



China - Recent Development in Business Law

China's recent legal reforms demonstrate a strategic push toward economic modernization, tightened governance, and enhanced foreign relations. These updates cover a wide spectrum of areas, including data protection, intellectual property, technology, labor, real estate, commercial and trade law, and more. Below is a comprehensive overview of some of the most notable legislative changes and their potential impact.

Corporate Governance and Commercial Law Reforms

Amended Company Law

Effective July 1, 2024, China's amended Company Law introduces several transformative changes aimed at improving corporate governance. A prominent change is the mandatory five-year deadline for shareholders of limited liability companies to fully pay their subscribed capital, replacing the previously lenient schedules. This requirement now mandates that all companies, including existing ones, adjust their capital contribution timelines to meet compliance. Key aspects include:

- **Clearer Responsibilities:** Duties and accountability for directors and senior management have been refined to promote transparency and reduce risks related to governance.
- **Employee Representation:** The amendments introduce provisions for employee representation on boards, which aims to strengthen employee rights and enhance internal oversight.



- **Related-Party Transactions:** Rules around related-party transactions are stricter, requiring greater scrutiny and

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reporting, a move to ensure fair dealings within the company and prevent misuse of resources. In addition, a recusal rule of voting has been added in the company law.

The amended law is expected to make Chinese corporate structures more transparent, aligning with international standards and making the market more attractive to foreign investors.

Commercial and Trade Law Reforms

Easing Foreign Investment and Enhancing Trade Compliance

China has implemented measures to attract foreign investment and simplify trade processes. Key developments include relaxed requirements for foreign investments in listed companies and streamlined trade regulations.

- **Foreign Investment Reforms:** The threshold for foreign investments in Chinese companies was reduced, making it easier for foreign entities to invest in China's economy. Additionally, the minimum asset requirement for foreign investors was halved from \$100 million to \$50 million, and the lock-up period for strategic investments was shortened to twelve months.
- **Trade and Customs Reforms:** New trade regulations streamline import-export procedures, reducing the time and cost associated with customs clearance. These reforms, aimed at boosting international trade, include improved electronic data interchange systems and simplified paperwork for qualified companies.

These initiatives are designed to enhance China's appeal as a global trade hub and investment destination, particularly for multinational corporations seeking growth opportunities in the Asia-Pacific region.

Labor Law Enhancements

Workplace Safety and Gig Economy Regulations

Recent amendments to Chinese labor laws target workplace safety, workers' rights, and employment standards for gig economy workers, an increasingly significant part of China's labor force.

- **New forms of employment protections:** China has introduced measures to improve the working conditions for gig economy workers, such as delivery drivers and ride-hailing employees. New rules mandate basic benefits, minimum

wage standards, and access to insurance for gig workers, enhancing protections in a previously under-regulated sector.

- **Stricter Workplace Safety:** Following several high-profile workplace incidents, new laws impose tougher penalties for safety violations and mandate regular safety training and inspections. Employers are now more accountable for employee health and safety, making compliance a priority for companies operating in high-risk industries.
- These changes reflect the government's focus on balancing economic growth with labor rights and workplace safety, ensuring that companies provide a safe and fair working environment.

Real Estate and Land Use Regulations

Real Estate Law Revisions

In 2024, China enacted reforms aimed at stabilizing the real estate sector, which has experienced volatility in recent years. The new policies emphasize sustainable development, with stricter oversight on land use and construction practices.

- **Land Use Controls:** The government has tightened land use regulations to curb speculative investments and encourage sustainable urban development. Local governments now have more discretion in managing land supply and construction projects to reduce oversupply in certain regions.
- **Affordable Housing Initiatives:** To address housing affordability, new policies encourage developers to focus on affordable housing projects. Incentives, such as tax breaks and subsidies, are provided to developers committed to these projects, ensuring that affordable housing remains a priority.
- These changes aim to stabilize housing prices, discourage speculative activities, and support sustainable growth in the real estate sector.

Foreign Relations Law

First Foreign Relations Law

China's Foreign Relations Law, enacted on July 1, 2023, codifies the Chinese Communist Party's leadership over foreign policy and lays out China's diplomatic goals. It reinforces the country's commitment to safeguarding sovereignty and promoting global development initiatives such as the Belt and Road Initiative (BRI).

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- Legal Framework for Sanctions and Countermeasures: The law provides a foundation for China to implement countermeasures against foreign sanctions, empowering the government to take legal action to protect its interests in international disputes.

This law underlines China's commitment to a more assertive foreign policy, providing the legal tools to counter external pressures effectively.

Conclusion

These recent legislative developments signal China's strategic approach to achieving its economic, social, and diplomatic goals. The reforms have far-reaching implications for businesses operating in China, impacting areas such as corporate governance, data security, IP protection, and labor rights. As China continues to update its legal framework, both domestic and international stakeholders must stay informed and adapt to this evolving landscape to ensure compliance and leverage opportunities in China's vast and dynamic market.

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