

Circular on the Relevant Issues concerning the Experimental Establishment of Logistics Enterprises with Foreign Investment

The commissions (departments, bureaus) of foreign trade and economic cooperation of Jiangsu, Zhejiang, Guangdong, Beijing, Tianjin, Chongqing, Shanghai and Shenzhen:

In order to promote the opening and healthy development of international trade and modern logistics industry, we hereby plan to carry out an experiment in respect of logistics industry with foreign investment in some regions within China. For the sake of clarifying the conditions and procedures for the logistics industry with foreign investment in the experimental stage, we hereby give our notice on the relevant issues concerning the experimental establishment of logistics enterprises with foreign investment as follows:

Article 1 A logistics enterprise with foreign investment shall be a enterprise with foreign investment established by an investor from the outside of the territory in the form of Chinese-foreign joint venture or Chinese-foreign cooperative venture, which is able to, upon the actual needs, organically combine some of the links such as the transport, storage, loading and unloading, processing, packing, distribution, information treatment, import and export, etc. of goods, to form a comparatively entire supplying chain to provide users with multifunctional and integrative services (hereinafter referred to as logistics enterprise with foreign investment).

Article 2 Investors from the outside of the territory are permitted to invest in and operate the international circulation logistics and third-party logistics business in the form of Chinese-foreign joint venture or Chinese-foreign cooperative venture.

Article 3 Investors applying for establishing a logistics enterprise with foreign investment must meet the following conditions:

- a. Among the investors who plan to establish a logistics enterprise with foreign investment engaging in the international circulation logistics business, there shall be at least one party who has good achievements and experiences in operating international trade, international freight or international freight agency, and such an investor shall be the largest shareholder among the Chinese or foreign investors.
- b. Among the investors who plan to establish a logistics enterprise with foreign investment engaging in the third-party logistics business, there shall be at least one party who has good achievements and experiences in operating transportation or logistics, and such an investor shall be the largest shareholder among the Chinese or foreign investors.

Article 4 An established logistics enterprise with foreign investment must meet the following requirements:

- a. Its registered capital shall not be lower than 5 million USD;
- b. For a logistics enterprise with foreign investment engaging in the international circulation logistics business, the proportion of the shares held by the investors from the outside of the

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- territory shall not exceed 50%;
- c. It has a fixed business site;
 - d. It has the necessary facilities for operating the business.

Article 5 Upon approval, a logistics enterprise with foreign investment may operate part or all of the following businesses:

- a. The international circulation logistics business: import and export business and the relevant services, including the self-managing import and export, or the import and export of goods under agency, provision of the import and export business under agency upon entrustment by export processing enterprises; and provision of the international freight agency for the imported and exported goods sea transported, air transported or land transported.
- b. The third-party logistics business: transport, storage, loading and unloading, packing, and distribution of common goods carried by road, as well as the relevant information treatment services and consulting business; domestic freight agency; management and operation of logistics business by making use of computer network. Where a logistics enterprise with foreign investment plans to engage in the transport of common goods carried by road and to manage and operate the logistics business by making use of computer network, it shall obtain the approval of the relevant department in accordance with the present laws and regulations.

Article 6 Whoever intends to establish a logistics enterprise with foreign investment shall file an application to the department in charge of foreign trade and economic cooperation of the province, autonomous region, municipality directly under the Central Government or municipalities separately listed on the State plan where the enterprise is to be located, and shall submit the following documents:

- 1) The application letter;
- 2) The feasibility study report;
- 3) Attestations on the qualification of the parties to the joint venture as provided for by Article 4 of this Circular, or other relevant statement documents;
- 4) The legal attestation documents and credit certificates of the Chinese and foreign investors;
- 5) The contract and the articles of association;
- 6) The name list of the members of the board of directors or the joint managerial institution and the major managers as well as their resumes;
- 7) The notice on pre-approval concerning the enterprise name issued by the administrative department for industry and commerce;
- 8) Attestation of the business site of the enterprise;
- 9) Other documents required by the department in charge of foreign trade and economic cooperation.

Article 7 A logistics enterprise with foreign investment shall be established according to the following procedures: The department in charge of foreign trade and economic cooperation of a

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province, autonomous region, municipality directly under the Central Government or municipalities separately listed on the State plan shall, within 10 days as of receipt of the application documents, give opinions on the preliminary examination in accordance with this Circular, and submit the said opinions to the department in charge of foreign trade and economic cooperation under the State Council for approval; The department in charge of foreign trade and economic cooperation under the State Council shall, after receipt of the application documents, make a written decision within 30 days on whether to approve the application. If the application conforms to the provisions, the approval certificate for the enterprise with foreign investment shall be issued; otherwise the said department shall return the application and notify the applicant in written form and explain the reasons. A logistics enterprise with foreign investment engaging in the international circulation logistics business shall, within 10 days as of the date when the approval certificate for the enterprise with foreign investment is issued, take the "Approval Certificate of the People's Republic of China for Enterprise of International Freight Agency" at the department in charge of foreign trade and economic cooperation under the State Council.

Article 8 An enterprise with foreign investment shall comply with the procedures provided for in this Circular if intending to enlarge its business scope to engage in the logistics industry.

Article 9 The operational period of a logistics enterprise with foreign investment shall usually not exceed 20 years. Upon approval by the original approving organ, a logistics enterprise with foreign investment may extend its operational period.

Article 10 A logistics enterprise with foreign investment may, in accordance with the relevant present provisions, apply to establish branches in other places in China. The business scope of each branch shall not exceed that of the logistics enterprise with foreign investment.

Article 11 Logistics enterprises with foreign investment shall strictly abide by the laws and regulations of the state in respect of foreign investment, and shall also, according to its business scope, abide by the laws and regulations on the administration of the industry in such respects as transportation, international freight agency and telecommunication. Any logistics enterprise with foreign investment violates laws or regulations shall be punished accordingly.

Article 12 The experimental regions shall be stipulated by the MOFTEC, and shall temporarily be four municipalities directly under the Central Government, namely, Beijing, Tianjin, Shanghai and Chongqing. Experiments are to be carried out in Zhejiang, Jiangsu and Guangdong Provinces and Shenzhen Special Economic Zone.

Article 13 The investment by investors from Hong Kong, Macao and Taiwan Region for experimental establishment of logistics enterprises shall be handled with reference to the principles of this Circular.

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Article 14 This Circular shall enter into force as of the thirtieth day after its distribution.



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