

Provisions on Foreign Exchange Administration of Foreign Direct Investment of the PRC

Dan Young Business Consultancy — www.danyoungcpa.com

Unofficial English translation prepared for reference only. The official Chinese text prevails.

Contents

Table of Contents	1
Chapter I — General Provisions	1
Chapter II — Foreign Exchange Registration	2
Chapter III — Capital Account Foreign Exchange Administration	2
Chapter IV — Supervision and Administration	2
Chapter V — Supplementary Provisions	3

Issued by the State Administration of Foreign Exchange on March 29, 2015

Effective: June 1, 2015

Table of Contents

- General Provisions
- Foreign Exchange Registration
- Capital Account Foreign Exchange
- Supervision and Administration
- Supplementary Provisions

Chapter I — General Provisions

Article 1 — These Provisions are formulated in accordance with the Regulations of the People's Republic of China on Foreign Exchange Control and other relevant laws and regulations to further reform foreign exchange administration, to facilitate cross-border investment and financing by enterprises, and to promote the liberalization and facilitation of trade and investment.

Article 2 — Foreign exchange matters relating to foreign direct investment conducted by foreign investors within the territory of China and overseas direct investment conducted by domestic enterprises shall be governed by these Provisions. The term "foreign exchange matters relating to foreign direct investment" includes foreign exchange registration, the opening and use of foreign exchange accounts, the receipt, payment, and settlement of capital funds, and other foreign exchange administration matters relating to foreign-invested enterprises.

Article 3 — The State Administration of Foreign Exchange (hereinafter referred to as "SAFE") and its branches shall exercise supervision and administration over the foreign exchange matters of foreign direct investment in accordance with these Provisions.

Chapter II — Foreign Exchange Registration

Article 4 — A foreign-invested enterprise shall, after obtaining its business license, undergo foreign exchange registration with the local SAFE office at the place of its registration. When undergoing foreign exchange registration, the foreign-invested enterprise shall truthfully report its basic information, information on its investors, investment amount, registered capital, and other relevant information.

Article 5 — Where there is any change in the basic information, investor information, investment amount, registered capital, or equity structure of a foreign-invested enterprise, the foreign-invested enterprise shall undergo the change registration of foreign exchange matters with the local SAFE office within 30 working days from the date of the change.

Article 6 — Where a foreign-invested enterprise is deregistered, undergoes liquidation, or is converted into a domestic enterprise, it shall undergo the cancellation of foreign exchange registration with the local SAFE office in accordance with the relevant provisions.

Article 7 — Foreign exchange registration for foreign direct investment may be handled directly by the foreign-invested enterprise through the foreign exchange bureau at the bank where its account is opened, and the bank shall transmit the registration information to the SAFE capital project information system in accordance with the relevant provisions.

Chapter III — Capital Account Foreign Exchange Administration

Article 8 — Foreign-invested enterprises may, based on their actual business needs, open special foreign exchange accounts for capital funds with banks and independently decide the time for the settlement of foreign exchange capital funds. The settled capital funds shall be used for their own business operations within their business scope and shall not be used for investment in securities or other investments not permitted by laws and regulations.

Article 9 — Where a foreign-invested enterprise conducts an outward remittance of profits, dividends, or capital reduction funds, it may, based on the resolution of its board of directors or shareholders' meeting and the relevant tax payment certificates, directly handle the outward remittance of foreign exchange at the bank. The bank shall examine the authenticity and compliance of the transactional documents.

Article 10 — A foreign-invested enterprise may, within the investment amount approved in accordance with the law, directly handle the relevant foreign exchange purchase and payment procedures at the bank for the import of equipment, technology, and other purposes. For external borrowings, overseas guarantees, and other cross-border financing activities, the foreign-invested enterprise shall undergo the relevant foreign exchange administration formalities in accordance with the law.

Article 11 — Foreign investors may remit capital funds into China in accordance with the law, or may contribute capital by way of cross-border RMB or in kind, but shall undergo the capital verification and foreign exchange registration procedures in accordance with the relevant provisions of the state. After the foreign-invested enterprise has invested capital, it shall handle the foreign exchange formalities for the capital verification of the contribution with an accounting firm and the bank.

Chapter IV — Supervision and Administration

Article 12 — SAFE and its branches shall conduct off-site monitoring and on-site inspections of the foreign exchange matters of foreign direct investment, focusing on the authenticity and compliance of the receipt and payment of foreign exchange capital funds and the settlement and use of capital funds.

Article 13 — Banks shall, in accordance with the principle of "know your customer," "know your business," and "due diligence," fulfill their obligations to examine the authenticity and compliance of foreign exchange matters of foreign direct investment and shall submit the relevant data and information to SAFE in a timely

manner.

Article 14 — Foreign-invested enterprises and foreign investors shall cooperate with SAFE in its supervision and inspection and shall provide relevant documents and materials in a truthful manner. Where false declarations or fraudulent purchase of foreign exchange is discovered, SAFE shall impose penalties in accordance with the law.

Article 15 — Where a bank fails to perform its obligations to examine the authenticity and compliance of foreign exchange matters, fails to submit data and information as required, or violates foreign exchange administration regulations in the handling of foreign exchange matters for foreign-invested enterprises, SAFE shall impose penalties in accordance with the law.

Chapter V — Supplementary Provisions

Article 16 — Foreign exchange matters relating to investment by investors from the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Taiwan region in Mainland China shall be handled with reference to the provisions on foreign exchange matters relating to foreign direct investment.

Article 17 — These Provisions shall come into force on June 1, 2015. Where any provisions previously issued by SAFE are inconsistent with these Provisions, these Provisions shall prevail.

Disclaimer: This translation is provided for informational and reference purposes only. While every effort has been made to ensure accuracy, it is not an official translation and may contain errors or omissions. This translation does not constitute legal advice. Dan Young Business Consultancy assumes no liability for any reliance placed on this translation.