

**Order of the General Civil Aviation Administration of China, the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China and the State Development Planning Commission of the People's Republic of China**

No. 110

The Provisions on Foreign Investment in Civil Aviation (CCAR-201), which were adopted by the Executive Meeting of the General Civil Aviation Administration of China on December 10, 2001, the Ministry of Foreign Trade and Economic Cooperation and the State Development Planning Commission and approved by the State Council, are hereby promulgated and shall enter into force as of August 1, 2002.

Yang Yuanyuan

Administrator of the General Civil Aviation Administration of China

Shi Guangsheng

Minister of Foreign Trade and Economic Cooperation

Zeng Peiyan

Minister of the State Development Planning Commission

June 21, 2002

## **Provisions on Foreign Investment in Civil Aviation**

### **Article 1**

In order to further open China's civil aviation industry (hereinafter referred to as civil aviation) to foreign investment, promote the reform and development of civil aviation and protect the legitimate rights and interests of investors, these Provisions have been formulated in accordance with the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures, the Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures, the Regulations on Direction Guide to Foreign Investment and the Foreign Investment Industrial Guidance Catalogue (hereinafter referred to as the Regulations and the Catalogue respectively) and relevant laws and regulations on civil aviation.

### **Article 2**

These Provisions shall govern the investment made in civil aviation by foreign companies, enterprises and other economic organizations or individuals (hereinafter referred to as foreign investors).

### **Article 3**

The scope of investment in civil aviation by foreign investors shall include civil airports, public air transport enterprises, general aviation enterprises and air transport related projects. Foreign investors are forbidden from investing in and managing air traffic control systems.

(1) Investment in the construction of civil airports by foreign investors is encouraged. For the purposes of these Provisions, the term "civil airport" does not include airports for both civil and military use. Civil airport projects in which foreign investors may invest are divided into the following two categories:

- (a) civil airport movement areas, including runways, taxiways, connecting taxiways, parking aprons and lighting aids; and
- (b) terminal buildings.

(2) Investment in existing public air transport enterprises by foreign investors is encouraged.

Foreign investors are encouraged to invest in general aviation enterprises engaging in agricultural, forestry and fishery operations.

Foreign investors are permitted to invest in general aviation enterprises that operate business flights or air tours or that provide services to industry but may not invest in projects that involve state secrets.

(3) The term “air transport related projects” shall include aviation fuel, aircraft repair and maintenance, transport and storage of cargo, ground handling, air catering, parking lots and other approved projects.

#### **Article 4**

The forms of foreign investment shall include:

- (1) equity joint ventures or contractual joint ventures (hereinafter referred to as joint ventures);
- (2) purchase of shares, including shares issued outside China’s mainland and listed foreign investment shares issued in China’s mainland by civil aviation enterprises; and
- (3) other approved investment forms.

For investment in public air transport enterprises and general aviation enterprises that operate business flights or air tours, organized as contractual joint ventures, foreign investors must obtain the status of Chinese legal person.

#### **Article 5**

For investment in public air transport enterprises or civil airports by foreign investors, all things being equal, preferential consideration shall be given to foreign enterprises in the same industry whose operations and management have reached advanced world levels.

#### **Article 6**

For investment in civil airports by foreign investors, the Chinese party shall hold a relative majority of shares.

For investment in public air transport enterprises by foreign investors, the Chinese party shall have a controlling interest and the investment ratio of any one foreign investor (including its affiliates) may not exceed 25%.

For investment by foreign investors in general aviation enterprises that operate business flights or air tours or that provide services to industry, the Chinese party shall have a controlling interest; for investment by foreign investors in general aviation enterprises engaging in agricultural, forestry and fishery operations, the investment ratio of the foreign investors shall be determined by both the Chinese and foreign parties.

For investment by foreign investors in aircraft repair and maintenance (with the obligation to contract for business from the international repair and maintenance market) or aviation fuel projects, the Chinese party shall hold a controlling interest; for investment by foreign investors in projects such as transport and storage of cargo, ground handling, air catering, and parking lots, the investment ratio of the foreign investors shall be determined by both the Chinese and foreign parties.

#### **Article 7**

The term of operation of joint ventures with foreign investment shall in general not exceed 30 years.

#### **Article 8**

The aviation service fees charged by civil airport enterprises invested by foreign investors shall follow uniform State rates, whereas the rates for fees charged for non-aviation services shall be determined through consultations between the enterprise and the local pricing department.

Public air transport enterprises and general aviation enterprises invested by foreign investors must adhere to the pricing policies of the State.

### **Article 9**

Procedures for land appraisal and for the approval of the disposal of land use rights required for the construction of civil airports with investment by foreign investors shall be carried out in accordance with State laws and regulations on land administration and the provisions of the General Civil Aviation Administration of China (CAAC) on land administration for airports.

### **Article 10**

Foreign investors that invest in the construction of civil airports shall enjoy preference with respect to investment and operation of air transport related projects.

### **Article 11**

The project proposal and feasibility study for a civil aviation project above the investment limit invested by a foreign investor shall, depending on the nature of the project, be subject to the approval of either the State Development Planning Commission (for capital construction projects) or the State Economic and Trade Commission (for technical transformation projects) with the consent of CAAC. The contract for and the articles of association of the project shall be subject to the approval of the Ministry of Foreign Trade and Economic Cooperation (MOFTEC). The project proposal and feasibility study for a project not exceeding the investment limit shall be subject to the approval of CAAC and the contract therefor and the articles of association thereof shall be subject to the approval of MOFTEC.

Approvals for such air transport related projects as transportation and storage of cargo, ground handling, air catering and parking lots that are invested by foreign investors shall be carried out in accordance with the procedures and limits of authority set forth in the Regulations and the Catalogue.

### **Article 12**

After the contract for and the articles of association of a civil airport project invested by a foreign investor have been approved, an approval certificate for a foreign

investment enterprise shall be obtained from MOFTEC, after which registration shall be carried out with the administrations for industry and commerce.

After the contract for and the articles of association of a public air transport enterprise or a general aviation enterprise invested by a foreign investor have been approved, an enterprise operation permit shall be obtained from, or amendment thereof shall be carried out with CAAC, an approval certificate for a foreign investment enterprise shall be obtained from MOFTEC and registration shall be carried out with the administrations for industry and commerce.

### **Article 13**

If a civil aviation enterprise wishes to issue shares outside China's mainland, issue foreign investment shares in China's mainland or otherwise attract investment from foreign investors, it shall obtain approval from competent authorities in accordance with relevant laws and procedures of the State.

### **Article 14**

Capital and share increases, changes in equity, etc. of civil aviation enterprises (projects) invested by foreign investors shall be reported to the original authority for approval.

### **Article 15**

CAAC and its regional administrations shall, in accordance with the law, carry out regulation and supervision over the business activities of civil aviation enterprises invested by foreign investors.

### **Article 16**

Investment in civil aviation made by companies, enterprises and other economic organizations or individuals from the Hong Kong and Macao Special Administrative Regions and Taiwan in other Chinese provinces, autonomous regions and municipalities directly under the central government shall be handled with reference

to these Provisions.

### **Article 17**

These Provisions shall enter into force as of August 1, 2002. The Notice on Policies Concerning Foreign Investment in Civil Aviation Industry (ref. CAAC [1994] No. 448) issued by CAAC and MOFTEC on May 6, 1994 and the Notice on the Explanation of Several Issues of the Notice on Policies Concerning Foreign Investment in Civil Aviation Industry (ref. CAAC [1994] No. 271) promulgated by CAAC and MOFTEC on October 25, 1994 shall be repealed on the same date.

*This is a translation of the Chinese Provisions.  
In case of divergence of interpretation, the Chinese version shall prevail.*