

China Insight



2025 – Topics that may Concern You

Corporate

- **Administrative Measures for Strategic Investments in Listed Companies by Foreign Investors**

On 1 November 2024, the long-awaited *PRC Administrative Measures for Strategic Investments in Listed Companies by Foreign Investors* (the “Measures”) were jointly released by 6 government departments, including the Ministry of Commerce (MOFCOM) and the Securities Regulatory Commission. The Measures have taken effect on 2 December 2024. They introduce significant changes, in particular in the areas of eligibility of foreign investors, investment modes, shareholding ratio threshold, lock-up period, and other obligations of the parties concerned.

Currently, valuations in the Chinese capital market are historically low. The Measures aim to further widen the channels for foreign investment in the A-share market and encourage foreign investors to engage in long-term and value-based investment. Please refer to our [newsletter](#) for details.

- **Further guidance on the new *PRC Company Law***

On 1 July 2024, a comprehensively revised *PRC Company Law* entered into effect on.

The revised *PRC Company Law* constitutes a major update and introduces multiple changes compared to former 2018 version of the *PRC Company Law*. The revised *PRC Company Law* brought along important changes in various areas, such as capital contributions, equity transfers, the use of reserves and registered capital, dissolution and liquidation as well as in particular on corporate governance and employee representation. Please refer to our [newsletter](#) for details.

However, many details of the revised *PRC Company Law* are vague and not sufficiently clear. Further, as to the newly introduced employee representation in all limited liability companies with at least 300 employees, currently, the local practice of registration authorities appears to be very inconsistent. It is accordingly to be hoped that in 2025 there will be further guidance, e.g. by way of implementing regulations and/or judicial interpretations, as well as a uniform practical approach and implementation of employee representation in the whole PRC.

- **Adapting Joint Ventures in accordance with the *PRC Foreign Investment Law* and the *PRC Company Law***

On 31 December 2024, the 5-year transition period for adapting the organization form, institutional framework and standard of conduct of existing entities, which are not consistent with the *PRC*

Company Law or the *PRC Partnership Law*, expired. This is especially relevant for Sino-foreign Joint Ventures for which, generally, the Board of Directors must be replaced by the Shareholders' Meeting as the highest company authority.

All existing companies, especially Sino-foreign Equity Joint Ventures, which have not complied with the 5-year transition period and which have not yet adapted to the new structure shall do so now as soon as possible.

Commercial

- **Trade tensions with the US and the EU, and new *PRC Tariff Law***

It is expected that the incoming Trump administration will impose higher tariffs and trade barriers on imports from the PRC. Trump vowed to impose additional tariffs of 60% or more on all imports from the PRC.

Potentially in light of the possibly increasing trade tensions, the Standing Committee of the National People's Congress promulgated on 26 April 2024 the new *PRC Tariff Law*. It entered into effect on 1 December 2024.

Under the new law, a Customs Tariff Commission under the State Council, inter alia, can decide on the imposition of anti-dumping duties, countervailing duties, safeguard tariffs, and implementing other tariff measures decided by the State Council. Further, if a country or region fails to fulfill the obligations according to the Most-Favored-Nations ("MFN") treatment clauses or tariff preferential clauses in relevant international treaties or agreements, the Customs Tariff Commission may propose suggestions on taking corresponding reciprocal measures. If a country or region violates international treaties or agreements by prohibiting, restricting, imposing additional tariffs on, or taking other measures that affect normal trade with the PRC, retaliatory tariffs or other measures may be imposed. The scope of goods subject to retaliatory tariffs, applicable countries or regions, rates, period of tariffs and collection methods shall be proposed by the Customs Tariff Commission and implemented after approval by the State Council.

Accordingly, the new law may play a relevant role in increased trade tensions and potentially a new trade war between the PRC and the US, and potentially also the EU.

- **New *PRC Regulations on Export Control of Dual-Use Items***

On 19 October 2024, the PRC State Council announced the *Regulations on Export Control of Dual-Use Items* (the "Regulations"). The Regulations entered into effect on 1 December 2024, i.e. 4 years after the entry into force of the *PRC Export Control Law* ("Export Control Law"). The Regulations aim at consolidating the existing fragmented export control regulations on dual-use items and establishing an integrated regulatory framework for this topic.

The Regulations have integrated the existing dual-use item control lists and added a new Watch List for foreign entities. Concurrently, they have clarified the application of facilitative measures like general export licenses and export credentials, while abolishing the exporter registration system. Further, the Regulations have enhanced the export control supervision framework and established the extraterritorial jurisdiction of the Ministry of Commerce, thereby reinforcing the PRC's supervision on the export of dual-use items. Please refer to our [newsletter](#) for details.

- **Potentially revised *PRC Arbitration Law***

On 8 November 2024, an amended draft of a revised *PRC Arbitration Law* was published by the Standing Committee of the National People's Congress to solicit public opinions for a 30-day term.

The draft aims at improving the system for foreign-related arbitration, expand the scope of foreign-related arbitration, establish a "seat of arbitration" system, and support arbitration institutions in "going global" and "bringing in" international practices.

A final version of the revised *PRC Arbitration Law* may be promulgated in the course of 2025.

- **Potentially revised *Product Quality Law***

The current *PRC Product Quality Law* was initially promulgated in 1993 and amended respectively in 2000, 2009 and the last time in 2018. Due to reasons such as development of the PRC legal practice for product liability, enhanced customer protection, diversified sales tools (e.g. e-commerce), etc., it has become increasingly necessary to amend and update this law in order to regulate product liability issues in a better structured and systematic way.

On 18 October 2023, the State Market Supervision Administration had released a draft of the amended *Product Quality Law* to seek public comments until 18 November 2023. It is yet not clear when the drafting process will be completed and the draft will be submitted to the PRC State Council for review. Potentially, this will be the case in 2025.

Competition

- **Key Regulatory Changes in China's Competition Law Regime**

In 2024, China experienced steady progress in competition law through key regulatory updates. Among them, on January 12, the State Council Anti-Monopoly and Anti-Unfair Competition Committee issued the *Antitrust Guideline for Industry Associations*, refining criteria for violations and boosting compliance efforts regarding industry associations. On January 26, the State Council revised the *Provisions on the Standards for Notification of Concentrations of Undertakings*, raising turnover thresholds for merger control filing in China. The global aggregate turnover standard increased from RMB 10 billion to RMB 12 billion, the domestic aggregate from RMB 2 billion to RMB 4 billion, and the domestic turnover for at least two undertakings from RMB 400 million to RMB 800 million.

On April 26, the State Council released updated *Antitrust Compliance Guidelines for Undertakings* with detailed recommendations to establish compliance systems and mitigate risks (please refer to our [newsletter](#) for details). On September 14, the State Administration for Market Regulation ("SAMR") revised forms for simplified merger control filings to enhance user experience. Recently, on November 4, SAMR introduced the *Antitrust Guidelines for Standard Essential Patents*, detailing regulatory frameworks for antitrust enforcement in this field.

Overall, these developments reflect a steady evolution of China's competition law regime. The raised merger control filing thresholds has reduced some of the paperwork for companies, easing immediate administrative burdens. However, as the legal framework continues to evolve, companies must adapt by enhancing their focus on antitrust compliance, which is becoming increasingly precise and strict.

Looking ahead, in 2025 we may observe more refined regulatory frameworks, addressing current uncertainties and promoting a more balanced interaction between regulatory oversight and business operations. The developments highlight the need for companies to actively improve their antitrust compliance systems, not only to meet legal standards but also to support steady growth in a changing regulatory environment.

Data protection

- **Improve the legal system for data protection**

In 2024, a large number of drafts related to the *PRC Personal Information Protection Law* ("PIPL") were released for public consultation, covering various aspects such as requirements for personal information transfer, compliance audits, and network identity authentication, etc. It is anticipated that these drafts will be successively promulgated by 2025, further refining and perfecting the legal framework for personal information protection. This will provide clearer and more specific operational guidelines for businesses and relevant institutions when handling personal information, while also increasing the protection of personal information, raising the cost of violations, and promoting standardization and institutionalization in the field of personal information protection.

Further, following the *PRC Cybersecurity Law*, *PRC Data Security Law* and the PIPL, the *PRC Regulations on Network Data Security Management* ("Regulations"), an important set of administrative regulations, have been officially adopted after three years of legislative procedures and will come into effect on 1 January 2025. The Regulations not only clarify the general provisions on network data security management but also further improve and refine the specific requirements for the protection of personal information, the security management of important data, the cross-border security management of network data, and the obligations of network platform service providers. The introduction of the Regulations signifies that China's legal system for data protection and platform governance is becoming increasingly comprehensive, offering clearer operational guidelines for corporate compliance efforts.

Artificial Intelligence

- **Increased regulation on compliance of artificial intelligence ("AI")**

The Chinese government released the *Guidelines for the Construction of a Comprehensive Standardization System for the National Artificial Intelligence Industry* on 5 June 2024. This guideline plans to develop more than fifty national and industry standards and participate in the development of more than twenty international standards by 2026, in order to promote the high-quality development of the AI industry and empower new industrialization. Compared to the broad application of the *Interim Measures for the Management of Generative Artificial Intelligence Services* effective on 15 August 2023, this means that the Chinese government aims to further develop concrete regulations and standards in the specific industries regarding artificial intelligence.

Besides, in order to promote the active participation of all parties for facilitating the development of AI safety governance, the National Cybersecurity Standardization Technical Committee released the *AI Safety Governance Framework Version 1.0* on 9 September 2024. To encourage AI innovation and development as well as effectively prevent and resolve AI security risks, the framework puts forward several principles for AI security governance. Therefore, it is obvious that the Chinese government is paying increasing attention to the regulation on AI technology.

In addition, the draft of the *PRC Artificial Intelligence Law* is awaiting deliberation of the Standing Committee of the National People's Congress. We expect to see dynamic legislative developments and a more matured legal system in the area of AI in 2025.

Intellectual Property

- **Revision draft of the *PRC Trademark Law***

The China National Intellectual Property Administration ("CNIPA") published the revision draft of the *PRC Trademark Law* ("Revision Draft") on 13 January 2023. The Revision Draft aims to strengthen the obligation to make actual use of trademarks, strike down bad faith applications and reinforce enforcement against trademark infringement and illegal acts. Considering that the Revision Draft was prepared by the CNIPA alone and incorporated material changes on the current trademark regulation schemes, it will need to be deliberated and considered seriously by the legislative authority. The Revision Draft is currently under reviewed by the State Council and is included in the legislative plan of the standing committee of the fourteenth National People's Congress, which may be promulgated before 2028. Nevertheless, according to the recent practice of the CNIPA, it is noticeable that the CNIPA has already enhanced their standards on examining use evidence in non-use cancellation proceedings and tended to refuse a large volume of trademark applications at one time. Therefore, we expect that in 2025, the CNIPA will keep aligning their practice in accordance with the spirits of the Revision Draft.

Employment

- **Raise of Statutory Retirement Age of Employees**

The Chinese government issued the *Measures of the State Council on Progressively Raising the Statutory Retirement Age and the Interim Measures for the Implementation of Flexible Retirement System* (the "New Retirement Policies"). They became effective on 1 January 2025. According to the New Retirement Policies, the statutory retirement age of male employees and female employees whose original statutory retirement age is 55 shall be raised by one month for every four months and be progressively raised to 63 and 58 respectively. The statutory retirement age of female workers whose original statutory retirement age is 50 shall be raised by one month for every two months and be progressively raised to 55. In addition, starting from 1 January 2030, the minimum contribution years for an employee to enjoy pension benefits will be gradually increased from 15 to 20 years with an increase by six months each year.

According to the New Retirement Policies, an employee, who has fulfilled the minimum contribution years of pension insurance, may voluntarily choose to retire early for a period of up to three years by giving a writing notice at least three months in advance as long as he or she has reached the original statutory retirement age. Further, an employee, who has reached the new statutory retirement age, may still choose to further postpone retirement for a period of up to three years upon reaching a consensus with the employer.

For more information on this topic, please refer to our [newsletter](#) published earlier.

- **Extension of Public Holidays by Two Days**

The PRC State Council amended the *Measures for National Public Holidays and Memorial Days*, which will take effect on 1 January 2025. Starting from 2025, the public holidays in China will be increased by 2 days and reach 13 days per year. According to this new policy, the Chinese Lunar New Year's Eve will be a public holiday and one more public holiday will be added to the International Labor Day on May 2.

In 2025, the Chinese government will continue to adjust the working days and rest days before and after public holidays in order to enable employees to take longer and uninterrupted holidays. However, the adjusted consecutive working days around the public holidays shall generally not exceed 6 days.

With the increase of public holidays from 11 to 13 days, according to the *Circular on Issues Related to Average Monthly Working Hours and Wage Calculation for Employees for a Full Year* issued by the Ministry of Human Resources and Social Security of the PRC on 1 January 2025, the annual working days of an employee will be reduced from 250 days to 248 days. As a result, the standard working hours of employees working under the comprehensive working hour system for calculation of their working hours and overtime payments during a calculation period shall be changed accordingly, i.e. the seasonal working days will be reduced to 62 days and the monthly working days will be reduced to 20.67 days. But the monthly payroll days will remain as 21.75 days without change. This means that companies may need to pay more overtime payments to employees than in the past for the same working hours under the comprehensively calculated working time system, but companies will not need to pay more to an employee for sick leave or untaken annual leave due to the increase of public holidays.

For more information on this topic, please refer to our [newsletter](#) published earlier.

Tax

- **Enactment of the PRC VAT Law**

On 25 December 2024, the Standing Committee of the 14th National People's Congress of China voted to enact the *PRC VAT Law*, which will take effect on 1 January 2026. By largely retaining existing VAT

policies, the *VAT Law* achieves a delicate balance between maintaining continuity and paving the way for a refined and robust tax framework.

Despite the above, the new *VAT Law*, compared with the current VAT regulations, still gives hints for potential changes in such aspects as the definition of "domestic taxable transactions", the scope of "deemed taxable transactions", listing of non-taxable transactions, the applicable scope of simplified taxation method and the applicable VAT levy rates, determination of taxable sales amount, the scope of non-creditable input VAT, etc. It may still be far too early to confirm that all these aspects will definitely be changed and implemented based on new rules from 1 January 2026, because the new law will have to be implemented with the support of detailed implementation rules and auxiliary regulations which are yet to be issued. Therefore, companies must stay ahead of regulatory shifts, especially as the digitalization of tax management accelerates, and keep a close eye on the follow-up implementation rules of the *VAT Law* as well as the auxiliary regulations that may further clarify the unclear issues in the *VAT Law*.

For more information on this topic, please refer to our [newsletter](#) published earlier.

- **Promulgation of the *PRC Tariff Law* and the auxiliary *Customs Taxation Measures***

The *PRC Tariff Law* and its auxiliary *Customs Taxation Measures* ("New Measures") were promulgated and effective from 1 December 2024. Compared with the superseded old PRC Tariff Rules, the new Tariff Law has introduced the following provisions that may have an impact on the companies' daily operation:

- (a) Withholding liabilities on the cross-border e-commerce model
- (b) New change on the determination of customs dutiable value
- (c) Customs duty payment is no longer a prerequisite for initiating administrative review
- (d) Extension of claw-back period of retroactive customs duty adjustment and impact on customs transfer pricing
- (e) Introduction of tax anti-avoidance measures
- (f) Enhancement of customs administrative power

Compared with the superseded old customs taxation measures, the New Measures have introduced significant changes aiming at modernizing tax governance, enhancing compliance and improving operational efficiency for importers and exporters.

Companies dealing with import / export businesses are advised to adapt themselves to the new changes of the customs taxation regime. However, since the Tariff Law and the auxiliary regulations have been newly promulgated with little practical observation, the companies may wish to communicate with the Customs office cautiously how the new law and regulations have been implemented in practice and evaluate how they may affect the companies' business and operation in real life, in case the new changes become relevant.

Compliance

- **Compliance with Conflicting Sanction Regimes**

Geopolitical developments have led to an increase of sanction mechanisms, specifically of sanction lists, by regulators. Sanction lists usually prohibit or impose stricter regulatory requirements to do business with certain companies, organizations and individuals. China has developed mechanisms to respond to US sanctions and investment controls, primarily to the US "Entity Lists". Key sanction tools from the Chinese regulator are the *PRC Anti-Foreign Sanctions Law*, *PRC Export Control Law* and the PRC Unreliable Entity List. In 2025, stricter sanctions mechanisms could be imposed by the US,

Chinese or other governments. Compliance professionals must anticipate these regulatory developments globally, also in connection with China. That means, that sanctions screenings will likely play a more important role for foreign investors doing business in China. If sanction and counter-sanctions mechanism are getting stricter in conjunction with China, foreign as well as Chinese investors need to develop risk management strategies, to comply with conflicting sanctions regimes.

- **Anti-Bribery (*PRC Criminal Law* and *PRC Anti-Unfair Competition Law*)**

The most recent revisions in the Articles 165, 166 and 169 of the *PRC Criminal Law*, which became effective on 1 March 2024, reflect that the Chinese regulator keeps fighting against bribery risks across all sectors in China. The new *PRC Criminal Law* provides new personal liability risks of executives in foreign-invested enterprises in China. See the detailed information in our [newsletter](#). Further regulatory changes in relation to anti-bribery are expected soon under the *PRC Anti-Unfair Competition Law*. The Chinese regulator has most recently proposed revisions of the *PRC Anti-Unfair Competition Law* and submitted these revisions to the Standing Committee of the 14th National People's Congress for their first review. The proposed revisions to the current *PRC Anti-Unfair Competition Law* provide that, both entities and individuals shall not accept bribes in transaction activities. Currently, only offering bribes in transaction activities is prohibited by the *PRC Anti-Unfair Competition Law*.

- **Prohibition of Money Laundering (*PRC Criminal Law*)**

The prohibition of money laundering in Article 191 of the *PRC Criminal Law* will likely also become subject to regulatory changes. It is to be expected that the current predicate offences (also called "upstream crimes"), which are currently limited to 7 predicate offences only (which are drugs, organized crime, terrorism, smuggling, corruption & bribery, disruption of financial order and financial fraud), will be expanded, to broaden the scope of criminal liability of money laundering in Article 191 of the *PRC Criminal Law*. See the detailed information in our [newsletter](#).

- **Future of Corporate Social Credit System**

National Development and Reform Commission ("NDRC"), which is the key regulator of China's Corporate Social Credit System ("CSCS"), has announced on 20 May 2024, that the promulgation of the draft "*Law of the PRC on the Development of the Social Credit System (Draft)*" ("Draft CSCS Law") shall be accelerated. It remains to be seen whether the NDRC will release the new CSCS Law in 2025. See the detailed information of the current status of CSCS in our [newsletter](#).

Life Sciences

- **Measures for Supervision and Administration of the Quality of Drug Supply and Use**

The *Measures for Supervision and Administration of the Quality of Drug Supply and Use* took effect on 1 January 2024. The Measures are aimed at strengthening the supervision and administration of drug supply and use, and at standardizing the quality management activities of drug supply and use. The Measures stipulate the requirements for obtaining or change of the trading license for drug wholesale and drug retail activities. The Measures also specify the responsibilities of drug Market Authorization Holders ("Drug MAH Holder") and drug trading entities in terms of entrusted sales, record-keeping, entrusted storage and transportation etc. For more information on this topic, please refer to our [newsletter](#) published earlier.

- **Further Strengthening the Supervision of Entrusted Manufacturing of Medical Devices: Key Takeaways from NMPA's New Notice**

On 3 April 2024, the National Medical Products Administration ("NMPA") released the *Notice on Further Strengthening the Supervision and Management of Entrusted Manufacturing by Registrants of Medical Devices* (the "Notice"), taking effect from 1 June 2024.

The Notice is a part of NMPA's recent efforts on a well-regulated entrusted manufacturing system, covering three topics, including strict implementation of principal responsibilities of medical device registrants, enhanced management of registration of entrusted manufacturing and continued and strengthened entrusted manufacturing supervision. For more information on this topic, please refer to our [newsletter](#) published earlier.

- **New Opportunities for Wholly Foreign Invested Hospitals**

On 7 September 2024, the Ministry of Commerce, the National Health Commission, and the National Medical Products Administration announced the *Circular on Launching the Pilot Program for Expanding the Opening-up in the Medical Sector* (the "Circular"), allowing the establishment of wholly foreign-owned hospitals in Beijing, Tianjin, Shanghai, Nanjing, Suzhou, Fuzhou, Guangzhou, Shenzhen and the entire Hainan Island (excluding hospitals practising traditional Chinese medicine and mergers and acquisitions of public hospitals).

According to the Circular, the specific conditions for establishing wholly foreign-owned hospitals, as well as the detailed requirements and procedures, will be announced separately.

On 1 November 2024, the National Health Commission of the PRC and other relevant departments issued the *Pilot Programme for Opening-up in the Field of Wholly-Owned Hospitals* ("Pilot Programme"). On 29 November 2024, the National Health Commission of the PRC also published on its website its interpretations and replies regarding the Pilot Programme.

The Pilot Programme specifies the requirements for foreign investors and wholly foreign-owned hospitals. For more information on this topic, please refer to our [newsletter](#) published earlier.

- **China Launched Pilot Program on Segmented Production of Biological Products**

On 21 October 2024, the National Medical Products Administration ("NMPA") issued the *Pilot Program for Segmented Production of Biological Products* ("Pilot Program") with immediate effect.

Segmented production of biological products is a manufacturing approach where the production process of biological drugs is divided into several stages, with each stage potentially being outsourced to different contract manufacturing organizations ("CMOs").

The Pilot Program aims at reducing costs and improving efficiency of pharmaceutical manufacturing for biological products.

Applicants for drug registration and MAHs shall submit their application to the provincial medical product administration by 31 December 2025. For more information on this topic, please refer to our [newsletter](#) published earlier.

In case you have questions or for further information, please feel free to contact:



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