

NEWSLETTER

NO.2

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Cross-border Investment Law Monthly

I. Legislative Developments

FOREIGN DIRECT INVESTMENT

- **The Ministry of Commerce Issued the *Decision on Abolition and Amendment of Some Regulations (Draft for Comment)*, Foreign-Related Provisions in Several Regulations to be Modified**

On January 30, the Ministry of Commerce issued the *Decision on Abolition and Amendment of Some Regulations (Draft for Comment)*. It is proposed to abolish two regulations and revise nine regulations, including: deciding to delete part of provisions in the section of Establishment, Change and Termination of Foreign-invested Auction Enterprises in the Auction Management Measures; deciding to delete the following provision from the *Management Measures for Refined Oil Markets*: “The same foreign investor engaged in retail sales of refined oil products in China for 30 or more gas stations (including investment in constructing gas stations, holding and leasing stations), sales of different types and brands of refined oil from multiple suppliers is not allowed to be controlled by foreign parties.”

- ***Industrial Catalogue of Encouraging Foreign Investment Released for Public Comments***

On February 1, the National Development and Reform Commission and the Ministry of Commerce promulgated the *Industrial Catalogue of Encouraging Foreign Investment (Draft for Comment)* for public comments. The Catalogue includes two parts: 1) the National Industrial Catalogue of Encouraging Foreign Investment which is applicable to foreign investment in all provinces (autonomous regions and municipalities); 2) The catalogue of encouraging foreign investment in advantageous industries in the central and western regions, which is applicable to foreign investment in the central and western regions, northeastern regions and Hainan province.

- **The National Development and Reform Commission and Other 15 Departments Jointly Issued an Inventory of Approval Items for Investment**

On February 12, the National Development and Reform Commission and other 15 departments jointly issued the *Uniform Name and Application Materials Inventory of the Approval and Management of Online Approval and Supervision Platform for*

National Investment Approval Projects. The Inventory includes 42 items of approval, authorization and filing, and 258 items to be submitted for review before the start of various types of investment projects. It also clarifies the types of projects and their application for each approval and its application materials. This is the first full-caliber issuance of investment project approval issue at the national level in recent years.

- **The Ministry of Commerce Suspends the Relevant Approval and Filing of Direct Selling Enterprises, and will Promote the Improvement of Laws and Regulations**

On February 14, in response to a reporter's question about direct selling companies, the Ministry of Commerce Spokesman Gao Feng said that, at present, the Ministry of Commerce has suspended the handling of direct sales related approvals and filings, and is actively working with relevant departments to carry out health market rectification work. (Xinhua)

- **The State Administration of Taxation Released 52 Measures to Facilitate Private Taxation, Expanding the Scope of Temporarily not Levying the Withholding Income tax on Foreign Investors Who Make Direct Investment with Distributed Profits**

On February 20th, the *Opinions of the State Administration of Taxation on Launching the "Spring Breeze Action of Facilitating Taxation" in 2019* was released, 52 items in 13 sections of 4 categories of facilitating taxation service introduced. Among them, "implementing the expansion of the scope of temporarily not levying the withholding income tax on foreign investors who make direct investment with distributed profits" is one of tax reduction and fee reduction measures. It is implemented by the provincial tax authorities, and the international tax administration department takes the lead and continues to advance.

- **Shanghai Canceled and Adjusted Administrative Approval Matters, Several Related to Foreign Investment**

On February 21, the Shanghai Municipal People's Government promulgated the *Decision on Cancellation and Adjustment of a Batch of Administrative Approvals and Other Matters*, and decided to cancel 15 and adjust 2 administrative approval items, including the Municipal Committee of Commerce canceling the transfer of foreign investment enterprises out of authority to the Ministry of Commerce, the Municipal Human Resources and Social Security Bureau canceling the approval of personnel from Taiwan, Hong Kong and Macao for employment in Shanghai, the Municipal Communications Commission canceling the approval of foreign investment project in road transport industry and business license thereof, the Municipal Market Supervision Bureau canceled the establishment registration of enterprise group, the registration of additional branch of a company, and the registration of establishing branches of foreign-invested partnerships.



OVERSEAS DIRECT INVESTMENT

- ***2018 Edition of Country (Region) Guide to Overseas Investment and Cooperation Released***

On January 29, the Ministry of Commerce released the *2018 Edition of Country (Region) Guide to Overseas Investment and Cooperation*, which comprehensively introduced the basic conditions, economic situation, policies and regulations, investment opportunities and risks of the countries (regions) where investment or cooperation is conducted.

- ***China and Qatar Signed the Agreement between the Government of the People's Republic of China and the Government of Qatar on Strengthening Cooperation in the Field of Infrastructure***

On January 31, the Minister of Commerce of People's Republic of China and the Deputy Prime Minister and Minister of Foreign Affairs of Qatar signed the *Agreement between the Government of the People's Republic of China and the Government of the State of Qatar on Strengthening Cooperation in the Field of Infrastructure*. Signing this agreement will further promote the two sides to broaden the scope of cooperation in the design, construction and operation management of infrastructure, enhance the level of cooperation, and promote the Belt and Road cooperation and bilateral economic and trade relationships between the two sides for continuously achieving new development.

- ***Signature of the Arrangement Between National Development and Reform Commission and Macao SAR on Supporting Macao's Full Participation and Assistance in the Construction of the Belt and Road***

On February 20, the National Development and Reform Commission and Macao SAR signed the *Arrangement Between National Development and Reform Commission and Macao SAR on Supporting Macao's Full Participation and Assistance in the Construction of the Belt and Road*. The Arrangement puts forward 20 key areas in four aspects including cooperation in the financial field, economic and trade exchanges and cooperation, mutual understanding of people's hearts and minds, and cooperation with other cities in Guangdong-Hong Kong-Macao Great Bay Area. (China Securities Network)

- ***Zhejiang Guideline for Enterprises on Overseas Investment (2019) (Draft for Comment) Released for Public Comments***

On February 20th, the Zhejiang Provincial Office of the Leading Group for Promoting the Construction of the Belt and Road released the *Zhejiang Guideline for Enterprises on Overseas Investment (2019) (Draft for Comment)*, and solicited public comments until March 1. The Draft clarifies the general requirements, the areas of overseas investment that are encouraged to be carried out, the sensitive industries of overseas investment, the countries and regions that are sensitive to overseas investment, and

safeguard measures.

- **Swiss Federal Council Refuses to Impose Restrictions on Chinese Investment**

On February 15, foreign media said that the acquisition of Chinese companies in Switzerland caused some people to worry, but the Swiss Federal Council announced in its 13th public report that it opposed the investment restrictions on foreign acquisitions. (Reference News)

- **Japanese Government Plans to Set up a New Anti-Monopoly Agency**

According to foreign media reports, the Japanese government plans to set up a new anti-monopoly agency to review large technology companies such as Facebook and Google. The new agency will also draft new guidelines to assess whether mergers and acquisitions will result in a monopoly of communication data or personal data. (Tencent Technology)

II. Industry Major News

FOREIGN DIRECT INVESTMENT

- **Japanese Company Alpine will Massively Produce Battery Packs in China**

Japanese electronic component manufacturer Alpine plans to buy battery cells from other battery manufacturers, and together with China Neusoft Group, to set up Neusoft Ruichi Automotive Technology Co., Ltd. to produce battery packs in Wuhan. (Reference News reported on February 1)

- **First in China: a Zhejiang WFOE was Granted Refined Oil Wholesale Qualification**

A Zhejiang wholly foreign-owned enterprise, Shell (Zhejiang) Petroleum Trading Co., Ltd. was approved by the Ministry of Commerce on February 21 to obtain the domestic refined oil wholesale qualification. This is the first international oil company to be granted refined oil wholesale qualification in China in the main body of a wholly foreign-owned enterprise. (Observer)

- **Global Oil Giant Invests in Equity Shares, Saudi Aramco Plans to Acquire 9% Stake in Zhejiang Petrochemical**

On February 22, Saudi Aramco signed three memorandums of understanding with relevant parties in Beijing to expand its downstream business in Zhejiang and even in China, including the acquisition of a 9% stake in Zhejiang Petrochemical to provide long-term crude oil supply to Zhejiang Petrochemical and investing in the refined oil retail network. (Qianjiang Evening News)

- **Signing Ceremony of Huajin Aramco Petrochemical Project Joint Venture Agreement Held**

On February 22nd, Liaoning Panjin Xincheng Group and China Ordnance Industry Group and Saudi Aramco signed a joint venture agreement for Huajin Aramco Petrochemical Project in Beijing, which will build Huajin Aramco Petrochemical Project to set up a world-class petrochemical industrial base. The investment exceeds 10 billion US dollars. (Xinhua)

- **Hyatt will Join Hands with the Homeinn to Jointly Create a Hotel Brand and Expand its Business in China**

On February 26th, Hyatt Hotel Group and Beijing Tourism Hotel (Group) Co., Ltd. will jointly establish a hotel management joint venture company and create a new hotel brand. The registered capital of the joint venture company is 180 million yuan, Homeinn Chain (China) Co., Ltd. accounting for 51% while China Hyatt Co., Ltd. holding 49%. (Zhongxin Online News)

- **Diageo, the World's Largest Spirits Company, to Launch a Total of RMB 2.2 Billion to Acquire the Equity of Shuijingfang**

On February 26th, Diageo, the world's largest spirits company, plans to launch a tender offer for Shuijingfang again, with the goal of increasing the proportion of holding stakes of Shuijingfang from 60% to 70%. Diageo will pay RMB 2.198 billion in cash for this tender offer. (Jiemian News)

OVERSEAS DIRECT INVESTMENT

- **After Breaking up with FF, Evergrande Hand in Hand with a Sweden Vehicle Company to Develop Top Alternative Energy Cars**

China Evergrande Group announced on January 29 that it has established a joint venture with the Swedish premium car company Koenigsegg. Evergrande invested US\$150 million through its subsidiary NEVS and invested 65% in the joint venture to strive to develop high-end pure electric vehicles with Koenigsegg. (Reference News)

- **Tencent Music and KKR Intend to Bid for Nearly Half of Equity Shares of the World's Largest Record Company UMG, Amounting to US\$22.73 Billion**

US private equity firm KKR and Tencent Music are considering investing in no more than half of the shares of Vivendi's music division Universal Music Group (UMG), which could amount to 20 billion euros (\$22.73 billion). (Reuters)

- **Henan Education Company Spent Nearly 200 Million to Acquire Stanford International University in Thailand**

On February 12, Yuhua Education announced that its wholly-owned subsidiary Yuhua Education Investment had completed the acquisition of Stanford International University (STIU), a private university in Thailand, for US\$27.87 million (approximately RMB188 million). (Globus)

- **SF Holdings Invested RMB 5.5 Billion to Officially Complete the Transaction of DHL's Supply Chain Business in China**

On February 18th, SF Holdings' acquisitions of 100% equity interest in DHL Hong Kong and DHL Beijing were officially completed. The DPDHL Group transferred its supply chain operations in mainland China, Hong Kong SAR and Macau SAR to SF Express. The newly established joint company SF DHL Supply Chain China started its operations and is headquartered in Shanghai. (Tencent Finance)

- **Joyvio Spent US\$880 Million to Acquire Chilean Salmon Company Australis Seafoods S.A.**

Joyvio Zhencheng, a subsidiary of Joyvio Agricultural Development Co., Ltd., signed a Share Purchase Agreement with the major parties to acquire at least 95.26% up to 100% of the issued shares of its Chilean salmon company Australis Seafoods S.A. Australis Seafoods S.A. has a 100% stake of US\$880 million and a production of about 64,000 tons in 2017, accounting for 9% of Chile's total production. (Chinaventure.cn)

- **NetEase Koala Merges with Amazon China's Overseas Purchase Business, Maybe Adopting a Share Swap Method**

On February 19th, NetEase and Amazon are promoting a major restructuring of China's e-commerce business. NetEase Koala will merge with Amazon China's overseas purchase business. The negotiation lasted for several months and was initiated and promoted by NetEase Koala. The two parties may adopt a share swap method. (Caijing.com.cn)

- **Meitu to Acquire 31% Equity of Warframe with HK\$2.69 Billion**

On February 20, Meitu announced that it will acquire 31% stake in Dreamscape Horizon, an indirect wholly-owned subsidiary of Logame Technology, at a consideration of the issue of 991.4 million shares with the per share at HK\$2.71. The total consideration for the acquisition is HK\$2.69 billion. (People's Network)

- **Shengtung Mining to Acquire Overseas Copper and Cobalt Mine Assets for over RMB 500 Million**

On February 26, Shengtung Mining announced that Xuchen International, an indirect wholly-owned subsidiary of the company, intends to acquire 100% equity of Nzuri in cash, with a total transaction amount not exceeding AUD 114 million (equivalent to RMB not exceeding 546 million). The main asset of Nzuri is the copper and cobalt mine in the Katanga region of the Democratic Republic of the Congo, which mainly includes the Kalongwe mining project and the FTB exploration project. (Jiemian News)

Disclaimer: All of the above information is from domestic and foreign media reports and publications. We have not verified the specific content of the information, and are not responsible for its authenticity, accuracy and completeness. This publication does not constitute any form of legal opinion or advice. If you need legal consultation on a particular matter, please contact the following lawyers:



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