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White Paper of Bank of China  
on Cross-border E-commerce Service

(UK Version)

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## Introduction

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In order to further develop China-UK cooperation in international trade, Bank of China (hereinafter “BOC”) and UK Trade & Investment (hereinafter “UKTI”) have recently prepared the White Paper of Bank of China on Cross-border E-Commerce Service (“the White Paper”) jointly, giving informative background to British enterprises intending to co-operate in cross-border E-commerce ventures with China. Bank of China has long term experience in supporting enterprises engaged in cross-border E-commerce. As well as supporting comprehensive product services in conjunction with the UKTI’s abundant enterprise resources, both parties propose building a favorable environment for further expansion of access to the Chinese market by British enterprises, promoting cooperation among commercial enterprises from China and the UK, as well as offering a package of financial services covering payments and financing.

## **1. Concept of Cross-border E-commerce Import**

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### **1.1 Concept of Cross-border E-commerce**

In its narrowest sense, cross-border E-commerce is roughly similar to the cross-border retail model, where a transaction is based upon on-line payment and settlement and the product is delivered by the vendor, from a different customs area, to consumer, by use of cross-border logistics, including express delivery, and small parcel service, namely the B2C model.

In a broader sense, cross-border E-commerce is akin to foreign-trade E-commerce, which refers to an international commercial activity where the exhibition, negotiation and transaction of a traditional import & export trade is conducted by means of E-commerce. Subsequently, the products are delivered by the seller, from different customs areas, to eventual consumers, through cross-border logistic networks. This concept includes both the B2B and B2C model

### **1.2 Scale and Trend of Traditional Cross-border Trade and Cross-border E-commerce**

#### **(1) More on-line economic activities - catalysing changes in people's consumption habits**

The rapid development and widespread use of mobile Internet, cloud computing, and big data, etc. have considerably changed people's way of living. At present, there is a strong emphasis towards the integrated development of on-line and off-line activities. The habits of Chinese consumers are undergoing tremendous change and increasingly, Chinese people now choose on-line shopping, impacting the role of traditional department stores. At the end of 2014, the total transactional value of on-line shopping in China, stood at RMB 2,800 billion, an annualised growth rate of nearly 50%.

#### **(2) Continuous trade globalisation - The new trend in cross-border E-commerce shopping**

2015 was the 15<sup>th</sup> anniversary of China's entry into the World Trade Organization (WTO), marking the expiration of international trade protection in July 2015, in accordance with the long term commitment of the Chinese government. The Chinese market, with its huge consumption potential, will be more open in the future, further promoting the globalisation of trade. On the other hand, with the growth in consumption, particularly of the increasing Chinese middle class, the preference for high-quality products sold overseas has emerged as a new feature. In 2014, over 21 million people in China chose to shop overseas through cross-border E-commerce platforms, with the amount of spending totaling RMB 350 billion. It is estimated that by 2018, these two figures will increase to 35.6 million and over RMB 1,000 billion, respectively.

### **(3) The New Pattern of cross-border E-commerce - effectively removing the traditional sales barriers**

As a new commerce model, developed under the national strategy of “Internet +”, cross-border E-commerce should be viewed as an effective solution to break the monopoly of importers, wholesalers, distributors and even retailers, both at home and abroad. Cross border E-commerce will function alongside the traditional trade model, establishing a direct connection between the manufacturer and the individual wholesaler, retailer and potentially, end customers. This should effectively reduce the product circulation costs for the users. Furthermore, this means that the enterprises can enjoy better profit margins and the end consumers, more benefits. With cross-border E-commerce platforms, it will be possible for British enterprise to lower their selling price substantially, improve product competitiveness, and effectively avoid many of the problems that might arise under the traditional trade model.

In addition, the exhibition and marketing of products through cross-border E-commerce platforms, will guarantee information symmetry between products sold overseas and the domestic market, ensuring that the brands of British enterprises will be more easily visible to the Chinese consumer. In this way, the sales volume of relevant products should be increased in China, branding costs lowered and the market recognition of products will be raised.

## **1.3 Main Models of Cross-border E-commerce**

At present, the cross-border E-commerce model in China primarily include: bonded inventory, bonded collection and direct mail.

### **(1) Bonded inventory**

A certain number of products are purchased in advance and stored in the bonded zone, based on the analysis and forecast of the E-commerce platform data, then sold outside the bonded zone by means of E-commerce. These products are then delivered to consumers by logistic companies.

### **(2) Bonded collection**

Products ordered by consumers are purchased by the E-commerce platform from overseas merchants based on the orders received, and then stored in the bonded zone. These products will be delivered to consumers by logistic companies.

### **(3) Direct mail**

In this scenario, buyers place an order directly through cross-border E-commerce websites and the sellers can deliver the products by mail, express mail, but mostly by air. The streamlined logistic structure and relatively simple processes apply primarily to the small-scale B2C model.

## **1.4 Classification and Main Modes of Cross-border E-commerce Import Platforms**

Cross-border E-commerce import platforms include Platform dominated (-dominated), self-operation (-dominated), Free Trade Zone (FTZ)/ bonded zone, and shopping-for-rebates types.

### **(1) Platform-dominated model**

For platform-dominated E-commerce services, the on-line shopping mall is set up to attract eligible foreign brand owners, distributors, professional buyers and shop owners; and to provide them with cross-border transaction services. The fees – listing, transactional, and value-added service, etc. are collected by the platforms from the sellers - Users include Tmall.HK and Ymatou.

### **(2) Self-operation-dominated platform**

With the self-operation-dominated E-commerce platform, the platform is responsible for stocking up on goods and the entire cross-border supply chain is made available to support the process. The products are purchased at a low price, based on integration of the supplier resources, before they are sold on-line at a higher price. For these platforms, the price differences of products are the main profits areas. Users of this approach include Suning Overseas Purchase, Jumei Global Store, and kaola.com.

### **(3) FTZ/ bonded zone platform**

Based on the regional advantages inherent in the FTZ/ bonded zone structure, and the policy advantages of customs, national inspection and finance & taxation, these platforms are established to provide a comprehensive range of services to E-commerce enterprises and brand owners. Users include Ningbo Cross-border Shopping (KJB2C.COM), and igetmall.net.

### **(4) Shopping-for-rebates platform**

The shopping-for-rebates platform successfully integrates the product data of multiple cross-border E-commerce platforms, bridging those preferring overseas shopping and the foreign merchants. Generally, these platforms are not directly involved in the product marketing. The web pages of these platforms are linked to the marketing web pages of the foreign E-commerce company. With successful marketing, these platforms will be able to generate rebates from the foreign E-commerce businesses, part of which will be given to the consumers as a way to attract more potential trade. Users of this model include 55haitao.com, and etao.com.

## **1.5 General Process for Cooperation of British Enterprises in Cross-border E-commerce in China**

The typical process required for British enterprises to enter the cross-border E-commerce platform normally covers three stages, i.e., the conclusion of agreement, filing of enterprises and product marketing.

### **(1) Conclusion of agreement**

Upon preliminary agreement on the types of products (whether or not in compliance with the import policies in China), price, and payment methods, etc., the agreement on cooperation will be concluded. The platform is responsible for the examination and verification of the enterprises' suitability and qualification.

### **(2) Filing of enterprises**

The enterprises are required to submit mandatory background materials, including the agreement on customs declaration & product inspection, bonded warehousing agreement, customs records of products, and registration of products for national inspection. The application can be made by the Chinese cross-border platform on behalf of British enterprise, to customs and to the inspection & quarantine bureau based on the materials provided.

### **(3) Product marketing**

The products are exhibited for marketing. The cross-border E-commerce platform may provide enterprises with logistics customs clearance, warehousing and other support services.

## 2. Cross-border E-commerce Related Policies in China

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In order to support the rapid development of cross-border E-commerce, the Chinese government has promoted a series of linked, relevant policies and measures in successive years<sup>1</sup>.

### 2.1 General Office of the State Council of the People's Republic of China

The General Office of the State Council of the People's Republic of China is an administrative agency, tasked with assisting the leaders of the State Council with national affairs, guiding and supervising national government work, and encouraging the government authorities concerned to jointly promote the development of cross-border E-commerce in China through guidance suggestions. Cross-border E-commerce related policies include:

- 2.1.1 *Several Opinions of the General Office of the State Council on Supporting the Steady Growth of the Foreign Trade* was announced on May 4, 2014, giving administrative guidance for the steady growth of foreign trade, putting more effort into optimizing the structure of foreign trade and further improving the environment of foreign trade, as to provide policy guarantees for the development of cross-border E-commerce.
- 2.1.2 *Several Opinions of the State Council on Improving Port Work to Support the Development of the Foreign Trade Business* Announced in May 2015, stipulating the improvements required in port administration, and to support the development of foreign trade, specifying the reinforcement of streamlined administration and institutionalised decentralisation. Further administrative examination and approval regarding port customs clearance and import/export, will be cancelled or delegated to lower levels. All the non-administrative examination and approval will be cancelled.
- 2.1.3 *Opinions on Vigorously Developing the E-commerce and Accelerating the Cultivation of New Economic Force* was announced on May 7, 2015, suggesting increasing the support of financial services and encouraging the research on relevant policies of domestic listings of eligible Internet enterprises; stipulating that the departments concerned should put more effort into the financial service support area, in accordance with their respective functions. Further, the document requires the establishment of a diversified and multi-channel investment & financing mechanism, suitable for future E-commerce development; assisting the commercial banks, guarantee & inventory management organisations and E-commerce enterprises in

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<sup>1</sup> The following information is extracted from the official websites of government authorities, who reserve the right of final explanation.



implementing the various financing services, such as intangible assets and chattel mortgage incorporation.

2.1.4 *Guiding Opinions on Promoting the Healthy and Rapid Development of Cross-border E-commerce* was promulgated on June 16, 2015, suggesting the continued support of the development of cross-border E-commerce, high-quality import and export based on the “Internet + foreign trade” concept, and promotion of the transformation and upgrading of enterprises and foreign trade.

2.1.5 *Letter of the General Office of the State Council on Approving the Reform of Trading Circulation Mechanism in 9 Cities Including Shanghai in China* Released on July 29, 2015, specifying that Shanghai, Nanjing, Zhengzhou, Guangzhou, Chengdu, Xiamen, Qingdao, Huangshi and Yiwu are the pilot zones in reforming the trading mechanism in China. “Support will be given to the E-commerce enterprises to expand the business scope and innovate upon the E-commerce development modes; the government regulation approaches will be improved and a favorable environment contributing to E-commerce development will be built. Support will be given to the integration of the modern circulation approaches, including E-commerce, chain operation and logistics distribution; on-line and off-line development, innovative wholesale and retail supply chain management will be promoted; and the transformation and upgrading of the traditional circulation enterprises will be accelerated. Network construction of commercial logistics will be enhanced; logistics will be upgraded from the professional, information-based, social and standard perspectives and the circulation efficiency will be improved. The overall planning for the urban-rural commercial outlets will be made; bi-directional circulation network for agricultural products and industrial products will be established; and the development of the urban-rural integration will be promoted. The establishment of unified management approaches, settlement methods and standard systems for domestic trade and foreign trade will be promoted; and product circulation system for the integration of domestic trade and foreign trade will be established.”

## **2.2 General Administration of Customs of the People’s Republic of China**

The General Administration of Customs of the People’s Republic of China is responsible for the supervision and management of the national entry-exit affairs, regulating the import and export trade environment and improving frontier inspection and customs clearance efficiency by promoting policies and management measures. Cross-border E-commerce related policies mainly include:

2.2.1 *Adjustment of Management Measures on Import and Export of Personal Matters by Post* announced on July 2, 2010, specifying the provisions and definitions of taxes imposed by government on personal items cleared by customs. “The import personal matters by post shall be subject to the import duties by the customs pursuant to the law. Those with the amount of the import duties no more than RMB 50 (RMB 50

included) will be exempt from such duties...The value of the articles delivered from or to other countries and regions shall be no more than RMB 1,000.”

2.2.2 *Classification Table for Imported Articles to the People’s Republic of China* was announced on March 28, 2012, specifying the types of products allowed to be imported and the applicable tax rates, with 10%, 20%, 30% and 50% respectively, applicable to the 27 categories. This table further standardises the categories and tax rates of the products sold through cross-border E-commerce platforms.

2.2.3 *Announcement on Adding Customs Supervision Method Codes of the General Administration of Customs of the People’s Republic of China* ([2014] No. 12) and the *Announcement on Adding Customs Supervision Method Codes of the General Administration of Customs of the People’s Republic of China* ([2014] No. 57) made on January 24, 2014 and July 30, 2014, specifying the additional codes for customs supervision methods required to promote import-export development of cross-border E-commerce, to facilitate enterprise customs clearance, to regulate customs management and implement the customs statistics policy. “1. The additional code for customs supervision method is 9610, which is called cross-border trade E-commerce or E-commerce for short, applicable to import and export commodities through E-commerce retail (other than those subject to the registration system in the areas specially supervised by customs or the supervised bonded areas) where domestic individuals or E-commerce enterprises complete transactions through the E-commerce transaction platform and go through the customs clearance formalities by following the “checklist verification & release and consolidated declaration” mode. 2. The E-commerce enterprises, operational enterprises in supervised areas, payment enterprises and logistics enterprises conducting the E-commerce import-export business through “9610” customs supervision method shall go through formalities with customs for the record, and make real-time delivery of transactions, payments, and storage and logistics data to the E-commerce customs clearance management platform through the service platform.” “The additional code for customs supervision method is 1210, which is called the bonded cross-border trade E-commerce or bonded E-commerce for short, applicable to the import and export commodities through the E-commerce retails where domestic individuals or E-commerce enterprises complete cross-border transactions through the E-commerce platform approved by the customs and go through formalities with the areas specially supervised by the customs or the supervised bonded areas (It is not applicable to the import and export commodities retailed through the E-commerce platform between the areas specially supervised by the customs, supervised bonded areas and those outside the above areas).”

2.2.4 *Announcement on the Supervision of Import and Export Goods and Articles through Cross-border Trade E-commerce* Announced on July 23, 2014, specifying the problems of importing and exporting goods through a cross-border trade E-commerce mechanism. The supervision responsibility for goods and overseas products, purchased by individuals through cross-border E-commerce, will be

exempt from the “customs duty + value-added tax + consumption tax” imposed in the general import trade in the future. Only the import tax on postal articles will be collected in this manner. In this way, the development of cross-border E-commerce import business will be facilitated.

## **2.3 People’s Bank of China**

The People’s Bank of China is the central bank of the People’s Republic of China and a member of the State Council of the People’s Republic of China, formulating and implementing monetary policy under the leadership of the State Council. The policies are designed to regulate and guide the E-commerce payment service, so as to promote the healthy development of cross-border E-commerce. Cross-border E-commerce related policies include:

- 2.3.1 *Detailed Rules for the Implementation of the Measures for the Administration of Pilot RMB Settlement in Cross-border Trade* was promulgated on July 3, 2009, specifying detailed rules for the implementation of measures for the administration of pilot RMB settlement in cross-border trade and further stipulating the RMB customs declaration and settlement requirements of enterprises in Shanghai, Guangzhou, Shenzhen, Zhuhai and Dongguan regions, thus promoting the development of E-commerce.
- 2.3.2 *Administrative Measures for the Payment Services Provided by Non-financial Institutions* was announced on June 14, 2010, specifying the administrative measures needed for payment services provided by non-financial institutions, promoting the development of the payment service market, standardising the payment services provided by non-financial institutions, regulating payment risks, protecting the lawful rights and interests of the parties involved, and guaranteeing a healthy and safe E-commerce payment environment.
- 2.3.3 *Measures for the Custody of Clients’ Reserves of Payment Institutions* were disclosed on June 7, 2013, specifying the rules relating to the custody of clients’ reserves in payment institutions, protecting the lawful rights and interests of the parties involved, and promoting the development of E-commerce through the established payment industry.
- 2.3.4 *Guiding Opinions on the Implementation of Several Opinions of the General Office of the State Council on Supporting the Steady Growth of the Foreign Trade* was promulgated on June 11, 2014, specifying the implementation of several opinions of the General Office of the State Council on supporting the managed growth of foreign trade, giving guidance suggestions on supporting this growth and further promoting the development of E-commerce.

## **2.4 State Administration of Foreign Exchange**

The State Administration of Foreign Exchange (SAFE), supervised by the People's Bank of China, is responsible for the management of foreign exchange revenue & expenditure, foreign exchange trading, debit and credit, foreign exchange transfers within China and international settlement. Further, SAFE manages the foreign exchange rate and the foreign exchange market through the regulation cross-border foreign exchange payment services, by promoting guiding policies for foreign exchange payment business on a trial basis, and guaranteeing a risk adverse E-commerce foreign exchange payment environment. Cross-border E-commerce related policies mainly include:

*Notice of the State Administration of Foreign Exchange on the Pilot Cross-border Foreign Exchange Payment Business of Payment Institutions* was announced on January 23, 2015, regulating the development of the cross-border Internet payment business of payment institutions, preventing Internet-based cross-border cash flow risks, and providing convenience and security for both institutions and individuals involved in Internet-based E-commercial transactions.

## **2.5 National Development and Reform Commission of the People's Republic of China**

The National Development and Reform Commission of the People's Republic of China (NDRC) is a functional organisation of the State Council, and is a macroeconomic regulation and control department, making policies for economic and social development, based on comprehensive research, guaranteeing overall economic balance & providing guidance for reform in the economic system. Further, it promotes relevant policies as guidance for government authorities at different levels in China, to promote continued E-commerce development. Cross-border E-commerce related policies mainly include:

*Notice on the Relevant Work for Further Promoting the Sound and Rapid Development of E-commerce* was announced on April 15, 2013, specifying the specific administrative measures expected to be taken by Chinese governmental organisations, including: the NDRC, the Ministry of Finance of the People's Republic of China, the Ministry of Agriculture of the People's Republic of China, the Ministry of Commerce of the People's Republic of China, the People's Bank of China, the General Administration of Customs of the People's Republic of China, the State Administration of Taxation, the State Administration for Industry & Commerce of the People's Republic of China, the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China, the State Forestry Administration, China National Tourism Administration, State Post Bureau of the People's Republic of China and the Standardization Administration of the People's Republic of China, :to accelerate improvement in the regulatory and policy environment, supporting the innovative development of E-commerce.

## **2.6 State Administration for Industry & Commerce of the People's Republic of China**

The State Administration for Industry & Commerce of the People's Republic of China, a department directly under the command of State Council of the People's Republic of China, and is responsible for market inspection, management and relevant administrative law enforcement, as well as regulating the E-commerce environment by promoting applicable policies and measures. Cross-border E-commerce related policies mainly include:

*Administrative Measures for Online Trading* was announced on January 26, 2014, specifying the administration of online product trading and related services, obligations of online product operators and related service providers. As well as special provisions required regarding third-party transaction platforms, other related service providers and the related service supervision & management provisions and legal responsibilities therein.

## **2.7 Ministry of Commerce of the People's Republic of China**

The Ministry of Commerce of the People's Republic of China is a member of the State Council of the People's Republic of China, responsible for commercial economy and trade sector, promoting the ongoing development of E-commerce by providing relevant guidance. Cross-border E-commerce related policies mainly include:

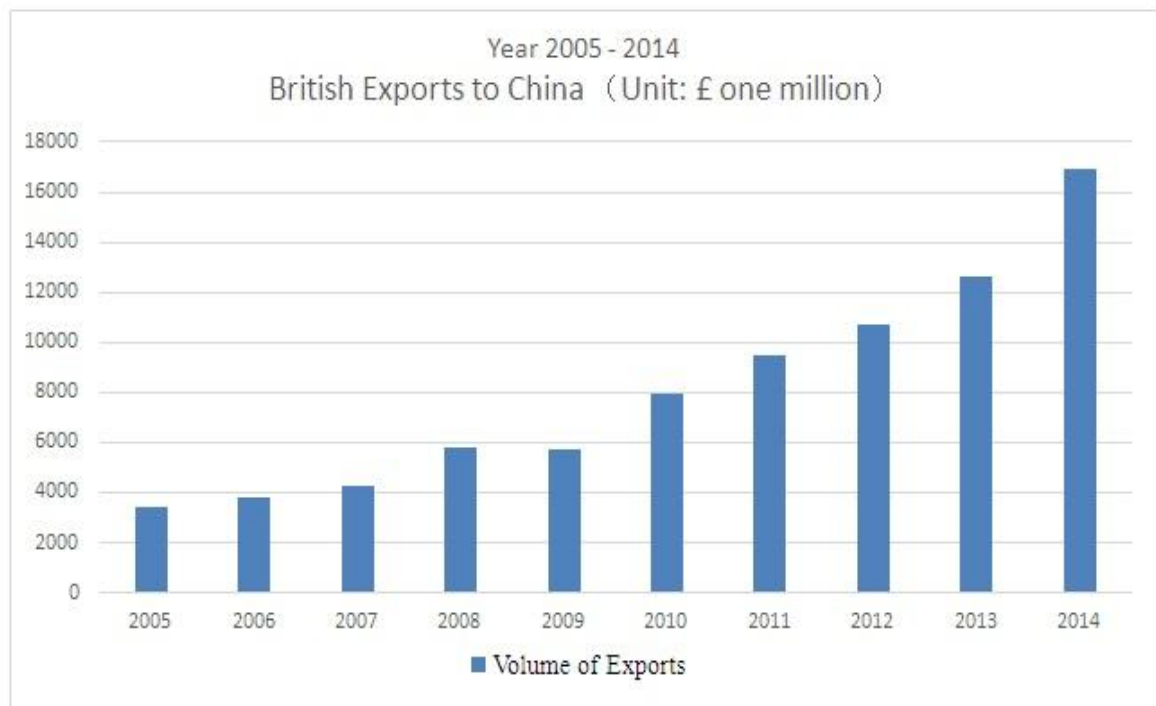
*Guiding Opinions on Promoting the Sound Development of Online Shopping* Announced on June 24, 2010, specifying the administrative measures required to improve the E-commerce service and related management systems, to further develop the legal and standardisation systems, upgrade the Internet-based trading environment, cultivate the main market players, expand E-commerce trade and regulate transactional behavior.

### 3. British Exporting Enterprises

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#### 3.1 Status and Trend of British Exports to China

Since 2010, the amount of British exports to China has increased from £8 billion to £16 billion, seeing a growth rate of over 100%. By June 2015, China was the fifth largest recipient of UK exports, with exports from the UK to China (excluding Hong Kong Special Administrative Region) accounting for 5.9% of total British export volume. Meanwhile, China has become the third largest exporter to the UK, with the Chinese products accounting for 8.1% of the total British import volume.



In recent years, British enterprises have also noticed the booming cross-border E-commerce sector in China, a new trade model, changing the spending habits of Chinese consumers. In order to further develop the Chinese market, British enterprises are seeking to sell their products to China through this new model. At present, the UK accounts for 6% of China's total amount of cross-border demand based on the joint research by Ipsos/Mori/PayPal and OC&C in 2014. Accordingly, it is expected that the amount of British E-commerce exports to China, would reach £ 14 billion by 2020. Additionally, with changes & improvement in Chinese residents' consumption capacity, higher demand for overseas high-quality products will likely further increase the volume of cross-border trade.

For small & medium-sized British enterprises, partially due to the lack of page views, the development of self-operated E-commerce platform and the establishment of a local institution will not generate significant sales from the

Chinese E-commerce market. Therefore, cooperation between British enterprises and the cross-border E-commerce platforms in China is a better choice. Product sales through such platforms currently account for 90% of E-commerce business in China, and will effectively lower market entry costs whilst simultaneously enhancing product competitiveness.

## **3.2 Main British Cross-border E-commerce Platforms**

### **(1) General E-marketplaces**

The seller pays commission and listing fees, selling products through the public platform established by a third party. The platform provides the seller with technical support for pricing, logistics and customer service. Some platforms support the seller's direct management of customers (e.g. EBay) whilst others keep the management right reserved (e.g. Amazon).

### **(2) Specific horizontal marketplaces**

Despite an operation model identical with the mass market platforms, specific horizontal platforms are established exclusively for the products of specific, targeted industries. Therefore, there are limitations on the types of products that can be listed. Crafting marketplaces would be an example

e.g. [www.etsy.com](http://www.etsy.com) and [www.rakuten.co.uk](http://www.rakuten.co.uk) and more recently Amazon handmade

### **(3) Specific product type platform**

The product **types** displayed online are controlled by the platform operators, i.e. they are curated by the platform. The platforms may have no intrinsic storage capacity with each successful transaction subject to a commission of approximately 25%. Moreover, the seller will deliver the products directly from its warehouse to the buyer.

e.g. [www.notonthehighstreet.com](http://www.notonthehighstreet.com), and [www.pixplace.com](http://www.pixplace.com)

### **(4) Special category platform**

Here, the platform operator is responsible for all product marketing and drive traffic to the page for views. Commission will be collected based on the sales volume. No product will be purchased by such platforms for storage. This drop-ship model is often used as a substitute to a company building its own web traffic.

e.g. [www.lux-fix.com](http://www.lux-fix.com), and [www.tesco.com](http://www.tesco.com), which are platforms for fashion womenswear and supermarket respectively.

## **3.3 Concerns of British Enterprises about Cross-border E-commerce Platforms**

### **(1) Costs**

Enterprises have to consider the total cost of product sales through any E-commerce platform, including post-transaction commissions, membership and listing fees, as

well as the relevant costs as a result of possible replacement of an E-commerce platform due to the failure to meet the desired turnover.

## **(2) Marketing**

Companies must consider whether the E-commerce platform has a good brand image and whether their marketing promotion plan is sufficiently comprehensive to attract a sufficiently large number of targeted customers. Brand agencies of other businesses listed on the marketplace will inform decisions of which marketplace to list.

## **(3) Platform design**

Businesses need to consider whether the overall design and functionality of the chosen E-commerce platform will facilitate product search and potential purchase, whether the platform website design meets the basic requirements and whether their logos and brand images will be clearly displayed through the E-commerce platform. Do the requirements placed on the company by the platform, fit with the resources within the company. E.g. responses to customer enquiries to be given within 60 minutes.

## **(4) Technical support**

Unsurprisingly, enterprises also have to consider whether there are sufficient technical personnel assigned to ensure normal, functioning of the E-commerce platform. In addition, enterprises should make preparations for possible expenditure required to ensure compatibility between their own IT systems and the E-commerce platform systems.

## **(5) Key reasons to consider marketplaces**

- Access to customers in a trusted environment
- You keep control of the brand and brand image
- Fully integrated IT and stock control management systems with full reporting already set up
- You keep control of pricing
- Full retail price less listing and transaction fees (which vary eM to eM).
- Excellent way to test the local demand for your products
- Build valuable research into customer behaviour

### **3.4 UK Trade & Investment (UKTI)**

UK Trade & Investment is the Government department that helps UK-based companies succeed globally and assists overseas companies to bring investment to the UK. They lead the whole of Government effort to help UK firms win business overseas and rebalance the economy towards export-led sustainable economic growth.



## **4. Pilot Cities for Cross-border E-commerce Import in China**

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### **4.1 Cross-border E-commerce in Ningbo**

#### **4.1.1 Overall Development in Ningbo**

Ningbo is one of the leading cities for E-commerce, and a pilot city for cross-border E-commerce, ranked first in China, both in terms of the growth rate and gross scale of cross-border E-commerce business conducted. Since its launch in November 2013, Ningbo Cross-border E-commerce Service Platform ([www.kjb2c.com](http://www.kjb2c.com), hereinafter referred to as [kjb2c.com](http://kjb2c.com)) has gradually established a bonded inventory, bonded collection and direct mail structures. Products sold through Ningbo cross-border E-commerce mainly include mother & baby goods, beauty & personal care products, health-care food, household daily consumables and clothes, shoes, bags, etc. By the end of 2015, over 540 enterprises have set up in the Ningbo Free Trade Zone, with over 16.26 million orders received and fulfilled successfully, producing gross sales of approx. RMB3 billion .

#### **4.1.2 Cross-border E-commerce Development and Typical Platforms in Ningbo**

##### **(1) Ningbo Cross-border E-commerce Service Platform**

In June 2012, Ningbo Cross-border E-commerce Service Platform was included in the national pilot program for cross-border E-commerce development. The Platform integrated trading information, regulated E-commerce data standards and established the data centre for data sharing. Additionally, the platform provided E-commerce customs clearance, logistics, data exchange, foreign trade coordination, business information, business credit and other services, as well as offering cross-border consumers in China with the ability to utilise real-name registration, annual consumption limit control, tax receipt inquiry, product anti-counterfeiting & traceability inquiry, etc. Initially, the “bonded inventory” model was adopted, but in early 2015, both bonded collection and direct mail models were launched to complement initial functionality. Specifically, the bonded inventory model was implemented in Ningbo Free Trade Zone; the bonded collection model was implemented in Yinzhou Airport Bonded Logistics Centre; and the direct mail mode was implemented in Ningbo Lishe International Airport.

##### **(2) Typical platforms**

Ningbo Yaya Qugou E-commerce Co., Ltd. ([www.yayaqugou.com](http://www.yayaqugou.com), hereinafter referred to as “[yayaqugou.com](http://yayaqugou.com)”) is an international trade enterprise that has successfully integrated development, purchase, marketing and after-sales service based on E-commerce operation. It highlights the benefits of the one-stop O2O platform for cross-border mother & baby products, mainly imported from the United States, UK, South Korea, Japan, Germany, France, Australia & New Zealand. By the end of 2015, total sales stood at RMB200 million; there were 400,000

members; with daily average page views reaching 50,000, making the Company one of the top three enterprises in the cross-border E-commerce industry in Ningbo. The Company has established a self-operated cross-border bonded warehouse of 11,000 m<sup>2</sup> in Ningbo Free Trade Zone, with a full-automatic replenishment assembly line guaranteeing 24h-delivery and replenishment, considerably raising the utilisation rate of the warehouse.

### **4.1.3 Advantages and Policy Resources in Ningbo**

#### **(1) Main advantages**

Ningbo-Zhoushan Port, a modern deep-water port with a throughput of over 100 million tons, successfully integrates the functions of inland port, estuary port and seaport. It has developed into the largest ports in the world. It has an annual throughput of 889 million tons of cargo and 20.63 million TEU containers. The Port, located in the middle of the Chinese continental coastline, stands at the junction of the Silk Road Economic Belt and “Maritime Silk Road”, connecting East China and West China and radiating out to North China and South China.

#### **(2) Main policy resources**

In order to capitalize on the growing E-commerce industry, to promote the transformation and upgrade of the regional industry and to accelerate the construction of national innovative demonstration area for import trade, a series of preferential policies have been launched in Ningbo Free Trade Zone. These have been designed to attract cross-border E-commerce enterprises, including:

- (a) E-commerce enterprises in the Import Trade E-commerce base, have access to a broadband service that will be offered for free. In regard to the rental for the office areas and warehouses, certain subsidies will be provided to encourage take-up.
- (b) E-commerce enterprises with high annual sales will be rewarded on a sliding scale. Those with high growth rates and significant market shares will also be rewarded.
- (c) For E-commerce enterprises successfully attracting high-level talent, applicable support policies and services will be provided. Special subsidies and rewards will be available for those making contributions to local E-commerce development. For E-commerce enterprises renting dormitories in the living quarter, subsidies will be provided.

## **4.2 Cross-border E-commerce in Zhengzhou**

### **4.2.1 Overall Development in Zhengzhou**

Zhengzhou is the core functional zone for international logistics in Henan Province, a node for the sea-land-air transport in mainland China and one of the central transportation junctions in China. Zhengzhou Cross-border Trade E-commerce Service was launched in 2013 on a trial basis. By June 30, 2015, customs recorded over 624 enterprises had been registered, including some key cross-border E-commerce platforms in China, such as jumeiglobal.com, vip.com, kaola.com, suning.com and xiaohongshu.com. In addition, major logistic and express companies, such as DHL, ZTO Express, STO Express, EMS, YTO Express, Cainiao and SF Express, had been attracted here. At present, the cross-border trade E-commerce import-export amount exceeded RMB1.38 billion, ranking top on a national scale. In 2015, according to the multi-point arrangement required by the provincial government, the pilot work will be successively implemented in Xinzheng Integrated Bonded Zone, Zhengzhou Export Processing Zone, Zhengzhou Airport and Zhengzhou-Europe International Shuttle Train, with the bonded inventory model implemented in Henan Bonded Logistics Center, Xinzheng Integrated Bonded Zone and Zhengzhou Export Processing Zone, and the direct mail model implemented in Zhengzhou Airport and Zhengzhou-Europe International Shuttle Train.

### **4.2.2 Cross-border E-commerce Development and Typical Platforms in Zhengzhou**

#### **(1) Henan Bonded Logistics Center Customs Clearance Service Platform**

By 2015, “E-trade” (Bonded Logistics Center Customs Clearance Service Platform) had established connectivity with the supervision and control systems of General Administration of Customs, General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China, State Administration of Taxation, State Administration of Foreign Exchange and

State Administration for Industry & Commerce of the People’s Republic of China, as well as Henan E-port. Further, “E-Trade” and had initiated formed the new paperless convenient customs clearance approach mode. The Platform boasts a 310 *Mu* (1 *Mu*≈666.7 m<sup>2</sup>) customs operation area, 30,000 m<sup>2</sup> storage yard, 60,000 m<sup>2</sup> bonded warehouse, information-based smart check-post, 360° no-blind-area monitoring, a 3,300 m<sup>2</sup> integrated inspection platform, 120 tons platform balance, 1,200 m<sup>2</sup> one-stop joint inspection hall, 30,000 m<sup>2</sup> non-bonded warehouse, 10,000 m<sup>2</sup> pre-storage area, complete safety monitoring systems and large lifting devices. The platform has a bonded logistics business, including bonded business, storage, international trade, entrepot trade, logistics distribution, package and sorting facility, as well as non-bonded business, including storage, sorting, distribution, freight forwarding, import & export agency, general logistics services and financial services (pledged by warehouse receipts). There are over 25,000 different products on record. By the end of July 2015, approx 20.67 million packages of products had been sold through E-trade, with the sales amount totaling RMB1.773 billion and tax

revenues at RMB690 million, ranking first on a national scale. The number of the enterprises registered with customs also ranked first on a national scale. The imported products range includes cosmetics, mother & baby products, and health-care & food, from the United States, Japan, South Korea, Australia and New Zealand.

## **(2) Typical E-commerce platforms**

### **(a) Zhongdamen**

With a registered capital of RMB100 million, Henan Zhongdamen Network Technology Co. Ltd. ([www.zhongdamen.com](http://www.zhongdamen.com), hereinafter “Zhongdamen”) was founded in April 2014 as an E-trade online and offline O2O cross-border E-commerce platform to provide their consumers with overseas goods imported with original packaging and to provide overseas trade companies, overseas manufacturers and overseas E-commerce with offline imported product experience, online E-commerce platform and other marketing channels. The ranges of products supplied by merchants in Zhongdamen include mother & baby goods, health-care food, daily chemicals, cosmetics and other in demand lines. The Platform has setup procurement offices or overseas warehouses in over 30 countries and regions and established cooperation with over 70 large E-commerce operators abroad, boasting integrated advantages in price, time, quality and after-sales services, etc.

In addition, Zhongdamen created the offline experience center, with a proposed floor area of 200,000 m<sup>2</sup> (27,000 m<sup>2</sup> for Phase-I works), integrating shopping, leisure, food and entertainment, and covering the E-trade import, general trade import, trade zone for imported vehicles, export trade, service and experience zone, where over 30,000 sale lines from over 130 countries and regions, such as Europe, the United States, South Korea, Japan, Australia and New Zealand, etc. were exhibited.

### **(b) [www.htlux.com](http://www.htlux.com)**

[www.htlux.com](http://www.htlux.com) is a B2C cross-border E-commerce website created and owned by HNCA Logistics Co., Ltd. in 2014. With a registered capital of RMB60 million, the Company was founded on March 15, 2013, boasting 38,000 m<sup>2</sup> bonded warehouse and with a 200 *Mu* (1 *Mu*≈666.7 m<sup>2</sup>) bonded warehouse under construction. The business scope covered freight terminal operations, air freight, warehousing, regional distribution, air transport sales agency and import-export trade, In addition, Henan Civil Aviation Development & Investment Co., Ltd. created the “silk road” route jointly with Cargolux Airlines International and cooperated with China Southern Airlines in establishing a passenger airline, with 35 planes in operation. Besides, the Platform had stores established by governments in eighteen prefecture-level cities where about one hundred of the bonded goods of [www.htlux.com](http://www.htlux.com) were exhibited, including household articles, health-care, mother

& baby, and various kinds of alcoholic liquor products.

### **4.2.3 Advantages and Policy Resources in Zhengzhou**

#### **(1) Main advantages**

Henan Bonded Logistics Centre, stands at the junction of multiple high-speed modern railways, and is only 1.5 km away from Zhengzhou Railway Container Terminal (first-class customs port) and 3 km away from Zhengzhou National Highway Logistics Port. It takes 5 min to the highway intersection and 20 min to Zhengzhou Xinzheng International Airport.

#### **(2) Main policy resources**

In order to promote the development of cross-border E-commerce business in Zhengzhou Bonded Zone and to attract more cross-border E-commerce enterprises, certain subsidies are provided by the provincial/municipal government for the construction of the bonded logistics center. The National Zhengzhou Economic and Technological Development Zone established the management committee for the bonded logistics center. For large E-commerce platforms, certain subsidies may be provided for parcel sorting operations upon negotiation with the government.

### **4.3 Cross-border E-commerce in Shanghai**

#### **4.3.1 Overall Development in Shanghai**

As an international financial, commercial, shipping and economic center, Shanghai has the largest number of non-bank financial payment institutions and the largest express delivery business cluster in China. It also has a dense cover of international transport routes. Since 2014, Shanghai has spared no effort in promoting its investment opportunities, successfully attracting Amazon, yhd.com and other E-commerce enterprises. On November 2, 2014, the Strategic Cooperation Framework Agreement was agreed by Shanghai Information Investment Inc,

Chia Tai Group, China Mobile, CITIC Group and Itochu Corporation, proposing an investment of RMB10 billion in the establishment of “Face to Face” (F2F) Company - a mobile Internet-based cross-border social shopping platform for integrating the international supply chain on the basis of the KJT.com platform.

#### **4.3.2 Cross-border E-commerce Development and Typical Platforms in Shanghai**

##### **(1) Shanghai Cross-border E-commerce Public Platform**

The Shanghai Cross-border E-commerce public platform has ensured E-commerce connectivity throughout the entire industrial chain, connecting the regulatory

authorities, including the State Administration of Foreign Exchange, State Administration of Taxation, General Administration of Customs of the People's Republic of China and General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China, as well as the China E-port Data Center, merchants, payment institutions, consumers and logistics companies.

In regard to cross-border payment, the public service platform has signed an abutment agreement with the top 6 payment enterprises in China, including China UnionPay Co., Ltd, Alipay.com, Tenpay (WeChat Payment). With reference to cross-border logistics, the public service platform has established cooperation with a dozen well-known logistics enterprises at home and abroad, including UPS, FEDEX, China Post Shanghai Branch, SF Express and YTO Express. In regard to the bonded warehousing, Shanghai Pudong Airport Free Trade Zone, Shanghai Waigaoqiao and Yangshan Free Trade Zone and Songjiang Export Processing Zone respectively have 1 bonded supervised warehouse in operation, guaranteeing a warehousing area totaling to 43,000 m<sup>2</sup>. So far, over 160 pilot enterprises (e.g. Amazon) have established new operation entities in the FTZ.

## **(2) Typical platforms**

In May 2012, the first cross-border trade E-commerce platform was established in Shanghai on a trial basis. On December 28, 2013, the direct mail and bonded inventory mode were incorporated into the platform of KJT.com. On January 23, 2015, KJT.com was officially launched. The products included eight imported food products, mother & baby products, personal care goods & cosmetics, nutrition & health, daily articles & household, footwear and luggage, fashion clothes and exquisite accessories. By April 30, 2015, the platform had successfully attracted 193 merchants, receiving altogether 220,872 orders and selling 860,511 products. The sales amount was over RMB61 million. The daily average number of orders stood at 3,000-4,000, with 10,000 orders received in peak trading hours. The "direct mail" and "bonded inventory" operability were supported by KJT.com. Among the products sold, most popular were mother & baby products, personal care & toiletries and imported food.

The online information service platform for imported products provides a one-stop shopping guide service of high-quality imported goods for consumers, established a unified network transaction platform for cross-border trade E-commerce enterprises and assisted enterprises concerned in conducting unified market promotion activities. The offline trading agent, storage & logistics, customs broker and consultation service were also provided for the cross-border trade E-commerce enterprises.

## **(3) Supplementary requirements for British enterprises establishing cooperation in cross-border E-commerce in Shanghai**

The enterprise entry qualification required is A+B mode, where:

- A refers to overseas company, the cross-border E-commerce operating entity, selling products within its business scope (companies registered in Hong Kong are subject to no business scope) on KJT.com; and
- B refers to the domestic company, an independent legal entity registered domestically (branch is not permitted), as the domestic branch or agent of overseas merchants.

Requirements:

- (1) For the bonded inventory mode, the companies are required to be registered in Shanghai FTZ (This approach is recommended for British enterprises).
- (2) For the direct mail mode, the companies are required to be registered in Shanghai (No real relationship is required between A and B).

### **4.3.3 Advantages and Policy Resources in Shanghai**

#### **(1) Main advantages**

- (a) Transportation and logistics: As an international shipping logistics centre, Shanghai boasts abundant “sea-land-air” logistics and transportation resources. With regard to shipping, the container throughput of Port of Shanghai in 2014 stood at 35,285,000 TEU, ranking NO. 1 on global ranking over five successive years. With air transportation, Shanghai has frequent international flights globally, including Central Europe, America, Africa and other important international long haul routes. In 2014, the passenger throughput and cargo throughput of Shanghai Pudong International Airport and Shanghai Hongqiao International Airport stood at 88 million customers and 3,550,000 tons, respectively.
- (b) Merchant resources: In 2014, KJT.com successfully attracted over 100 well-known merchants, including American Amazon, Korean Hyundai Department Store, Dah Chong Hong Holdings Limited of Hong Kong and yhd.com. During the second half of 2015, Tmall.HK and JD.hk were launched. Negotiation with Amazon (China) about the “bonded import” business, Shanghai Gems & Jade Exchange, ymatou.com, xiaohongshu.com, mia.com and Sinotrans Limited, etc. are in progress. The goods available are divided into nearly 40,000 different lines, under 8 broad categories (SKU), mainly including food, mother & baby and 3C electronic products. Superior economies of scale benefit merchants, and aid port customs clearance

efficiency.

**(2) Main policy resources**

A series of applicable policies have been successively launched in Shanghai, attracting a large number of domestic cross-border E-commerce platforms.

- (a) As the first pilot zone among the top four FTZs, China (Shanghai) Pilot Free Trade Zone enjoys the early adopter advantage. Moreover, the policies and corresponding services provided for cross-border E-commerce are relatively comprehensive. Further, Shanghai FTZ It is also proactive in the implementation of relevant policies.
- (b) China (Shanghai) Pilot Free Trade Zone was the first implementing the negative list management system for cross-border E-commerce, as stipulated by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China. Products on the list are not allowed to be imported through cross-border E-commerce mechanisms, As a result, the time from the delivery of "overseas products" from port through to online display have been reduced by about 80%.
- (c) *Several Opinions on Promoting the Development of Cross-border E-commerce in Shanghai* was promoted by Shanghai Municipal People's Government, specifying the creation of cross-border E-commerce demonstration parks, the provision of financial & taxation support. Moreover, the establishment of various investment & financing mechanisms to support E-commerce enterprises, has encouraged the ongoing development of unsecured loan businesses, further supporting enterprise in the FTZ



## **4.4 Cross-border E-commerce in Chongqing**

### **4.4.1 Overall Development in Chongqing**

As one of the four municipalities directly under the Central Government control, Chongqing is a “double-pilot” city, namely both cross-border E-commerce & the foreign exchange payment function of existing national payment institutions. In addition, Chongqing boasts a convenient and open bonded port platform and the “Chongqing-Xinjiang-Europe” International Railway. Customs clearance services are provided by government & as a result, Chongqing has successfully attracted a large number of E-commerce platforms to, including Alibaba, JD.com and eBay, etc.

In June 2014, the cross-border trade E-commerce public service platform established by Chongqing Municipal People’s Government was officially launched on line, establishing cooperation with the supervision departments, including the General Administration of Customs of the People’s Republic of China, State Administration of Taxation, Local Taxation Authorities and State Administration of Foreign Exchange, as well as overseas merchants, logistics and storage enterprises. By April 30, 2015, over 70 enterprises had registered for cross-border E-commerce on a trial basis in Chongqing, receiving and fulfilling 600,000 orders, producing sales amount of RMB170 million, over 97% of which, use the bonded inventory system. At present, cross-border E-commerce products registered with Chongqing Customs mainly refer to fast moving consumer goods, including mother & baby products, health-care food, bags & suitcases, clothes, cosmetics and imported food.

### **4.4.2 Cross-border E-commerce Development and Typical Platforms in Chongqing**

#### **(1) Chongqing Cross-Border E-Commerce Public service Platform**

The cross-border trade E-commerce public service platform in Chongqing was established by 8 administrative departments, including the State Administration of Foreign Exchange, General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China and State Administration of Taxation, under the leadership of Chongqing Port Office. It not only effectively provides services for the cross-border E-commerce supervision departments, but also provides support for cross-border E-commerce enterprises, in terms of data and communication, guaranteeing rapid customs clearance of cross-border E-commerce products. Enterprises using the platform have free access to 24h trade, customs clearance and logistics data services. It takes about only 3 min from order placing to order picking.

## **(2) Typical platforms**

### **(a) www.igetmall.net**

www.igetmall.net, a cross-border E-commerce website conceived and setup by Chongqing Bonded Port Area, is a specialised E-commerce platform for B2C imported products. It is not only a shopping website, but also provides services through the entire industrial chain, including customs clearance, warehousing, sorting and packaging. The website is based on the existing warehousing logistics resources and bonded policies in the Bonded Port Area. By June 2015, the cross-border E-commerce retail imports exceeded RMB30 million. Cooperation with over 60 overseas merchants has been established. Further, the platform has 2 cross-border product exhibition centers with a combined area of over 30,000 m<sup>2</sup> located in the busy downtown area of Chongqing. The O2O approach of “placing an order online and swiping card offline” function is fully supported within the transaction functionality of the extended platform.

### **(b) OSELL**

Chongqing OSELL (china.osell.com), one of the largest transnational E-commerce trading platforms in China, specialises in transnational B2C E-commerce online retail operations. It has established a number of branches both at home and abroad, with the business being developed in over 200 countries and regions in America, Asia and Northern Europe. In 2014, the cross-border E-commerce sales amount of OSELL exceeded USD400 million.

## **4.4.3 Advantages and Policy Resources in Chongqing**

### **(1) Main advantages**

- (a) Transportation and logistics: The Eurasia International Railway starting from Chongqing and ending in Europe, transits six countries including Kazakhstan, Russia, Poland and Germany, was officially put into service in January 2011. By the end of May 2015 over 260 journeys had been successfully completed. One advantage is that the use of the railway facilitates a simpler, goods return mechanism between trading partners. Compared with sea and air transport, the Railway is an effective and viable solution in the real-time delivery of fast moving consumer goods between Europe & China, in terms of freight and transport capability.
- (b) Geographical location: Chongqing is located in the center of Southwest China, enjoying convenient sea-land-air logistics access. In addition to the 300 prefecture-level cities in Yunnan Province, Guizhou Province, Sichuan Province, Shaanxi Province, Gansu Province, Ningxia Province, Hunan Province and Hubei Province, the Eurasia International Railway also has convenient logistics routes to the emerging cross-border E-commerce markets

in Europe, America, Russia and East Asia. Additionally, Chongqing boasts the first inland bonded port in China.

- (c) Developed sorting and packaging: Chongqing Bonded Port Area has the only Cross-border E-commerce Logistics Supervision Centre approved to be listed by Customs in Central-Western China, which guarantees the smooth sorting and customs clearance of imported products. In the functional zone of water port, there are 2 customs sorting & inspection lines, both for the cross-border bonded inventory business model. In the airport zone, there are 2 customs sorting & inspection lines, one for the cross-border bonded inventory model and the other for the cross-border direct mail model.

## **(2) Main policy resources**

A series of policies on encouraging and supporting cross-border E-commerce platforms have been successively implemented in Chongqing, attracting a large number of domestic cross-border E-commerce platforms and is accompanied by improvements in government service efficiency. Additionally, for British trade exporters looking to establish a branch in Chongqing, the process of registration formalities with the State Administration for Industry & Commerce, Chongqing Tax Bureau, legal representation and the subsequent operation of online shops through the cross-border E-commerce platform has been simplified. The Chongqing Municipal People's Government has the following policies and measures in place:

- (a) Establishment of institutions: For the well-known retail enterprises at home and abroad, establishing a national headquarters, a western operation centers (bases), regional logistics distribution centers (bases) or settlement centers in Chongqing, The Chongqing Municipal People's Government will give special support. For those with annual sales turnover levels of:

- RMB50 million,
- RMB100 million
- RMB1 billion

A range of reward benefits are available.

- (b) Talent support: individual income tax payable to the local taxation bureau, by senior management , senior operation and key technical staff with an annual salary of more than RMB150,000 & engaged by the network retail enterprises for at least 1 year (1 year included), will be fully reimbursed. Monetary

subsidies for housing, settling-in allowance and scientific research startup funds may be included in the cost accounting.

- (c) Tax policies: In compliance with the policies for China Western Development retail enterprises and transaction settlement platforms will be temporarily subject to the business income tax at a preferential tax rate of 15%. Support will be given to the retail enterprises and Internet transaction (settlement) platforms to apply for the accreditation of high-tech, software manufacturing and advanced technology service enterprise, to enjoy the relevant tax revenue support policies. With regard to enterprise R&D expenses, in accordance with the tax law, if no intangible assets are included in the current profit and losses, a super-deduction of 50% of the R&D expenses will be made, in addition to any deduction required; and if there are intangible assets, the amortization will be made at 150% of the cost of intangible assets.

## **4.5 Cross-border E-commerce in Hangzhou**

### **4.5.1 General Development**

Hangzhou, the capital of Zhejiang Province, set up the first integrated cross-border E-commerce pilot zone approved by the State Council. The “*six systems & two platforms*” project includes an information sharing, financial service, intelligent logistics, E-commerce credit, statistics, monitoring, risk prevention and control system aspect, as well as the “single-window” online platform and the “integrated-park” offline platform. The Hangzhou pilot zone has consolidated the multiple flows of information, capital and cargo that are present within a cross-border E-commerce structure, based on which “free online transactions” and “integrated offline services”. As a result, information flow is harmonized, and innovation is promoted in the “*three major fields*” of: institutional construction, governmental administration and service integration.

At present, integrated pilot zones for cross-border E-commerce in Hangzhou cover the entire city. Among the first batch of offline pilot parks, there are:

- Hangzhou Xiacheng Cross-border E-commerce Industrial Park
- Hangzhou Xiasha Cross-border E-commerce Industrial Park
- Hangzhou Airport Cross-border E-commerce Industrial Park.

In addition, cross-border E-commerce platforms including Tmall.HK, kaola.com, OneTouch, etc. have established themselves in Hangzhou

### **4.5.2 Development of Cross-border E-commerce and Typical Platforms in Hangzhou**

The development approach of combining “single-window” online platforms and “integrated-park” offline platforms, to simplify the customs and logistics processes, benefits both the enterprise and the government departments. A “one stop shop” ensures easier processing. Further, clustering of enterprises in offline parks, has been shown to reduce, logistics costs and circulation links, while advantages in timeliness and integrated service are gained.

#### **(1) “Single-window” platform**

The single-window platform of an integrated pilot zone is based on the principle of “one-point access”, which provides a uniform declaration of access to all E-commerce, payment and logistic enterprises engaged in cross-border E-commerce.

Based on this principle, an enterprise only needs normal access to submit standardized information and related certificate in orders to meet the requirements of the cross-border E-commerce supervision authorities. The procedures for declaration, inspection and clearance are completed at one stage, thus reducing the workload of the business. The platform also supports government data submission requirements including data declaration, basic information registration, product information registration, tax exemption registration, etc. as well as other functions including management of orders, waybills and cargo lists, customs clearance certification, and application forms for customs clearance, etc.

## **(2) “Offline-park” platform**

The principle of locating “multiple parks in one region” has been a success for the integrated pilot zones. With the creation of the offline “integrated-park” platform, comprehensive transactional support such as customs clearance, logistics, financial services, talent services etc. are provided in the “one-stop” mode. Linked to the functions of the “single-window” platform in order to optimise supporting services, promote the interlinked development of online platform and offline parks and to build up industrial and ecological chains for cross-border E-commerce. Currently, the following parks have been set up as the first batch of offline pilot parks:

- Hangzhou (Xiacheng) Cross-border Trade E-commerce Industrial Park,
- Hangzhou (Xiasha) Export Processing Zone,
- Hangzhou Bonded Logistics Center,

## **(3) Typical E-commerce platform**

Kaola.com is a self-run cross-border E-commerce platform of NetEase which went online in January 2015. Currently, the platform is engaged in importing mother and baby goods, beauty products & cosmetics, daily home supplies, food, nutrition & health care items, fashion goods, affordable luxuries and other products. The platform runs on the basis of self-support and direct product sourcing by establishing a close partnership with overseas brands and premium resellers. All products have been subject to strict pre screening by a professional team overseas. Strict examination and approval of suppliers’ qualification are made and reviewed to ensure strict control over the quality of the products purchased from source. Meanwhile, kaola.com simultaneously adopts two purchasing approaches for customers: sourcing stock goods from both the bonded zone and direct mail goods from overseas – thus guaranteeing maximum logistic efficiency and fulfilling brand commitments such as “100% self-run genuine goods”, “100% direct purchasing

from overseas" and "7 days' carefree return".

### 4.5.3 Policy Resources and Advantages in Hangzhou

The Zhejiang Provincial Government devised the *Implementation Plan for Integrated Cross-border E-commerce Pilot Parks in China (Hangzhou)* and presented a package of preferential policies aimed at cross-border E-commerce platforms, in order to promote the sales of high-quality products from overseas companies trading in China, and increase the trading volume of cross-border E-commerce:

- 1 Customs clearances processing is in operation. Various approaches, including "reviewing and issuance of customs declaration forms, centralized tax collection, withholding collection and payment of taxes" are adopted for cross-border E-commerce, and efforts have been made to explore new customs transit logistics modes in adaptation to the development of cross-border E-commerce. The cooperation between the customs and the entry-exit inspection and quarantine authorities are enhanced to ensure the procedures for "declaration, inspection and clearance are finished at one stage".
- 2 Innovative supervision procedures have been established for cross-border E-commerce. All modes of cross-border E-commerce trade including B2B, B2C, etc. have been included into the trial scope of the integrated pilot zones. Supervision procedures with different trading modes have been designed to promote the establishment of standardized supervision procedures for cargo trade/service trade and import/export.
- 3 The pilot projects for foreign exchange payment of cross-border E-commerce are further strengthened. Third-party payment platforms are encouraged to provide services including cross-border foreign exchange payment and exchange settlement for medium and small-scale E-commerce enterprises. Under the precondition of taking full account of the business demands and risk control, the upper limit for a single payment of cargo trade will be gradually increased. Meanwhile, the business scope for cross-border payment of third-party platforms is being expanded to cover import, export and various forms of cross-border E-commerce trade.
- 4 Reforms of foreign exchange management for individual trade have been completed. Enterprises and individuals engaged in E-commerce that have registered in the integrated pilot zones, are now allowed to open individual foreign exchange settlement accounts and make foreign exchange receipts and payments involved in cross-border E-commerce in the bank. In this case,

exchange settlement shall be made upon the import & export agency contracts (agreements) entered into with the agency enterprises or the forwarding bills of logistics companies, unconstrained by the limit of USD 50, 000 for annual exchange settlement of individuals.

- 5 Innovation has been made for cross-border RMB business. Pricing and settlement in RMB are encouraged for E-commerce. Business cooperation between banking financial institutions and payment platforms is promoted to provide more cross-border RMB business products for E-commerce and provide high-quality RMB settlement services for E-commerce of both enterprises and individuals.



## **4.6 Cross-border E-commerce in Guangzhou**

### **4.6.1 Overall Development in Guangzhou**

Guangzhou, the capital of Guangdong Province, is located in the south of mainland China and south central Guangdong, near to the northern margin of the Pearl River Delta, separated from Hong Kong and Macao special administrative regions by the sea. Numerous islands and water channels at the Pearl River Estuary has made Guangzhou an ideal seaport for ocean shipping of China and an important import & export port in the Pearl River Basin. Meanwhile, Guangzhou is also the intersection of the Beijing-Guangzhou Railway, Guangzhou-Shenzhen Railway, Guangzhou-Maoming Railway, Guangzhou-Meizhou-Shantou Railway and Wuhan-Guangzhou Railway, as well as the traffic center of civil aviation of South China that is closely linked to all regions of the country. Guangzhou's economic output is ranked third among mainland cities of China for 24 years in a row. In global major city GDP ranking, based on PPP calculations, Guangzhou's economy is ranked in the top 40. Guangzhou has established firm economic and trade relationships with more than 220 countries and regions from the five continents. In the first half of 2015, the total headline export value of Guangzhou's foreign trade surpassed CNY 391 billion.

In September 2013, Guangzhou became one of the pilot cities for promoting cross-border E-commerce service across China. From January to July 2015, the total value of import and export cross-border E-commerce in Guangzhou, exceeded CNY 3 billion, ranking first among the country's pilot cities. Regarding the import side of cross-border E-commerce, Guangzhou has carried out pilot projects mainly aiming at two trading models, "direct mail" and "bonded inventory". Currently, there are more than four hundred E-commerce enterprises, logistics companies and payment businesses that have registered with Guangzhou Customs and are engaged in cross-border import, with the business scope covering 12 countries and regions including the United States & Australia. The main products being traded include mother and baby goods, health care, small household appliances and other individual consumer goods.

### **4.6.2 Cross-border E-commerce Development and Typical E-commerce Platforms in Guangdong**

#### **(1) Development of Cross-border E-commerce**

At present, Guangzhou is constructing a project called "single window" for international trade, which includes:

- declaration of import and export goods,
- declaration of the means of transport,
- cross-border E-commerce and information services.

After this is put into operation, the project will lower enterprise costs and promote trade facilitation.

## **(2) GTD Cross-border Trade E-commerce Platform**

The GTD Cross-border Trade E-commerce Platform, a subsidiary of Guangdong Guangxin Trade Development Co., Ltd, has annual sales in excess of CNY2 billion. The company is mainly engaged in international trade businesses and works hard to become an enterprise that combines both the E-commerce platform and the trade service supply chain. GTD Platform provides high-quality overseas suppliers with one-stop and all-round services, including exhibition of cross-border trade E-commerce products, online transaction and payment, bonded storage of goods, customs clearance and delivery of product, etc.

The platform also provides featured services including order inquiry and warehousing. Consumers can purchase goods on overseas enterprise websites who have established a cooperative relationship with the platform. When an order is placed, the data will be transmitted from overseas enterprise website to the platform, and the latter can submit the order information to the customs on behalf of overseas enterprise website. The consumers can also log in the platform to inquire about their orders. The platform has bonded warehouses in Guangzhou, Nansha, etc. In addition, government supervision is also comprehensive. The storage, logistics and distribution industries have developed rapidly to form a well-connected network that has a wide coverage.

### **4.6.3 Advantages and Policy Resources in Guangzhou**

The Guangzhou government introduced a series of policies to encourage and support the development of cross-border E-commerce platforms. With so many domestic cross-border E-commerce enterprises attracted by the preferential policies and now located in Guangzhou, the development of cross-border E-commerce has been extensive.

1 In Sep. 2014, the Guangzhou government announced further supportive policies to encourage cross-border E-commerce and clearly shows that Guangzhou aims to provide greater focus on the cultivation of leading network operators, E-commerce

platforms, development of cross-border trade E-commerce and the expansion of the E-commerce application. This will assist in perfecting the E-commerce supported service system, help to optimize the development environment of E-commerce and promote in-depth integration of E-commerce and the real economy.

2 In Apr. 2015, China (Guangdong) Pilot Free Trade Zone was officially founded, with the Nansha New Area of Guangzhou, Qianhai and Shekou of Shenzhen and Hengqin New Area of Zhuhai, under its jurisdiction. The government has provided sufficient policy support for developing cross-border E-commerce in the free trade zone (FTZ).

## **4.7 Cross-border E-commerce in Shenzhen**

### **4.7.1 Overall Development in Shenzhen**

Shenzhen is the first demonstration city of E-commerce in China, where Internet information technology, communication technology, modern logistics and financial industry are well developed and there is strong sense of innovation. Shenzhen is the birthplace of many internationally well-known companies, such as Tencent, Huawei and Shunfeng. Its level of foreign trade export has been ranked first in the country for 20 consecutive years. In 2014, the combined import and export value reached USD 487.7 billion -accounting for 11.34% of the total value of Chinese trade.

As one of the first batch of cities to be approved for developing pilot projects in cross-border trade E-commerce service, Shenzhen currently focuses on actively promoting cross-border E-commerce, with the emphasis on the Qianhai and Shekou Free Trade Zone. The Qianhai and Shekou Free Trade Zone is located at the west side of the Shekou Peninsula in west Shenzhen and along the east bank of the Pearl River Estuary. It is at the intersection of the cross formed by the main economic development axis of the Pearl River Delta and part of the coastal functional expansion zone. It also neighbors Hong Kong and Macao, and there are several highly developed bonded ports and two international airports (Shenzhen and Hong Kong) within the 30km radius. Besides, this FTZ also has the advantages in marine, land and aviation transportation and benefits from the well-established cooperation relationship between Shenzhen and Hong Kong.

### **4.7.2 Development of Cross-border E-commerce and Typical E-commerce Platforms**

#### **(1) Development of cross-border E-commerce**

The Qianhai and Shekou Free Trade Zone of Shenzhen has based the development of its cross-border E-commerce policy on the cumulative advantages of the FTZ, the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone and Shenzhen Special Economic Zone. As of July 2015, there were 63 cross-border E-commerce enterprises registered with Shenzhen Customs, with over 24,000 lines of products registered. The main business models used include “directly mail goods from overseas” and “stock goods from bonded zone”.

According to policies for Qianhai and Shekou FTZ of Shenzhen, cross-border E-commerce enterprises have separately set up their own supervised bonded warehouses and opened shops in the FTZ where stocked goods are sold. The mode of O2O is mostly adopted by the experience shops, featured in “offline experience + online purchasing”. The consumers can select and purchase their favorites in the experience shops directly, or purchase on the B2C online shopping mall of the relevant cross-border E-commerce enterprise.

The Shenzhen Commercial Bureau plans to build a free trade shopping mall in the near future, where products of overseas enterprises will be exhibited in different zones in the form of national pavilions. British enterprises in Qianhai can set up their bonded warehouses in the Qianhai port area and exhibit their products in the British Pavilion in the free trade shopping mall. In this manner a centralised mall is able to exploit the impact of clustering and branding to best effect. Meanwhile, the Qianhai (Hong Kong) Global Product Shopping Center is currently under construction. The 6,800m<sup>2</sup> area is expected to complete its Phase I by the end of 2015, and will be used to attract commercial tenants from Hong Kong and the wider world.

## **(2) Typical E-commerce platform**

Haidaowang.com has the largest real experience center in Shenzhen and a complete online cross-border E-commerce transaction platform (also with the mobile app, WeChat shopping mall and PC shopping mall). The platform has also set up offline experience and exhibition centers in Shenzhen, Xiamen and Qingdao, aiming to provide customers with more convenient and simpler online and offline one-stop services, based on the operational mode of O2O.

At present, haidaowang.com has more than 1 million registered users, including 300,000 active daily users. The platform is mainly engaged in managing mother and baby items, food and health goods, red wine, automobiles, etc. By cooperating with suppliers from multiple countries including Germany, UK, the United States, Japan, Holland, Australia & New Zealand, it can provide domestic Chinese customers with imported products in the form of direct mail from overseas, through international logistics companies.

### **4.7.3 Policy Resources and Advantages**

#### **(1) Location-specific advantages**

- 1 Supported by modern logistics: Hong Kong is a major trade and transportation center in the Asia-Pacific region. Hong Kong Airport has become the largest aviation hub in China that connects to the UK. Meanwhile, Shenzhen and Hong Kong are respectively the third and fourth largest ports of the world (according to the Port Ranking of 2014 by Container Output). As a result, it is beneficial for Shenzhen and Hong Kong to jointly establish a streamlined channel to facilitate access by international logistics. After the entry of international logistics companies, represented by SF-express - will provide world-class logistic supply chain services and ensure goods are distributed to all major cities of China within one day.

- 2 Application of laws of Hong Kong: International Court of Arbitration and Qianhai Commercial Court have been set up in the Qianhai and Shekou FTZ in an innovative attempt to integrate international laws. The government allows enterprises investing in Qianhai to adopt laws of Hong Kong as the applicable laws and Hong Kong as the seat of arbitration. Different from the Chinese legal system which is based on the Continental Legal System, the law system of Hong Kong that is based on the more familiar Anglo-American Legal System and is closer to the British system, and thus the legal barriers for British enterprises to set up in Qianhai will be eased.
- 3 Hong Kong style commercial culture: Separated only by the Shenzhen River and under the influence of Lingnan culture, the people of Shenzhen and Hong Kong have very similar language, life style and customs, as well as cultural thinking. The Qianhai FTZ of Shenzhen specially focuses on creating a commercial culture in accordance with operational traditions of Hong Kong, in order to attract Hong Kong tax accountants and other professionals to set up practice in the FTZ. In Qianhai, Hong Kong style commercial culture is characterized by high efficiency, strictness and internationalisation that will assist in ensuring British enterprise blends into local environment easily

## **(2) Advantages in service process innovation**

- 1 Adoption of Innovative inspection and quarantine measures: Some products, including red wine, fruits, etc. are cleared by means of “pre-inspection, advanced clearance, no or less sampling for those provided with inspection data” to shorten the necessary time for clearance.
- 2 Innovative logistics clearance measures: Independent customs supervision is imposed on cross-border E-commerce. Integration between the FTZ and the port is prioritized. In Qianhai and Shekou, the following preferential measures are implemented enterprises can independently finish the quarantine inspection procedures with the inspection and quarantine authorities for import and export of goods; inspection and quarantine authorities may mutually admit the inspection results of each other on the basis of localization of supervision; for qualified goods, enterprises may apply for relevant certificates and finish the procedures with any inspection and quarantine authorities of the province.

## **(3) Main policy resources**

The Shenzhen government has announced a package of policies that encourage and support the development of the cross-border E-commerce platform. With many domestic cross-border E-commerce enterprises being attracted by the preferential policies and settling in Guangzhou, and more talent being encouraged to take jobs

in cross-border E-commerce enterprises, the development of cross-border E-commerce has been actively promoted.

1. Favorable enterprise income tax: The cross-border E-commerce industry has been included into the *Catalogue of the Enterprise Income Tax Preferential Program*. The enterprise income tax is levied at the rate of 15% if the main business income of an enterprise exceeds 70% of total revenue of the enterprise.
2. Favorable individual income tax: As for the individual income tax of overseas talent engaged in the cross-border E-commerce industry, the proportion in excess of 15% of the individual income tax, based on the income from wages and salaries paid in the Qianhai and Shekou FTZ, will be subject to financial subsidies from the Shenzhen government.

## **5. Cross-border Advantages, Products and Services of BOC**

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### **5.1 Bank of China advantages in Cross-border Services**

Founded in 1912, Bank of China has the longest history and also the most internationalized commercial bank in China, Bank of China was also the first of its kind engaged in international settlement as well as the first commercial bank starting exchange settlement, forfeiting, two-factor export factoring, export commercial invoice discounting and other international settlement services in China. It has successfully handled the first pilot RMB business in all domestic areas and many countries and regions overseas. It was also the leading in China in launching the products and services including RMB settlement, overseas RMB loans, offshore RMB bonds, etc.

For many years, Bank of China has been a global leader in terms of the international settlement volume. The market shares of services including international trade settlement, foreign currency trade financing and foreign currency guarantee have been standing in the first place of the industry for a long time. Since the pilot cross-border RMB business started in 2009, Bank of China has always ranked first in market share of the cross-border RMB business.

Bank of China provides comprehensive cross-border services for many domestic and overseas enterprises based on years' experiences in business to help enterprises to "go abroad" "step in". Its advantages in cross-border services are mainly reflected in three aspects:

#### **5.1.1 Comprehensive service network — worldwide cross-border service networks and diverse service platforms**

Bank of China provides comprehensive cross-border service networks and diverse service platforms. Bank of China has established more than 600 branches and subsidiaries in 43 countries and regions overseas. Furthermore, Bank of China's license covers a wide range from banking, investment banking, funds and insurance to plane leasing, enabling it to provide all-round and comprehensive integrated service solutions for cross-border E-commerce platforms and enterprises.

#### **5.1.2 Products and Solutions — fully functional cross-border trade financing and payment settlement system**

Bank of China has an advanced conventional financial service and product system for cross-border trade, base on cross-border trade settlement, focusing on cross-border trade financing, with value-added services including credit guarantee,



risk management, financial management, etc. Its products range from international remittance, export credit, packing loan and order/goods financing to letter of credit, factoring, guarantee, etc., including full functions and various scenarios so as to satisfy the trade and financial demands of global importers and exporters at every stage of the transaction process. The global settlement business of Bank of China has continuously been in the lead of the industry, with the first and largest foreign currency settlement system. The share in the market of cross-border trade RBM settlement business has also been further increased. A global RMB settlement system including onshore, cross-border and offshore settlement — has been established in Greater China area, Southeast Asia, Europe, North American and other regions where cross-border customers are concentrated.

### **5.1.3 Customer insight — rich experiences in cross-border trade enterprise service**

Since the bank has been founded, Bank of China has been dedicated to the field of cross-border financial services and provided cross-border services for customers as the only professional foreign exchange and trade bank in China for a long time. Until today, it has gathered the business experiences for over a hundred years. In serving cross-border enterprises, we have not only gained the advantages in financial products, global network and payment settlement, but formed deep understanding of local supervision requirements, taxation policies, laws and regulations as well as culture of the host country. Furthermore, we have cultivated a large number of business and technical experts well known both at home and abroad, whom are also member in the International Chamber of Commerce, the Factors Chain International, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and other international organizations and can have a influence in international affairs on behalf of Chinese banking industry and export and import enterprises. Attributed to experienced cross-border financial service experts and acute and in-depth market insight, we can provide all-round financial and generic-financial service solutions for cross-border enterprises and satisfy their demands for developing cross-border businesses.

## **5.2 Main Products and Services**

Bank of China has always been dedicated to providing the most comprehensive cross-border integrated products and services for its customers. At present, the scope of business has included international settlement, trade financing, etc. BOC also provides customized domestic and overseas cross-border product and service combination solutions for customers depending on their actual needs.

## 5.2.1 E-finance

### 5.2.1.1 Instant Clearance System

The Instant Clearance System is an online payment platform developed by Bank of China for import and export enterprises to pay custom duties, the platform connects to an external payment system and Data Center of China E-Port to realize E-payment of all custom import and export duties of the enterprise customers.

#### (1) Products Functions

- ① Electronic-payment: Enterprise users can sign into the E-Port platform to complete cargo clearance declaration online instantly and make enquiry or make payment regarding the duty.
- ② Payment guarantee: According to stipulations of General Administration of Customs on guarantee for import and export duties, Bank of China provides guarantee for the import and export duties paid by high-quality import and export enterprises online within a certain period of time.

#### (2) Products Highlights

- ① Simplified clearance process: Customers can give online payment instructions at any time and obtain Bank of China's feedback instantly, no longer need to rush between the bank and custom which greatly speed up and simplified the Custom process.
- ② Deferral custom payment: A grace period for duty payment up to 15 days will be granted to customer to reduce the customer's cash constraint and improve capital usage efficiency. Customers may also make advanced payment of customs duties in accordance with clearance schedule and demand for capital application to release the deferral amount and maximize the utilization of the amount.
- ③ Remote declaration facility: Payment of customs duties shall be made through one bank in each place and declarations may be applied in multiple places so that customers may conduct remote declaration in a different place.
- ④ Improved capital efficiency: It speeds up capital turnover, reduce capital occupation and improve capital usage efficiency.
- ⑤ Transaction access control: The payment instruction of customer is implemented in four steps: Appointing the beneficiary, appointing a beneficiary bank, reviewing payment and confirming, each step can be assigned to different operators for control and risk Management.
- ⑥ Payment for Various tax categories: platform can be used for payment of a great variety of tax items including import duty, export duty, anti-dumping duty, customs duty deferral interest, consumption tax deferral interest, supervision costs, deposit, fee for delayed declaration, postal items, import consumption

tax, etc., the platform can facilitate customers to make payments of duties and costs incurred during import and export clearance.

- ⑦ Proxy payment: Customs brokers and other customs clearance agencies may inquire the tax and costs bills of their clients and make payments online.
- ⑧ Simple agreement signing process: Customers can sign the agreements with E-Port and the payment platform on a platform appointed by the customs and start bank account signing online. Agreements will be signed in an electronic manner.
- ⑨ All-round and practical functions: Multi-level authorisation approval, intercity payment, authorized reception of tax and costs bills by bank, bills verification by bank, automatic interest repayment for refund, inquiry of relevant laws and regulations.
- ⑩ Simple circulation of tax bills: Customers may retrieve the customer's copies of tax bills on the spot at custom, ensuring convenience and high efficiency.

#### 5.2.1.2.Import payment and settlement for cross-border E-commerce customers

Via transformation based on EBCT, a comprehensive online payment system, by connecting with the public service platforms of the pilot cities for cross-border E-commerce, E-ports and platforms of cross-border E-commerce enterprises by way of calling the interfaces of these systems. In this way, it is capable of providing comprehensive financial services, e.g. online capital payment, cross-border settlement, declaration of international balance of payment, anti-money laundering, verification of customer identity etc for all cross-border E-commerce platforms, enterprises, consumers and overseas suppliers in the import link of cross-border E-commerce.

##### (1) Main product functions

The product can provide four different solutions for different groups of customers, mainly including the online bill receiving and cross-border settlement services for cross-border import and export enterprises, the online payment service of cross-border E-commerce for domestic individual customers, the capital flow data of E-commerce transaction provided for E-ports of the customs to verify identities of individual information as well as the back-stage services provided for third-party payment platforms, including exchange settlement, cross-border capital settlement, etc.

Main functions are as follows:

- ① Transaction details viewing: Detailed information includes the nature of payment and settlement, the platform involved and commodity logistics, etc.
- ② Categorized capital settlement: Classified and detailed amount accounting for

commodity payments, logistics costs (including overseas and domestic logistics), customs post taxes, fees (commissions) of E-commerce platforms, etc. based on selling prices (including taxes, etc.) of commodities on cross-border E-commerce platforms.

- ③ Automatic processing of duties: The system can automatically verify and warehouse the post taxes depending on specific provisions of local customs.
- ④ Real-time tracking of cross-border settlement: Real-time tracking of cross-border capitals, management of capitals receiving, etc. this can be achieved through Bank of China overseas and domestic settlement network.

## (2) Products Highlights

The product integrates existing system resources of the bank and conducts automatic cross-border E-commerce settlement by way of interface connecting with customer via electronic and internet method. It can provide full automatic processing with means to lower the operational risks and improve the business efficiency. Under a complete user management system and with an independent anti-money laundering interface, the compliance of cross-border E-commerce settlement will be increased.

## 5.2.2 Trade finance

### 5.2.2.1. Trade settlement

#### (1) Advising of Letter of Credit

##### ① Introduction

Advising of Letter of Credit herein refers to the advising of export Letter of Credit, service provided by Bank of China which fulfills the obligation of notifying according to international practices by notifying the beneficiary concerned after Bank of China receives the letter of credit issued by an overseas bank or the overseas branch of a domestic bank and verifies authenticity of the letter of credit. Attributed to the wide network of agency bank of Bank of China, fewer steps are required for Advising of Letter of Credit, as a result, costs are reduced and credit reviewing services are also be provided to ensure authenticity of the letter of credit and warn customers about the potential risk involved thus enhance security

##### ② Highlights

- Effective identification of authenticity of Letter of Credit by experienced professionals within the bank;
- Provide credit information of the issuing bank to customers.

#### (2) Confirming of Letter of Credit

### ① Introduction

Bank of China undertakes the obligation of guaranteeing payment under an export Letter of Credit. After submitting Letter of Credit documents conforming to the Letter of Credit terms, customers can obtain the payments from Bank of China without recourse or irrevocable payment commitments made by Bank of China. Confirming of L/C can help customers to effectively avoid the issue of the credit of the issuing bank and recover the payments for export goods in advance and thus improve turnover.

### ② Highlights

- Lower risks: The product can protect exporters against the risks related to the issuing bank as well as the governmental and exchange control risks of the country where the issuing bank is located.
- Dual guarantee: Besides conditional payment commitment from the issuing bank, exporters can also obtain conditional payment commitment from Bank of China, that is, a dual guarantee for payment.
- Payment collection guarantee: After the documents conforming to Letter of Credit terms are submitted and approved after examination, exporters can obtain the payments without recourse and the payment commitments.

## (3) Examination and negotiation of Letter of Credit

### ① Introduction

Bank of China provides its customers with comprehensive services including Letter of Credit documents examination, delivery and reimbursement.

### ② Highlights

- Customers' risks are reduced by replacing commercial credit of importers with bank credit;
- With guaranteed compliance of documents, customers can obtain payment commitments from the issuing bank, and compliance of documents is completely under control of customers;
- Title of cargo can be ensured through Letter of Credit documents.

## (4) Export documentary bill for collection

### ① Introduction

Bank of China is entrusted by its customers to collect payments from importers through overseas collecting banks on the basis of the export commercial documents and financial instruments provided by customers, which include documents against payment (D/P) and documents against acceptance (D/A). Export document bill for

collection can be easily operated at low costs and is subject to lower risks comparing with open account sales.

## ② Highlights

- Low costs for exporters;
- Simple procedures comparing with Letter of Credit;
- Payments are collected through the international inter-bank network, a safe method for payment collection, less risky comparing with open account sales.

## (5) Clean collection

### ① Introduction

Clean collection refers to collection of financial documents without any commercial document attached.

## ② Highlights

- The product is widely applicable to small-amount payments under trade and non-trade items, foreign bank notes (including worn notes) inconvertible at home, value papers including exchange checks, promissory notes, foreign bonds, deposit receipts, etc., transactions for which the provision of commercial documents is impossible or inconvenient, for example, delivery of samples, high-tech product transactions (i.e. software, etc.), transactions of seasonal goods and intangible trades including services, technical transfer, etc.;
- Easy and simple to handle;
- Low Bank charges;
- Payments are collected through the international inter-bank network, a safe method for payment collection, reducing the nonpayment risk

## (6) Inward remittance

### ① Introduction

It is a method of settlement adopted by BOC to make payments to an appointed payee according to instructions of the overseas remitting bank, specifically including telegraphic transfer, demand draft and mail transfer, of which telegraphic transfer is the mostly adopted method of settlement. Bank of China has set up multi-currency settlement accounts with its main settlement banks to realize fewer settlement procedures and quicker payment process.

## ② Highlights

- Customers can collect their payments efficiently via telegraphic transfer and

thus accelerate capital turnover;

- Lower costs and easy management for customer as the result of lower charges for demand draft and mail transfer;
- The product can be applied in a wide range and it is easily managed.

#### (7) Letter of Credit Issuing

##### ① Introduction

The Letter of Credit Issuing is a service provided by the bank, payment undertaking by Bank of China to the foreign importer. Bank of China will fulfill its payment obligation when the terms stipulated in the Letter of Credit are complied with.

##### ② Highlights

- As a kind of bank credit, an Letter of Credit transfers the obligation for payment of an importer to the bank. On one hand, the exporter can collect its payments safely and quickly. On the other hand, the importer can receive the shipment documents in time. To some degree, such payment method solves the issue of trust between buyers and sellers.
- Under bank's intervention, both importers and exporters can obtain their capital financing facility;
- For importers adopting the payment method of letter of credit, capitals occupation will be reduced during the period of time from issuance of letter of credit to the payment.

#### **5.2.2.2 Trade financing**

##### (1) Packing loan

##### ① Introduction

Bank of China finances its customers according to originals of L/C and assist its customers in procurement, production and shipment of the goods under the L/C items. The packing loan service can truly satisfy customers' funding demands before shipping.

##### ② Highlights

- The product can satisfy the financing demands of customers before shipping and reduce occupation of owned capitals;
- More trading opportunities will be created.

##### (2) Export bill purchase

### ① Introduction

Bank of China can provide finance its customers under the Letter of Credit or collection to accelerate capital return and improve capital usage efficiency of customers as long as documents complied under Letter of Credit terms, Bank of China can still provide this service for the customer Even the customer does not has a credit line with the bank,

### ② Highlights

- Payments of goods can be collected in advance and accelerate capital turnover;
- Foreign exchange risks can be avoided;
- Financing procedures are simple comparing with working capital loans.
- Current period cash inflow of an exporter can be increased, leading to improved financial statutes and better financing capability;
- Different financing currency can be selected according to the levels of interest rates to minimise cost of funding.

## (3) Export bill discount

### ① Introduction

Bank of China provides financing services for its customers by purchasing accepted documents under export Letter of Credit of purchasing customers. Bank of China can still provide this service for the customer even the customer does not has a credit line with the bank,

### ② Highlights

- Payments of goods can be collected in advance and accelerate capital turnover;
- Foreign exchange risks can be avoided;
- Financing procedures are simple comparing with working capital loans.
- Current period cash inflow of an exporter can be increased, leading to improved financial statutes and better financing capability;
- Different financing currency can be selected according to the levels of interest rates to minimise cost of funding.

## (4) Forfeiting

### ① Introduction

Bank of China purchases the outstanding claims resulting from goods, services or asset transactions without recourse. Usually the outstanding claims have been accepted/undertaken/avalised to make payment by financial institutions. By doing



so, Bank of China can ensure that customers' payments are secured by buying out their receivables without recourse. Meanwhile, customers credit line will not be reduced and customers can get export tax reimbursement in advance.

Bank of China expands the risk-taking scope to emerging markets in Asia, Africa and Latin American based on its widely distributed branches and network of agent banks. It not only provides short-term financing services, but also middle and long-term financing services (3-5 years or longer term) to its customers.

## ② Product Highlights

- Without recourse: As the product is without recourse, once an exporter obtains the finance, it no longer needs to be responsible for debt repayment of the creditor and customer's credit line won't be reduced
- Cash flow improvement: With the use of the product, forward receivables are converted into current cash inflows, which are favorable for an exporter to improve its financial status and solvency as well as avoid funds tied-up, and its financing capability will be further enhanced;
- Cost saving: Exporter will no longer undertake the work and costs of assets management and collection of receivables. As a result, overhead will be significantly reduced;
- Tax reimbursement in advance: Once forfeiting transaction completed, customers can immediately complete the procedures for foreign exchange offset and export tax reimbursement;
- Avoidance of Risks: with forfeiting, exporters no longer bear the risks of forward receivables related to interest, exchange rate, credit, government;
- Increased trade opportunities: Exporters can make deals with importers on the terms of deferred payment so as to avoid financial constraints of importers in trade activities;
- Price transfer: With forfeiting, customers can know about quotations of merchant and transfer the costs concerned to the prices so as to avoid financing costs.

## (5) Bills Purchase

### ① Introduction

Bill purchase refers to the service that Bank of China discounts bank draft under clean collection and other settlement transaction without trade documents in order to offer financing service to customers.

### ② Highlights

- Handling procedures are simple with financing procedures simplified;
- The product will not reduce customers' Credit line at the bank at the time of financing. In this way, financing scale of exporters can be enlarged;
- Capital occupation can be reduced with accelerate capital turnover;
- By using bill purchasing, current period cash inflow of an exporter can be increased, leading to improved financial statutes and better financing capability.

## (6) Two-factor export factoring

### ① Introduction

Customers transfer the receivables incurred under open account sales to Bank of China, and the bank, in cooperation with overseas partners (import factors), provides customers with package services including receivables financing, sales ledger management, collection of receivables, credit risk control and bad debt guarantee.

Customers may be worried about importers' credit in export open account sales and faced lack of liquidity. Other problems may also occur, including reduced turnover rate of receivables, the lack of progress in collection. To this end, the two-factor export factoring service provided by Bank of China can shoulder their burdens, ensuring that customers can gain financing support and risk protection through simple procedures at reasonable expense, and easily expand customer export opportunities hence increases export profits.

### ② Product Highlights

- More competitive terms of payment are provided to expand the market and increase the turnover;
- Credit risks of importers are transferred to factors;
- Credit investigation, financial management and payment collection will be managed by the factors, thus the business burdens of customers will be eased and management costs will be reduced;
- Simple procedures.

## (7) Export commercial invoice discounting

### ① Introduction

Customers transfer their receivables under open account sales to Bank of China, the

bank will provide them with services including receivables financing, collection of receivables, sales ledger management.

When customers encounter with capital turnover problems under export open account sale and the pressure of appreciation of the RMB, the service of export commercial invoice discounting of Bank of China can lend customers a helping hand, ensuring that customers can easily discount export receivables, obtain financing support and avoid foreign exchange risks through simple procedures.

## ② Product Highlights

- Financing can be obtained in a short time to solve the shortage of working capital;
- The amount of receivables can be decreased on the statement hence improving financial status of the customers;
- Simple procedures: With sales ledger management, collection of due receivables and other jobs undertaken by the bank, customers can enjoy resources saving hence increasing financial management efficiency;
- Interest expenditure will be made in a more reasonable way to reduce financial costs.

### 5.2.2.3 Supply-chain financing

#### (1) Purchase Order financing

##### ① Introduction

For the purpose of supporting goods preparation and shipment of exporters under international cargo trade and suppliers under domestic cargo trade (hereinafter referred as the Seller) and at the request of the Seller, Bank of China can provide trade financing for cargo purchasing under the order to the Seller according to the sales contract or order (hereinafter referred as the Order” submitted by the Seller.

##### ② Product Highlights

- Enterprises can obtain the initiating capital for determining supply sources and carrying out businesses and reduce the occupation of owned capital;
- More trading opportunities will be created for enterprises.

#### (2) Export Financing against Accounts Receivable Insurance (ARI)

##### ① Introduction

ARI is a trade finance service provided by Bank of China to the Seller for the receivables already covered by credit insurance of any credit insurance institution

accepted by Bank of China based on the relevant commercial documents, certificates of purchasing credit insurance, reparations transfer agreements.

## ② Product Highlights

- At the same time of assisting enterprises in avoiding commercial and governmental risks by the way of purchasing credit insurance, the product also utilizes the convenience in financing provided by the bank to convert receivables into working capitals in advance. Therefore, financial status is optimized and various risks are effectively avoided.
- The product uses credit insurance resources to improve the credit rating of an enterprise with minimized or non-occupation of the customer's credit line at the bank. Thus, the financing bottleneck of insufficient credit line of the enterprise is removed, and financing scale can be further expanded.

## (3) Cross-border RMB

### ① Introduction

The cross-border RMB service refers to the international settlement and trade financing business using RMB as the settlement currency. At present, RMB settlement business is applicable to all existing international settlement and trade financing products of Bank of China.

### ② Product Highlights

- Various products including credit, settlement, financing, capital, etc. are flexibly combined depending on customers' demands;
- The product can assist customers in avoiding foreign exchange risks, locking financial costs, lowering transaction costs as well as improving risk-resistance capability and profitability in foreign trade.

## (4) Cross-border cash management

### ① Introduction

Bank of China can help its customers to inquire global account balance and transactions and realize standardized management of accounts information through the e-bank or receiving/forwarding SWIFT messages. The information inquiry service can be used without the limitation of time zone difference, holidays, system batch and other conditions and thus providing a 24/7 service.

### ② Product Highlights

- The product can provide customers with real-time inquiry of cross-border information and cross-border transfers through the cash management e-bank

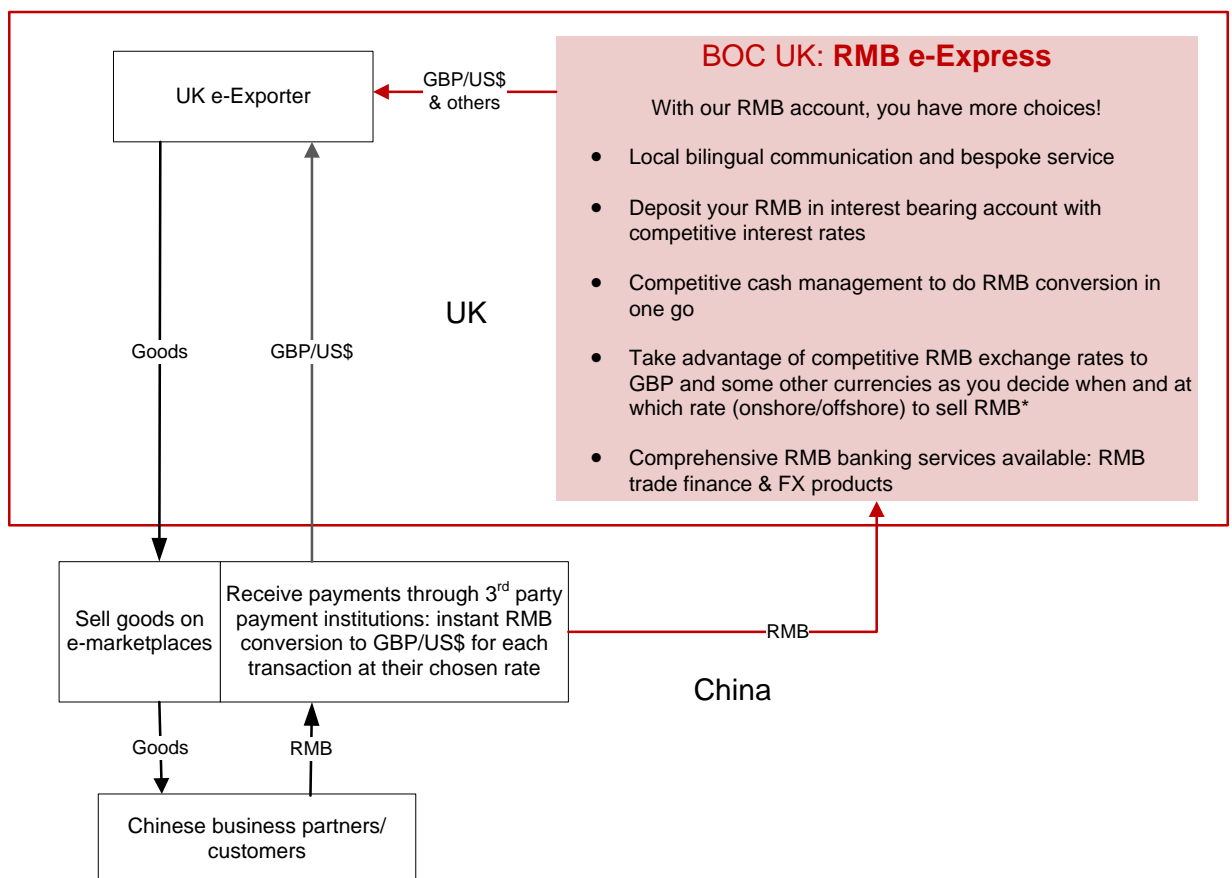
platform;

- The product can help customers to concentrate their funds in the overseas accounts of other banks into a Bank of China account in two ways: full-amount sweeping or reserved-balance sweeping;
- The product can provide customers with cross-border RMB/foreign exchange sweeping operation services, including cross-border capital cash pool and payment management.
- The product can provide customers with a cross-border capital channel through and fully utilize the domestic and overseas market and resources to improve the usage efficiency of global capitals.

### 5.2.3 Featured products and services of BOC in UK

Bank of China (UK) Limited – RMB e-Express solutions provide UK e-Exporters an alternative way to improve your business performance while selling your products online to the vast China market.

Here is how it works:



The most important character of RMB e-Express is that it has combined the advantages of BOC in the fields of RMB basic deposit account services, foreign currency exchange, etc., and that it can maximize the cash management efficiency of an enterprise and break the constraints of the current mode of on-demand settlement for individual transaction in cross-border export E-commerce. Therefore, it is a simple and highly efficient RMB management instrument for export enterprises of UK. Meanwhile, RMB e-Express also provides comprehensive RMB services for UK enterprises, including account services, trade financing and trade services, settlement of exchange, e-bank, etc.

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\* For instance, when you receive RMB payments from your Chinese clients, you could choose to hold it in your RMB account earning interest and convert it into GBP/US\$ whenever needed.

## 6. Declaration

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## About Bank of China

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Bank of China was formally established in February 1912 following the approval of Dr. Sun Yat-sen. From 1912 to 1949, the Bank served consecutively as the country's central bank, international exchange bank and specialised international trade bank. Fulfilling its commitment to serving the public and developing China's financial services sector, the Bank rose to a leading position in the Chinese financial industry and developed a good standing in the international financial community, despite many hardships and setbacks. After 1949, drawing on its long history as the state-designated specialised foreign exchange and trade bank, the Bank became responsible for managing China's foreign exchange operations and provided vital support to the nation's foreign trade development and economic infrastructure by its offering of international trade settlement, overseas fund transfer and other non-trade foreign exchange services. During China's reform and opening up period, the Bank seized the historic opportunity presented by the government's strategy of capitalising on foreign funds and advanced technologies to boost economic development, and became the country's key foreign financing channel by building up its competitive advantages in foreign exchange business. In 1994, the Bank was transformed into a wholly state-owned commercial bank. In August 2004, Bank of China Limited was incorporated. The Bank was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, becoming the first Chinese commercial bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets. In 2015, Bank of China was designated again as a Global Systemically Important Bank, becoming the sole financial institution from emerging economies to be designated as a Global Systemically Important Bank for five consecutive years.

As China's most internationalised and diversified bank, Bank of China provides a comprehensive range of financial services to customers across the Chinese mainland as well as more than 40 countries and regions. The Bank's core business is commercial banking, including corporate banking, personal banking and financial markets services. BOC International Holdings Limited, a wholly owned subsidiary, is the Bank's investment banking arm. Bank of China Group Insurance Company Limited and Bank of China Insurance Company Limited, both wholly owned subsidiaries, run the Bank's insurance business. Bank of China Group Investment Limited, a wholly owned subsidiary, undertakes the Bank's direct investment and investment management business. Bank of China Investment Management Co., Ltd., a controlled subsidiary, operates the Bank's fund management business. BOC Aviation Pte. Ltd., a wholly owned subsidiary, is in charge of the Bank's aircraft leasing business.

Bank of China has upheld the spirit of "pursuing excellence" throughout its hundred-year history. With adoration of the nation in its soul, integrity as its backbone, reform and innovation as its path forward and "people first" as its guiding principle, the Bank has built up an excellent brand image that is widely recognized within the industry and by its customers. Faced with new historic opportunities, the Bank will meet its social responsibilities, strive for excellence, and make further contributions to achieving the China Dream and the great rejuvenation of the Chinese nation.





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