



Contents

Foreign Exchange

Notice on Matters Concerning Deepening the Reform of Foreign Exchange Administration for Cross-Border Investment and Financing	1
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Legal

Arbitration Law of the People's Republic of China (2025 Revision)	2
Measures for the Implementation of Compulsory Deregistration of Companies	3
Measures Governing Registration Applications and Agency Practice of Business Entities	4

Human Resources

Compliance Guidelines for Corporate Implementing Non-Compete Practices	5
Decision on Amending the Shanghai Municipality Regulations on the Protection of the Rights and Interests of the Elderly	6

Recent Hot Topics

Before processing an equity transfer, if the target company has distributable profits on its books, what preparations should be made in advance?	6
Are there specific requirements regarding the order of repaying principal and interest for shareholder loans obtained from overseas shareholders?	6
When a foreign-invested enterprise undergoes capital reduction, can the surplus reserve be remitted abroad together? Is the enterprise required to pay withholding corporate income tax on the portion of surplus reserve corresponding to the capital reduction?	6

Foreign Exchange

Notice on Matters Concerning Deepening the Reform of Foreign Exchange Administration for Cross-Border Investment and Financing

Issued by: State Administration of Foreign Exchange
Issue No.: Huifa [2025] No. 43
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Links: <https://www.safe.gov.cn/safe/2025/0915/26538.html>

The most significant highlight of this Notice is the reduction of the negative list governing the domestic use of foreign exchange income from capital items (including capital funds and foreign loan) and the RMB funds obtained from the settlement thereof, eliminating the restriction that such funds "must not be used to purchase non-self-use residential properties."

Other main contents are as follows:

- Deepening the reform of foreign exchange management for foreign direct investment (FDI):
 - 1) Before establishing a foreign-invested enterprise, foreign investors are no longer required to complete the basic information registration for preliminary expenses to open a preliminary expenses account.
 - 2) The registration requirement for domestic reinvestment by foreign-invested enterprises is abolished. This policy was previously piloted in some provinces and cities and is now extended nationwide.
 - 3) Foreign investors are now permitted to use legally obtained foreign exchange profits for domestic reinvestment. Previously, only legally obtained RMB profits were allowed for domestic reinvestment.
 - 4) Facilitating non-enterprise scientific research institutions to attract and utilize foreign investment. The "Science and Innovation Foreign Exchange Facilitation Scheme" pilot, previously implemented in some provinces and cities, is now extended nationwide.
- Increasing the facilitation quota for cross-border financing. The foreign loan quota for high-tech enterprises, "Specialized, Refined, Unique, and Innovative" (SRUI) SMEs, and technology-based SMEs nationwide is uniformly raised to a USD equivalent of 10 million. For some eligible enterprises, the quota has been increased to a USD equivalent of 20 million.
- Facilitating foreign exchange settlement and payment for foreign individuals purchasing residential properties in China. They can now settle and pay the foreign exchange funds for the residential property purchase at a bank based on the purchase contract, and subsequently submit the required purchase filing documents. It should be noted that the policy regarding residential property purchases by foreign individuals remains unchanged.

Arbitration Law of the People's Republic of China (2025 Revision)

Issued by: Standing Committee of the National People's Congress
Issue No.: Order of the President of the People's Republic of China No. 54
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Effective date: March 1, 2026
Links: http://www.npc.gov.cn/npc/c2/c30834/202509/t20250912_447762.html

This Revision comprehensively restructures China's arbitration system by integrating the practical needs of domestic arbitration and the development trends of international arbitration, aiming to enhance the credibility and international competitiveness of arbitration in China. The main contents are as follows:

- Establishment of the legal validity of online arbitration. The new law explicitly stipulates that arbitration activities may be conducted online via information networks. Unless the parties explicitly express objection, online arbitration activities shall have the same legal effect as offline arbitration activities.
- Clarification of the independence of arbitration agreements. The validity of an arbitration agreement is not affected by whether the contract is formed, not yet effective, or rescinded. This means the arbitration agreement, as a procedural contract for dispute resolution, exists independently and is not influenced by the substantive contract to which it refers.
- Introduction of preservation measures for conduct and pre-arbitration. The new law explicitly provides that parties in arbitration proceedings may apply for conduct preservation, i.e., request an order compelling the other party to perform a specific act or prohibiting them from performing a specific act. Furthermore, pre-arbitration preservation measures are introduced, specifying that in urgent circumstances, parties may directly apply to the People's Court for preservation before initiating arbitration. This eliminates the previous requirement for a prior review by the arbitration commission, thereby better safeguarding the rights and interests of the parties.
- Disclosure of arbitrator's conflicts of interest. The new law introduces a system for the disclosure of information by arbitrators, specifying that if circumstances exist which may lead a party to reasonably doubt the arbitrator's independence or impartiality, the arbitrator shall promptly disclose this in writing to the arbitration institution. The arbitration institution shall notify the parties in writing of the arbitrator's written disclosure and the composition of the arbitral tribunal.
- Reduction of the time limit for applying to set aside an arbitral award. The new law shortens the time limit for parties to apply to set aside an arbitral award from six months to three months, urging parties to exercise their rights in a timely manner.
- Improvement of the foreign-related arbitration system
 - 1) Broadening the scope of foreign-related arbitration. The new law expands the scope of foreign-related arbitration cases to include "other foreign-related disputes," providing a legal basis for emerging foreign-related disputes.
 - 2) Introduction of the internationally recognized concept of "Seat of Arbitration." The new law explicitly stipulates that the parties may agree in writing on the seat of arbitration, which shall serve as the basis for determining the applicable law of the arbitration procedure and the competent court.

- 3) Introduction of "Ad Hoc Arbitration" for the first time. The new law permits parties involved in foreign-related maritime disputes or foreign-related disputes between enterprises within Pilot Free Trade Zones, the Hainan Free Trade Port, and other areas designated by the state to choose between institutional arbitration and ad hoc arbitration. If ad hoc arbitration is chosen, China must be the designated seat of arbitration, and the case must be registered with the arbitration association within three working days after the constitution of the arbitral tribunal.

Measures for the Implementation of Compulsory Deregistration of Companies

Issued by: State Administration for Market Regulation
Issue No.: State Administration for Market Regulation Order No. 105
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Effective date: October 10, 2025
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The Company Law, newly revised in 2025, established the framework for compulsory deregistration of companies. Under this framework, these Measures specify the relevant procedures and remedial measures. The main contents are as follows:

- Scope of application: Where a company has its business license revoked, is ordered to close, or is subject to revocation, and fails to apply for deregistration within three years, the registration authority may compulsorily deregister the company. The compulsory deregistration procedure does not apply to companies that are required by law to obtain approval prior to deregistration.
- Compulsory deregistration process:
 - 1) The registration authority shall issue a public notice through the National Enterprise Credit Information Publicity System ("Publicity System") for a period of 90 days;
 - 2) During the publicity period, if relevant authorities, creditors, or other interested parties raise objections, they shall provide the grounds for the objection along with supporting materials. The registration authority shall conduct a formal review within 7 working days. If the objection is sustained, the compulsory deregistration procedure shall be terminated;
 - 3) If no objections are raised or objections are not sustained upon the expiration of the publicity period, the registration authority shall, within 10 working days, issue the "Decision on Compulsory Deregistration" and serve it to the company concerned. Simultaneously, a special annotation of "Compulsory Deregistration" shall be made in the Publicity System.
- Legal consequences
 - 1) Cessation of legal personality: The company shall cease to exist as of the date of its compulsory deregistration. Its company name becomes available for registration by another company one year after such deregistration.
 - 2) Liability not exempted: The former shareholders and persons obligated to liquidate shall remain liable for unsettled debts, tax obligations, and other legal responsibilities.
- Remedial measures: Within three years from the date of a company's compulsory deregistration, if relevant authorities, creditors, or interested parties believe that circumstances exist which rendered the

deregistration inappropriate (such as the company being involved in pending litigation or legal cases), an application for reinstatement of registration may be filed.

- Procedures following termination of compulsory deregistration or reinstatement of registration: The company shall promptly initiate liquidation and apply for deregistration in accordance with the law. If the company fails to do so within three years from the date of such termination or reinstatement, the registration authority may re-initiate the compulsory deregistration procedure.

Measures Governing Registration Applications and Agency Practice of Business Entities

Issued by: State Administration for Market Regulation, People's Bank of China

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Effective date: September 15, 2025

Links: https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/djzcyj/art/2025/art_146118925.html

The Measures focus on key aspects of registration applications and agency practices, systematically establishing a comprehensive institutional framework covering "real-name verification, regulated agency conduct, and risk prevention and control," aiming to prevent fraudulent registration and money laundering risks, thereby enhancing the quality of registration. The main contents are as follows:

- First-time distinction between "Registration Liaison" and "Registration Agent"
 - 1) The registration liaison must be an internal employee of the business entity, shall be duly registered with the registration authority, and may not concurrently be served by a registration agent.
 - 2) Registration agents are third-party institutions or individuals providing registration agency services. They must register with their real names in the national unified system and update any changes in information within 60 days.
- Regulating registration agency conduct:
 - 1) Registration agents are required to sign a power of attorney with the client, verify the identity of relevant individuals or organizations involved in the registration, record the client's identity or legal entity information, and establish and properly maintain practice records.
 - 2) Registration agents are prohibited from engaging in agency practices that involve the concealment of material facts through means such as forgery, fraud, or unauthorized use of information. They must not accept mandates that are clearly non-compliant, such as those involving obviously abnormal registered capital or other registration information, or those harming public interest. Upon discovering illegal or high-risk situations, they must immediately terminate the agency relationship.
- Strengthening anti-money laundering obligations
 - 1) Registration agents shall, in accordance with the law, fulfill anti-money laundering obligations, conduct customer due diligence, identify and verify the identity of the client and its beneficial owners, and implement risk-based classification management of clients for money laundering risks.
 - 2) Enhanced due diligence measures shall be applied to high-risk clients (e.g., those from high-risk money laundering countries or regions, or who are foreign politically exposed persons), including

verifying the source and purpose of funds. Suspicious individuals or transactions shall be promptly reported to the People's Bank of China, and providing services to persons with unidentified identities is strictly prohibited.

- Strengthening penalties for violations
 - 1) The legal liability of registration agents for violating relevant provisions is clarified.
 - 2) Individuals directly responsible for fraudulent registration shall be designated as directly liable persons. For a period of three years after the revocation of a fraudulent registration, registration applications submitted by directly liable persons acting as registration liaisons or registration agents will not be accepted.

Human Resources

Compliance Guidelines for Corporate Implementing Non-Compete Practices

Issued by: Ministry of Human Resources and Social Security of the People's Republic of China

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To balance the protection of trade secrets with the legitimate rights of employees, promote fair competition among enterprises, and facilitate the orderly and efficient allocation of human resources, the Ministry of Human Resources and Social Security has issued the Guidelines on non-compete compliance. It's necessary to note that the Guidelines are not departmental regulations or normative documents and are therefore non-mandatory and for reference only. Key points are as follows:

- Prerequisites: The non-compete clause may only be enforced if the enterprise possesses commercial information that is “not known to the public, has commercial value, and has been subject to reasonable confidentiality measures.”
- Covered personnel: Non-compete obligations shall be restricted to senior management, senior technical personnel, and other personnel with confidentiality duties who are privy to trade secrets. Agreements with other obligated personnel require a clear explanation of the rationale and the specific secrets involved.
- Scope of restrictions:
 - a) Restricted employment should be limited to other enterprises that are in competition with the enterprise.
 - b) Geographic restrictions should correspond to the scope of the enterprise's business scope; absent sufficient justification, they generally shall not extend to the entire nation or worldwide;
 - c) The term of non-compete agreement should be reasonable and must not exceed two years at the longest.
- Economic compensation: The monthly compensation shall be no less than 30% of the employee's average monthly salary over the last 12 months prior to termination, and shall not be lower than the local

minimum wage. If the non-compete period exceeds one year, the compensation should generally be no less than 50% of that average salary.

- Liquidated damages: The employer and employee may agree on liquidated damages should the employee violate the non-compete obligation. The amount of such liquidated damages should generally not exceed five times the total amount of the agreed-upon financial compensation for the non-compete period.
- Early termination:
 - a) The employer may terminate the non-compete agreement early by paying the employee additional compensation.
 - b) If the enterprise fails to pay the financial compensation in full and on time for a period exceeding the stipulated timeframe, while the employee has been complying with the obligations, the employee shall be relieved from fulfilling the non-compete obligations.

Decision on Amending the Shanghai Municipality Regulations on the Protection of the Rights and Interests of the Elderly

Issued by: Standing Committee of the Shanghai Municipal People's Congress
Issue Date: September 25, 2025
Effective Date: November 1, 2025
Links: <https://www.shrd.gov.cn/n8347/n8467/u1ai276710.html>

This Amendment focuses on addressing the challenges posed by population ageing and, for the first time, introduces a caregiver-leave system outlined as follows:

- When an elderly person (aged 60 or above) is hospitalized for treatment, his or her caregiver may take up to five working days of paid caregiver leave per calendar year. If the caregiver is the only child born during the period of the national one-child policy (1980–2015), the entitlement is extended to seven working days per calendar year. Wages during such leave shall be paid at the employee's normal rate as for full work attendance.

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- When a foreign-invested enterprise undergoes capital reduction, can the surplus reserve be remitted abroad together? Is the enterprise required to pay withholding corporate income tax on the portion of surplus reserve corresponding to the capital reduction?

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