouraged foreign investment projects of intensive use can be offered preferentially. The base price of land transfer fee can be determined at that no lower than 70% of the corresponding lowest national standard price for industrial land.

China released the Catalogue of Encouraged Foreign Investment Industries (2022 Edition). Compared with the 2020 edition, it includes more entries to encourage foreign investment, expands the scale of encouragement, encourages foreign investors to enter advanced manufacturing and modern service industries, and optimizes the regional distribution. The 2020 edition has 1,235 entries, an increase of 127 or more than 10% over the 2019 edition. Among the 127 new entries, 65 are applicable nationwide and 62 in the central and western regions.

2.2.4 Investment Protection

■ Expropriation and Compensation

According to the Foreign Investment Law: The State does not expropriate any investment made by foreign investors. In special cases where expropriation is necessary for the public interest, the State may expropriate or requisition the investments of foreign parties in accordance with the law. Such expropriation or requisition shall be made pursuant to statutory procedures, and fair and reasonable compensation given in a timely manner.

■ **Technical Cooperation**

According to the Foreign Investment Law and its Implementing Regulations, China encourages foreign investors to engage in technical cooperation with its partners on a voluntary basis by following business rules.

It is stipulated in the second paragraph of Article 31 of the Administrative License Law of the People's Republic of China that administrative organs and the staff thereof shall not take the transfer of technology as a condition for obtaining an administrative license. It is prohibited to either directly or indirectly request technology transfer in the process of administrative licensing.

■ **Complaint Channels for Foreign-invested Enterprises**

China, in accordance with *Foreign Investment Law* and its Implementing Regulations, has established a mechanism for foreign-invested enterprises' complaints and settlements to handle problems raised by foreign-invested enterprises or their investors more promptly and to coordinate and improve relevant policies and measures.

2.2.5 Investment Management

■ Foreign Investment Project Management

The National Development and Reform Commission formulates and implements macroeconomic development strategies and plans to coordinate and supervise the development of the national economy. If a foreign investment involves a fixed asset investment project, it needs to go through investment project approval and filing.

■ National Security Review

The Foreign Investment Law stipulates that foreign investors and foreign-invested enterprises engaged in investment activities within Chinese territory shall abide by Chinese laws and regulations and shall not jeopardize the national security and public interests of the People's Republic of China. China has established a security review system for

foreign investment and conducts security review on any foreign investment that does or may affect the national security of China. The results of the security review arrived at in accordance with the law shall be considered as the final decision.

■ Information Reporting System

China has established an information reporting system for foreign investment. Foreign investors or foreign-invested enterprises shall submit investment information to the competent commercial departments via the enterprise registration system and the national enterprise credit information publicity system. Investment information submitted by foreign investors or foreign-invested enterprises must be authentic, accurate, and complete.

2.3 Enterprise Registration

2.3.1 Investment Subject

Subjects of foreign investment include foreign natural persons, enterprises, and other organizations.

2.3.2 Mergers and Acquisitions (M&A) of Domestic

Enterprises by Foreign Investors

Foreign investors' acquisition of the shares, equity, property shares, or other similar rights and interests of enterprises within the territory of China either by merger, acquisition, or other means are the cases of foreign investment stipulated in the Foreign Investment Law.

2.3.3 Organizational Structures of Foreign-invested Enterprises

Foreign-invested enterprises in China mainly have two organizational forms: companies and partnerships.

■ company

Foreign investors are entitled to establish limited liability companies and joint-stock limited companies within the territory of China.

A limited liability company refers to an economic organization that is funded and established by fewer than 50 shareholders, each of whom bears limited liability to the company within the limit of his/her subscribed capital contribution. A limited liability company shall also

bear limited liability for its debts with all its assets. A joint-stock limited company refers to an economic organization whose registered capital is composed of equal shares that are raised through the issuance of shares (or stock warrants), whose shareholders are each liable to the company within the limit of his/her subscribed shares, and that is likewise liable for its own debts with all its assets.

■ Partnerships

Foreign investors are entitled to set up general partnerships and limited partnerships within the territory of China. A general partnership is composed of general partners who bear unlimited joint and several liabilities for the debts thereof.

A limited partnership is composed of the general partners who bear unlimited joint and several liabilities for the debts of the partnership and the limited partners who are liable for the debts of the partnership within the limit of their subscribed capital contribution.

■ Resident Representative Office of Foreign Enterprise in China

The resident representative offices of foreign enterprises established in China (hereinafter referred to as the "representative offices") shall abide by Chinese laws and regulations (including the Regulations on

the Administration of Registration of Resident Offices of Foreign Enterprises).

A representative office is an office set up within the territory of China engaged in non-profit activities related to the business of foreign enterprises. It does not have the status of a legal person and is not entitled to engage in profit-making activities. A representative office is only entitled to engage in the market research, exhibitions, and publicity activities related to the products or services of foreign enterprises and the liaison activities related to foreign enterprises' product sales, service delivery, domestic sourcing, and domestic investment.

2.4 Foreign Exchange Administration

In China, the Chinese currency renminbi (RMB) is freely convertible under the current account and is still under certain management under the capital account. The "current account" refers to items that occur frequently in economic transactions between a country and its foreign nation counterparts, including foreign trade income and expenses, non-trade transactions, and unrequited transfer. The "capital account" refers to the increase or decrease of assets and liabilities arising from the export and import of capital in the balance of payments. It reflects changes in the claims and debts between a country and its foreign nation

counterparts expressed in terms of currency, including the transfer of physical or financial assets between residents and non-residents. It mainly consists of three categories: direct investment, securities investment, and cross-border lending.

The use of capital and renminbi funds obtained through the foreign exchange settlements of foreign-invested enterprises shall follow the principles of authenticity and self-use within the scope of business. It shall also comply with foreign exchange regulations. Foreign investors are entitled to freely conduct inward and outward remittance of their investments in RMB or foreign exchange when it comes to their contribution of capital, profits, and capital gains within the territory of China.

2.5 Labor Employment

The employment of labor by foreign-invested enterprises within the territory of China shall comply with *the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China*, and other laws and regulations.

2.5.1 Labor Contracts

Foreign-invested enterprises are entitled to determine their institutional settings and needs for personnel and to recruit employees in China on their own or entrust recruitment to professional staffing agencies. Foreign-invested enterprises shall sign a written Labor Contract with any employed personnel. Labor contracts are divided into fixed-term contracts, open-ended contracts, and those whose terms are based on the completion of certain tasks. For labor contracts whose terms exceed three months but are less than one year, the probation period is not to exceed one month; for labor contracts whose terms are more than one year but less than three years, the probation period is not to exceed two months; for labor contracts with a fixed term of no less than three years or labor contracts with no fixed term, the probation period is not to exceed six months. In addition, employers are entitled to dispatch labor for temporary, auxiliary, or substitutable posts of duty, yet with a proportion of no more than 10%.

2.5.2 Working Hours

On the whole, China adopts system of eight-hour workdays and 40-hour work weeks. If the system cannot be implemented due to limitations resulting from the nature of the work or the characteristics of production, the implementation of other systems is allowed upon approval; that is, systems of irregular working hours and comprehensive working hour

calculation are permissible. Employers shall ensure that their employed laborers have at least one day off every week. To meet the needs of production and operation, employers are allowed to extend their employees' working hours following consultation with the trade union and with the employee. The extended working time is generally not to exceed one hour per day; if employers need to further extend working hours under special circumstances, the extended working time shall not exceed three hours per day or 36 hours per month in total; furthermore, extended working hours are only allowable on the condition that they do no harm to the health of employees. Laborers are entitled to overtime pay. Overtime pay is equivalent to at least 150% of normal salary on weekdays, 200% of normal salary on rest days (usually Saturdays and Sundays), and 300% on statutory holidays.

2.5.3 Holidays and Vacations

China has 11 statutory paid holidays every year. They are: New Year's Day (one day), Spring Festival (three days), Tomb-Sweeping Day (one day), Labor Day (one day), Dragon Boat Festival (one day), Mid-Autumn Festival (one day), and National Day (three days).

Laborers who have worked continuously for at least 12 months are entitled to paid annual leave. Statutory minimum annual leave for laborers is as follows: if a laborer has worked for one year but less than

10 years in total, he/she is entitled to five days ' annual leave; if one has worked for between 10 and 20 years, he/she is entitled to 10 days ' annual leave; if one has worked for a total of 20 years or longer, he/she is entitled to 15 days ' annual leave. National statutory holidays and days of rest should not be deducted from the days of annual leaves. Moreover, workers also enjoy marriage leave, bereavement leave, and parental leave in accordance with the law.

2.5.4 Social Insurance

China's social insurance includes basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance, and maternity insurance. Foreign-invested enterprises and their employees shall pay social insurance premiums in accordance with the law to ensure that their employees can receive material assistance from the government and society in cases of old age, illness, work injury, unemployment, and childbirth.

Foreign nationals employed in China shall be covered by China's social insurance in accordance with the law.

2.5.5 Rescission and Termination of Labor Contracts, and Economic Compensation

If the employer and the employee reach an agreement through consultation, their labor contract may be terminated. In absence of such an agreement, the laborer is entitled to unilaterally terminate the labor contract under the following conditions/circumstances: when notifying the employer in writing 30 days in advance; when notifying the employer three days in advance during the probation period; due to some fault of the employer (e.g. failing to pay the employee remuneration on time and/or in full, failing to pay social insurance premiums for the employee in accordance with the law, etc.). The unilateral termination of the labor contract by the employer is subject to stricter conditions and must meet certain legal prerequisites, for example, if the laborer is proved to have failed to meet the conditions of employment during the probation period, due to some major fault of the laborer, if the laborer is laid off due to economic reasons of the employer, etc.

If the employer proposes to terminate the labor contract based on agreement after consultation with the employee, or cancels or terminates the labor contract due to legal circumstances such as the employee's disqualification or layoffs for economic reasons, economic compensation shall be paid. Economic compensation shall be paid to the laborer based

on the number of years the laborer has worked for the employer in the amount of one month's salary per year employed. If the laborer has been employed for less than a year but more than six months, the employer shall still pay the laborer one month of salary; if the laborer has been employed for less than six months, the employer shall pay the laborer the equivalent of a half of month's salary.

2.5.6 Work Permit

Foreign-invested enterprises employing foreigners shall complete relevant procedures for them such as work permits in accordance with the law. Since 2017, China has introduced a unified work permit system for foreigners in China. According to the principle of “encouraging high-end talents, controlling the number of general workers, and restricting the number of low-end workers”, foreigners commitment", acceptance of application first without certain materials, and green channels. Foreigners working in China shall apply for relevant visa and residence permits with the Notification of Foreigner's Work Permit in the People's Republic of China and the Work Permit for Foreigners.

The Ministry of Science and Technology and the Ministry of Human Resources and Social Security are responsible for formulating and organizing the implementation of policies on work permits for foreigners

in China. The acceptance and approval of the permit shall be handled by the local administration department for foreigner related matters through the unified system (<https://fuwu.most.gov.cn/lhgzweb/>).

2.6 Intellectual Property Protections

China adopts a system of intellectual property protection covering both administrative and judicial channels. With the Outline of the National Intellectual Property Strategy as the core, and support from the Outline of the Judicial Protection of Intellectual Property in China (2016-2020) currently in place, China's judicial protection system for intellectual property has seen continuous improvement. Chinese law protects the following categories of IPR: patents (including inventions, utility models, and appearance designs), trademarks (including well-known trademarks), geographical indications, copyrights (including computer software) and neighboring rights, layout designs of integrated circuits, new varieties of plants, trade secrets, etc.

2.7 Tax Administration

2.7.1 Introduction to the Tax System

■ Taxation Environment

China's competent department of taxation is the state taxation Administration directly subordinate to the State Council. Responsible for nationwide tax collection management, it has four levels of subsidiary taxation organs (provincial, municipal, county, and township) which carry out tax collection within the scope of their respective administrations under the leadership of the State Taxation Administration.

■ Tax categories

Like other countries in the world today, China adopts a compound tax system of multiple tax types. Under the current system, 18 types of tax are divided into the following categories according to the object of taxation:

Income taxes: enterprise income tax, individual income tax

Turnover taxes: value-added tax, consumption tax, tariff

Property taxes and act taxes: house property tax, deed tax, vehicle and vessel tax, stamp tax, city and town land use tax, land value increment tax, tonnage tax, resource tax, urban maintenance and construction tax, vehicle purchase tax, farmland conversion tax, tobacco tax, environmental protection tax.

2.7.2 Transferring Price

In relation to the final achievements of the Action Plan on Base Erosion and Profit Shifting (BEPS) issued by the Organization for Economic Co-operation and Development (OECD), the State Taxation Administration issued its own announcements and management measures. Based on the tax authorities' taxation practices and technological conditions in the field of transfer pricing in recent years, the State Taxation Administration has improved the requirements for reporting concurrent data on associated transactions (including main documents, local documents and documents on special matters applicable to certain types of transactions) as well as requirements for the Country-by-Country Reporting Form. When an enterprise meets the conditions for preparing the three above-mentioned documents (including the amount of related transactions), it shall prepare the relevant documents and observe regulations on the object of exemption, the preparation deadline, and the submission deadline.

2.7.3 Tax Conventions

China is actively establishing an international tax governance system aligned with China's new openingup landscape. Domestically, China upgrades its international tax system and tax collection system; internationally, China engages in in-depth global tax cooperation. As of the end of May 2022, China's agreements on the prevention of double

taxation had covered 112 countries and regions (including the tax arrangements between the Chinese Mainland and Hong Kong and Macao, and tax treaties between the Chinese Mainland and Taiwan). In addition, China has signed three multilateral tax conventions and 10 tax information exchange agreements. The agreements on prevention of double taxation have played a positive role in the prevention of double taxation for cross-border taxpayers from both contracting parities, while enhancing tax certainty, strengthening economic cooperation, promoting bilateral capital, technology, and personnel exchanges, and ramping up tax cooperation.

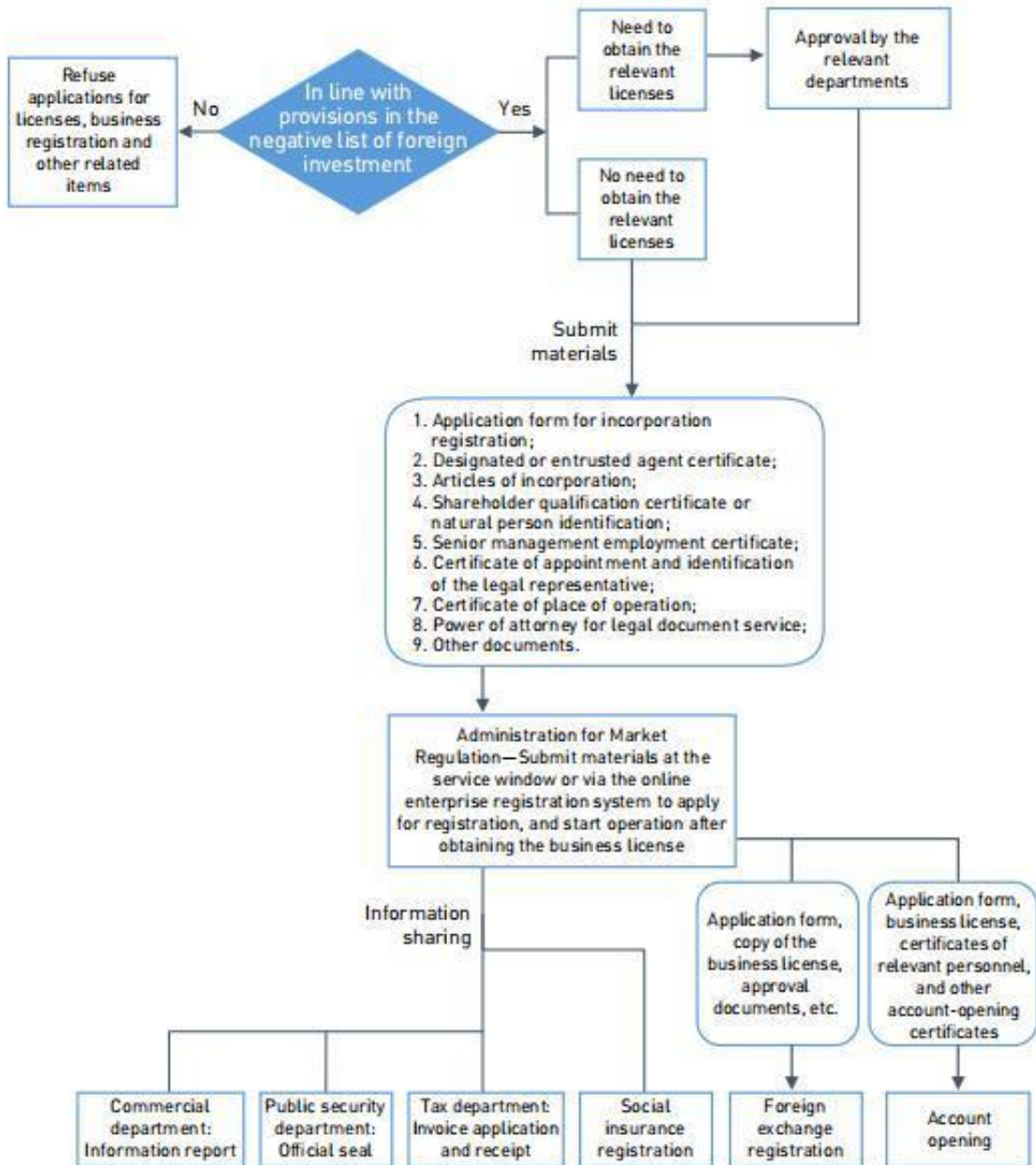
2.8 Dispute Resolution

The primary ways to resolve disputes include litigation, arbitration, mediation and reconciliation. Administrative disputes with administrative organs can be settled through administrative reconsideration and administrative litigation. Mediation is recommended in the process of litigation, reconsideration and arbitration. China's court system consists of the Supreme People's Court of the People's Republic of China, local people's courts at various levels (including superior people's courts, intermediate people's courts, and basic people's courts), and specialized people's courts (military courts, maritime courts, intellectual property courts, financial courts, etc).

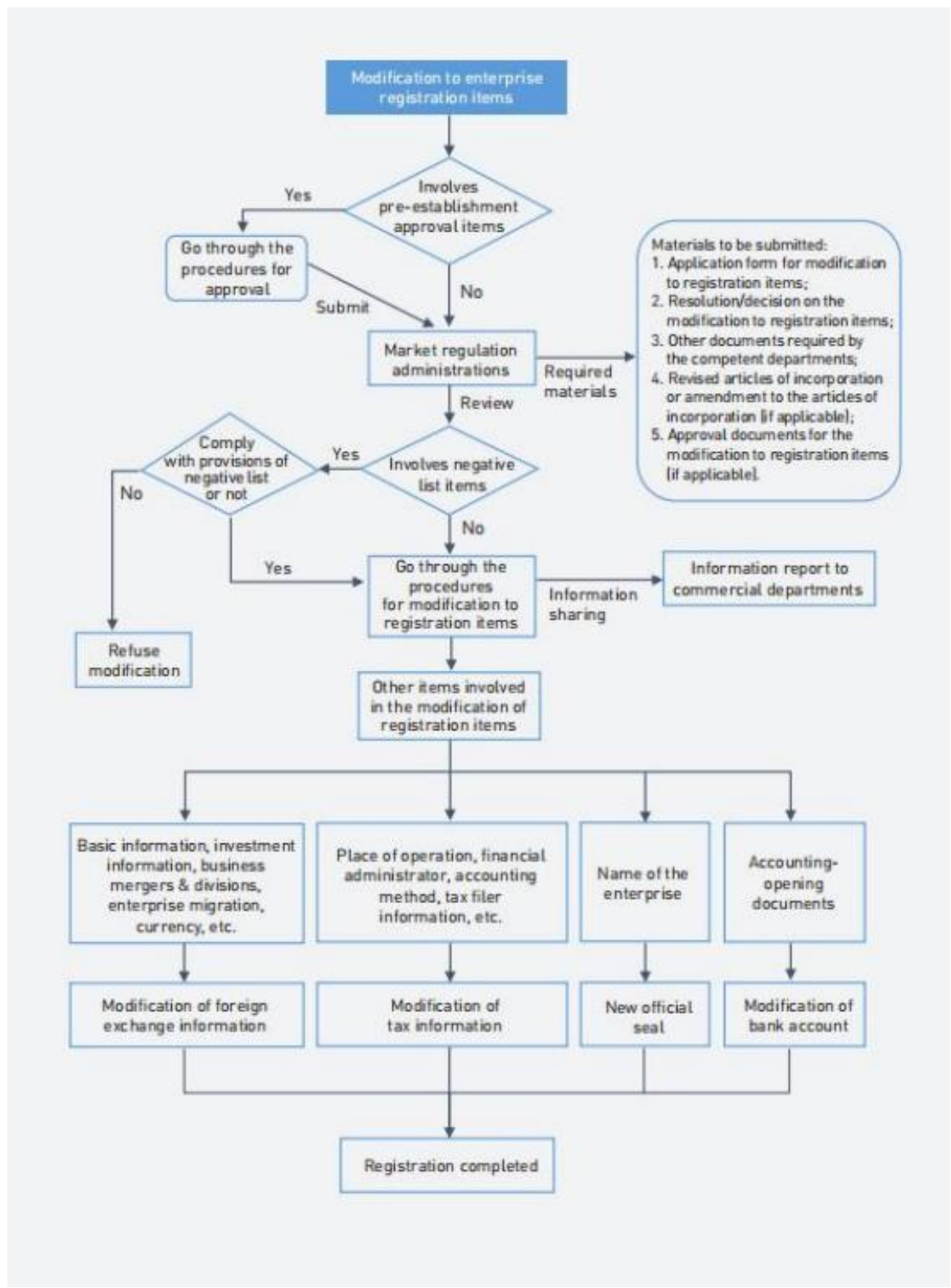
3.Procedures for Foreign Investment

3.1enterprise incorporation/modification

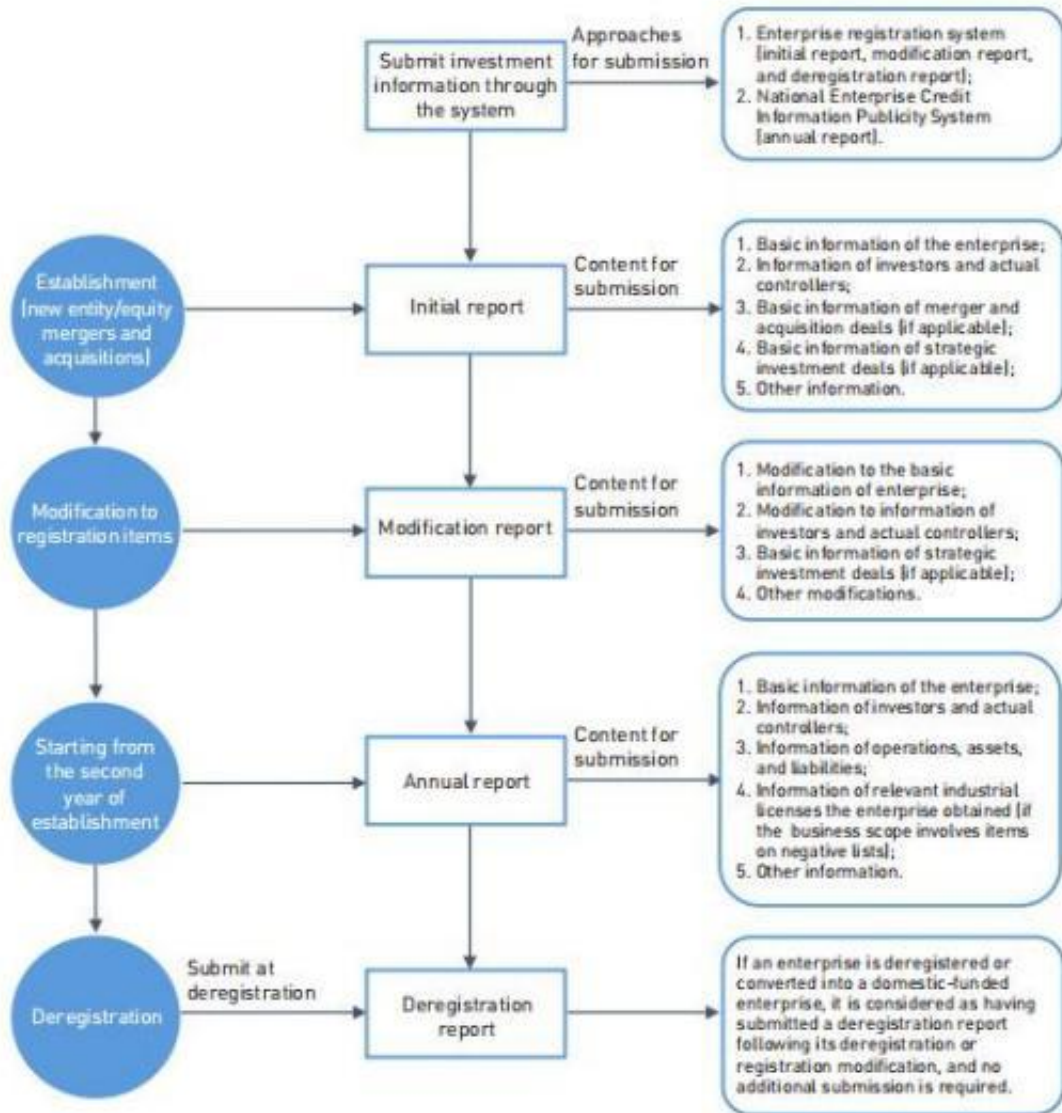
3.1.1 enterprise incorporation



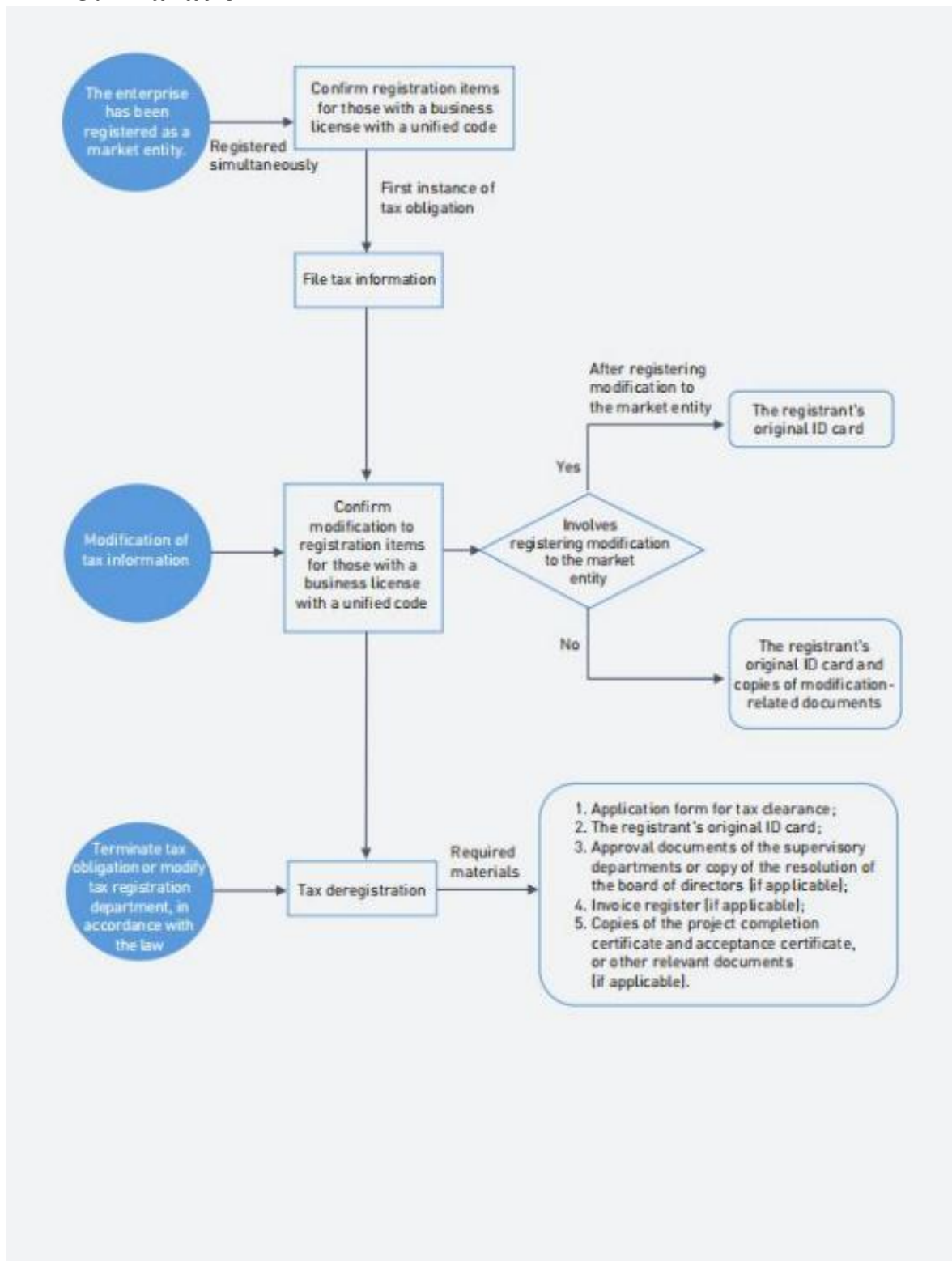
3.1.2 enterprise modification



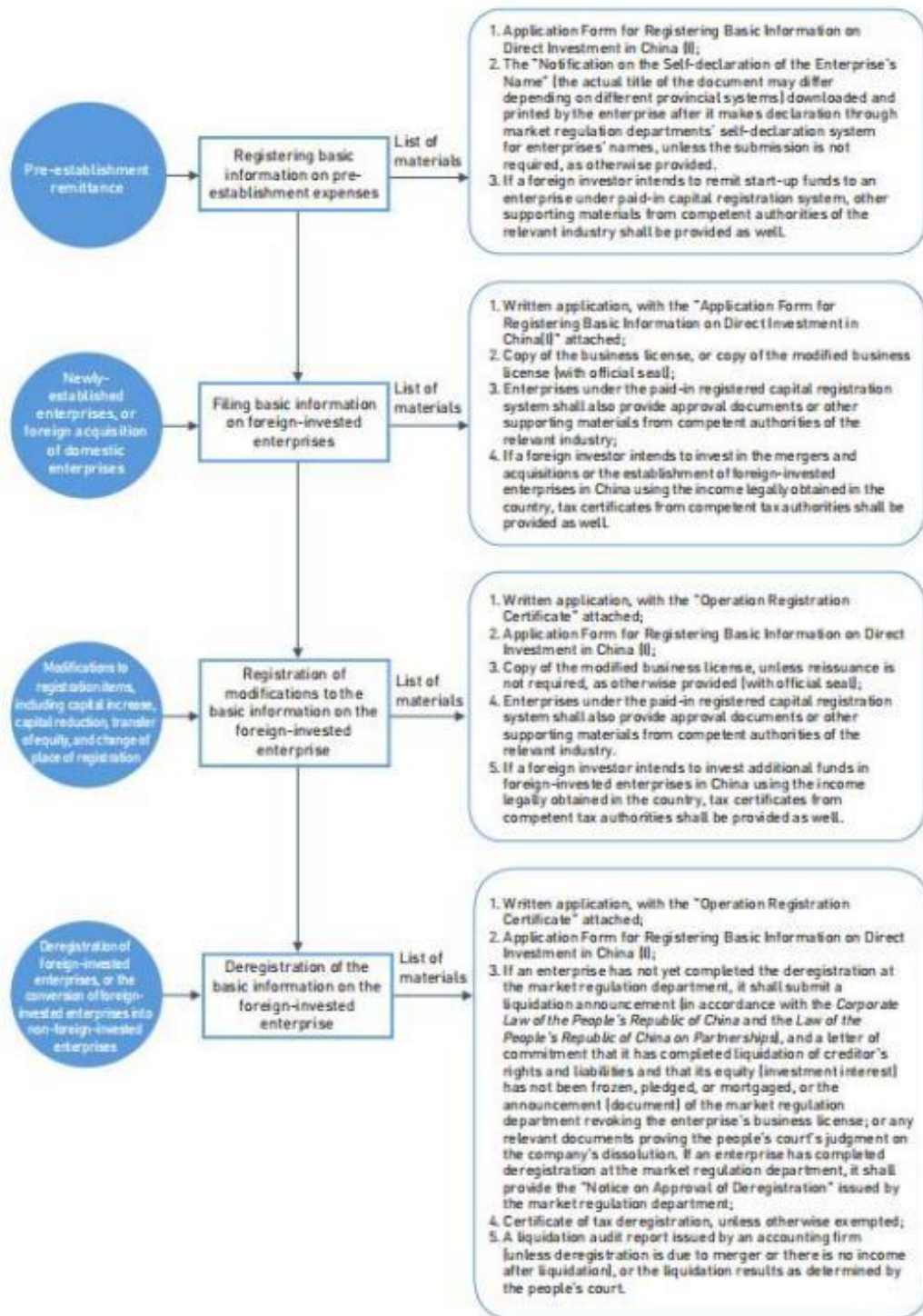
3.1.3 Enterprise Information Report



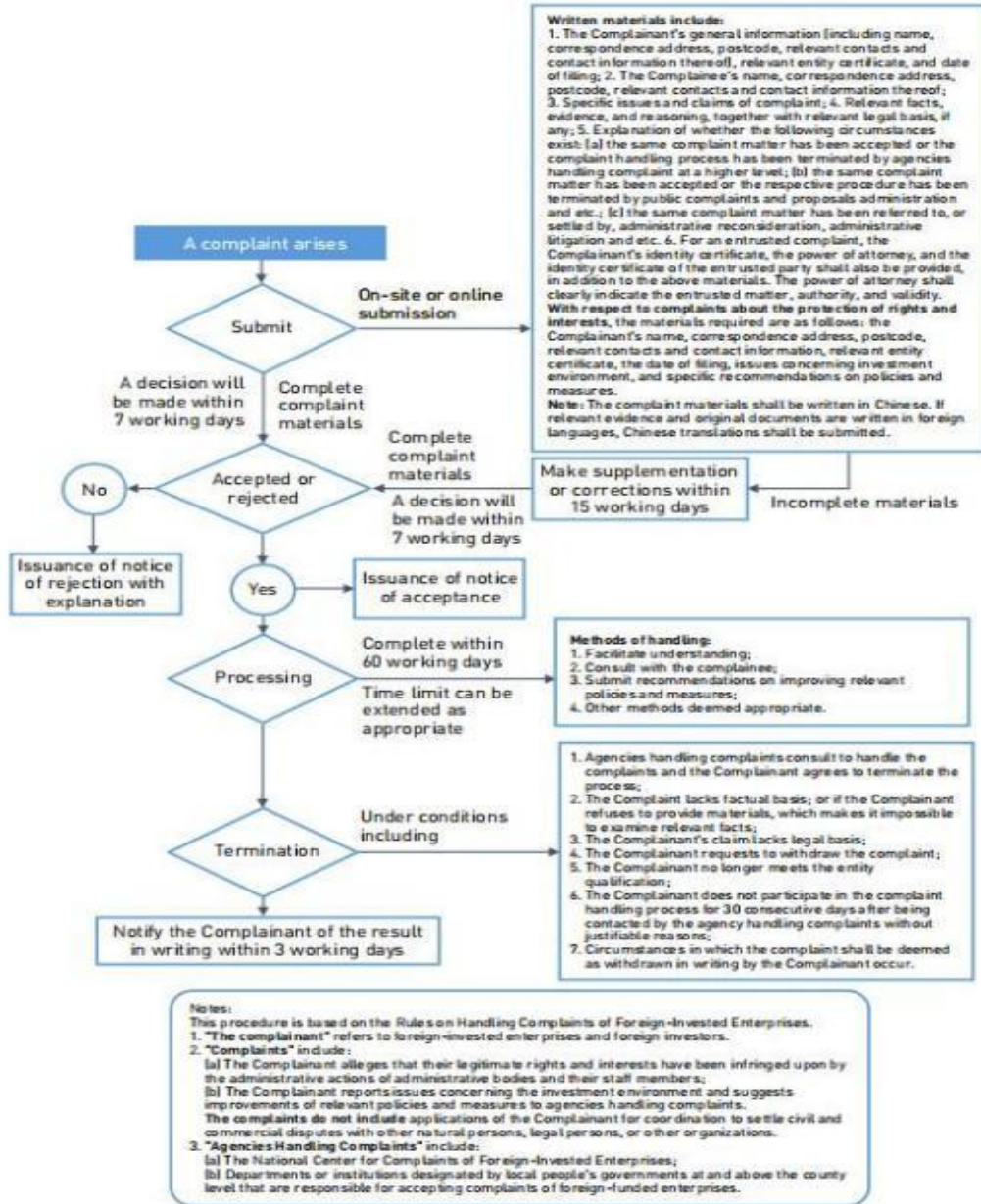
3.2 Taxation



3.3 Foreign Exchange



3.4 Complaint Management for Foreign-invested Enterprises



4.Foreign Nationals in China

4.1 Entry and Residence

The *Exit and Entry Administration Law of the People 's Republic of China* is applicable to the entry and exit of foreign nationals, as well as their stay and residence in China. Chinese Visa-issuing authorities are authorized to, according to relevant regulations, determine the type, frequency, period of validity, and duration of stay of visas, reject foreign nationals' applications for visas, or cancel or confiscate issued visas.

The National Immigration Administration and the Ministry of Foreign Affairs of the People's Republic of China manage entry and exit affairs in accordance with their respective responsibilities. Embassies and consulates of the People's Republic of China in foreign countries and other missions overseas commissioned by the Ministry of Foreign Affairs issue entry visas to foreign nationals. Exit/entry border inspection authorities shall be responsible for carrying out exit/entry inspections. The stay and residence of foreign nationals in China are managed by public security organs under local people's governments at or above the county level and their exit/ entry administrations.

Chinese visas are categorized as diplomatic, courtesy, official, and ordinary. Ordinary visas come in 12 categories and 16 types. These are issued to foreign nationals coming to China for non diplomatic and

non-official purposes: work, study, family visits, tourism, business, or as talent invited to work in China. Foreign nationals can apply for a visa that suits the purpose of their visit, or enter China visa-free if they meet the certain criteria. Foreigners who need to enter China urgently for humanitarian reasons, are invited to enter China for urgent business or emergency repair work, or have other urgent needs and hold documents that prove the relevant departments' approval of applying for port visas may apply for port visas and enter China. Travel agencies that organize inbound tourism in accordance with relevant state regulations may apply for group tourist visas from port visa authorities.

Foreign nationals entering China shall defer to the inspection of the China Immigration Inspection and the health quarantine of China Customs, go through the prescribed procedures, and enter China only upon approval. Foreign nationals carrying animals, plants, or currencies into China shall abide by relevant laws of China as well as the regulations of the customs and financial regulatory authorities. Except for prohibited items, foreign nationals can carry a reasonable amount of luggage that is for self-use into China duty free. Foreign nationals whose visas indicate that they need to apply for residence permits after entry shall, within 30 days of entry, apply to the exit/entry administration of the public security organ under the local people's government at or above the county level for residence permits. The validity period of the residence permit

indicates how long the permit holder can stay in China. Foreign nationals should leave China before the last day of the duration of stay prescribed on the visa they hold or the expiry of the validity period of their residence permits. Where the duration of stay of visa needs to be extended, the visa holder shall file an application with the exit/entry administration of the public security organ under the local people's government at or above the county level in the place of his stay at least seven days prior to the expiry of the duration specified in the visa. Foreigners residing in China who apply for the extension of the duration of residence shall, at least 30 days prior to the expiry of the validity period on their residence permits, file applications with the exit/entry administrations of public security organs under local people's governments at or above the county level.

Foreign nationals' residence permit for work is valid for a minimum of 90 days and a maximum of five years, while the residence permit for purposes other than work is valid for a minimum of 180 days and a maximum of five years. Foreign nationals who have made prominent contributions to the economic and social development of China or who meet other conditions for permanent residence may apply for permanent residence in China. Foreign nationals who wish to work in China need to obtain work permits and residence permits for work as required by relevant regulations.

During the outbreak of the COVID-19 pandemic, the Chinese government adjusts its policies on the entry of foreigners in a dynamic manner. It will give full consideration to their reasonable request and provide them with necessary support and assistance. For visa application, applicants should follow the relevant requirements of Chinese embassies and consulates in foreign countries based on their notices.

Passengers traveling to China by air are required to provide negative certificates of nucleic acid tests and IgM antibody tests before boarding and should comply with Chinese regulations on inspection and quarantine as well as pandemic prevention and control after arriving. The Chinese government has released instructions relevant to foreign nationals' visa application, customs clearance, residence permits, and departure from China. For details, please visit the following two websites: <http://s.nia.gov.cn/mps/bszy/>; <http://cs.mfa.gov.cn/wgrlh/>.

4.2 Housing

In accordance with such regulations as the *Notice on Adjusting the Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market* and the *Notice of the Ministry of Housing and Urban-Rural Development and the State Administration of Foreign Exchange on Further Regulating the Administration on House Purchase by Overseas Institutions and Individuals*, branches and representative

offices set up by foreign institutions in China (except for companies approved to engage in real estate businesses) and foreign individuals working or studying in China can purchase commercial properties for personal use based on their actual needs. Foreign individuals in cities where there are policy restrictions on housing purchase shall abide by the local policies and regulations when purchasing a house. Each foreign individual is only allowed to buy one house for personal use in China. Overseas institutions with branches or representative offices within the territory of China can only purchase non-residential houses for their offices in cities where they are registered. In addition, foreign nationals are not prohibited from renting out or selling houses in China.

4.3 educations

Foreign nationals can enroll their children either in schools specifically built for their children or ordinary primary/secondary schools and kindergartens in accordance with the relevant policies formulated by the local provincial administrative departments of education. Schools specifically built for the children of foreign nationals mainly admit their children (of foreign nationality) who live together with them legally in

the province, autonomous region, or municipality directly under the central government. They can offer pre-school, primary school, and secondary school education, and adopt a foreign education model.

4.4 Medical Services

China's medical care system is composed of general hospitals, specialized hospitals, community health service centers and stations, outpatient departments, clinics, and emergency centers, which are of various types, sizes, and functions. There are non-profit public medical institutions run by the government as well as social medical institutions run by non-government forces (including medical institutions that are Chinese-foreign joint venture or Chinese-foreign cooperatives). Foreign nationals can seek medical treatment at institutions of their choice at the same cost as Chinese residents. "120" is the emergency number in all parts of China that one can turn to for emergency medical response before hospitalization. It provides first aid, emergency treatment in transit, and patient monitoring beyond hospital boundaries. Almost all general hospitals have an Emergency Department to provide emergency medical treatment for patients in need.

According to the *Social Insurance Law of the People's Republic of China* and the *Interim Measures for Social Insurance System Coverage of Foreigners Working within the Territory of China*, foreign workers

legally employed in China shall take out the Urban Employee Basic Medical Insurance (UEBMI) and enjoy the same medical insurance treatment as other insured workers. Foreign nationals can refer to the official website of their local administrative department of medical security for the list of hospitals covered by basic medical insurance, as well as the scope and ratio of medical insurance reimbursement.

Foreign nationals (or their employers) may purchase commercial medical insurance to cover additional risks not yet covered by basic medical insurance.

4.5 Travel

China is endowed with rich resources, boasting abundant natural and cultural attractions. Most cities and counties are open to foreign nationals, who do not have to apply for a travel permit to visit the tourist attractions open to them—a valid passport and a Chinese visa or residence permit would suffice. Foreign nationals wishing to visit the tourist attractions that are not open to them should apply to the local municipal or county level public security bureau for a travel permit. Without permission, foreign nationals may not enter areas closed to the public. For guidance to foreign nationals on visiting China, please visit: <http://www.gov.cn/banshi/wjrs/lygg.htm>. A number of qualified travel agencies, car rental

companies, and flight and hotel booking agencies in China facilitate the travel of foreign visitors. For details, please consult any travel book or visit travel portals.

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