



MMLC Group 

北京铭辉达知识产权代理有限公司

## *China Update*

*Lawyers and Consultants*

3 August 2015

BEIJING  
709, Tower W3  
The Towers  
No.1 East Chang An Avenue  
Dongcheng District 100738  
Beijing, China  
北京东城区东长安街1号东方广场东方经贸城  
西三办公楼709室, 邮编100738  
writer's p: +86 10 8515 1091  
f: +86 10 8515 1089  
w: mmlcgroup.com

## *Legal News*

### Foreign Investment

#### **China National Security Law**

On July 1, 2015 the Standing Committee of the National People's Congress passed a new national security law, whose scope is broad and stands as China's most comprehensive piece of national security legislation to date. The national security law covers issues including political scrutiny, military security, economic and financial security, social and cultural security, nuclear security, ecological security, and more.

The national security law is divided into seven chapters that include the following:

- (a) the guiding principles;
- (b) the definition of national security;
- (c) the functions and responsibilities of the National People's Congress and the various branches of the government;
- (d) the key elements of the national security regime such as intelligence collection, risk assessment, conducting national security reviews, and responding to states of emergency;
- (e) the mechanisms for allocating resources to national security work;
- (f) the obligations of citizens and corporations in assisting the government in protecting national security; and
- (g) the supplementary provisions.

The Chinese government has hailed the national security law as an opportunity to replace an outmoded legal framework for handling security-related matters with a national law that keeps pace with the challenges presented by issues such as globalisation and information technology. However, there are issues with the new national security law, such as an extremely broad and vague definition of national security and its coverage which extends to nearly every aspect of China's politics, economics, and society, therefore having a far-reaching impact. For example,

BEIJING

With support offices in Brisbane and Sunshine Beach  
Matthew Murphy Ellen Wang Hong Mei Yu Du  
Xia Yu Sarah Xuan Fei Dang

Partners and Associates in the MMLC Group are admitted to practice law in China, Australia and Europe (UK)

Article 59 maintains the need for national security review for foreign investments that infringe upon national security, however, it goes further by also mandating national security reviews for investments involving key materials and technologies, internet or information technology products and services, construction project implicating national security, and other projects and events.

Given the wide scope of the new national security law, there shall be many implementing measures released in its support, therefore foreign interests are advised to closely monitor the process of such drafting and issuing of implementing rules to take every opportunity to engage with policymakers to ensure their foreign interests in China's development are carefully considered.

### **New Business Registration System**

China has enforced a new business registration system, which will be coming into effect as of October 1, 2015. The new system is aimed at allowing entrepreneurs an easier and quicker approach to obtain approval for business registration; therefore it reduces three business registration certificates into one license.

Previously, applicants seeking business registration was compulsorily obliged to apply for an organisation code certificate from the Administration of Quality Supervision; an inspection, quarantine and taxation registration certificate from the taxation department; and an operational certificate from the State Administration for Industry and Commerce.

Under the new business registration system, applicants are only required to fill out one form and submit to one department, where a subsequent approval will give the applicant an operation license and a single identification code. The aim is to simplify procedures, shorten application times and offer greater convenience, with test trials in selected regions reporting the average time to set up a business entity was reduced from one month to three business days. Therefore, the new business registration system hopes to play an important role in encouraging investment and entrepreneurship, and further simplify government procedures.

### **IT and TMT**

#### **China's Draft Cyber Security Law Published for Comment**

On July 6, 2015, the Standing Committee of the National People's Congress of the People's Republic of China published a draft for China's proposed Network Security Law, which will be open for public comment until August 5, 2015. The Network Security Law seeks to protect cyber sovereignty, and will apply broadly to entities or individuals that construct, operate, maintain, and use networks within the territory of China, as well as those who have the responsibility to supervise and manage network security, and the current provisions if enacted in its current form will be likely to impact significantly on information technology and communication companies with business operations or interests in China.

The Chinese government views network security crucial to national security and development; therefore the Network Security Law is intended to address a number of network-related risks, including cyber-attacks on key information infrastructure, cybercrimes related to personal data or intellectual property, and unlawful online activities that may raise national security concerns.

The Network Security Law focuses on the security challenges facing information infrastructure in a wide range of key sectors, including the telecommunications, energy, transportation, finance, and national defence sectors, especially due to the emergence of new technology such as cloud

computing, big data and the domination of the Internet. Furthermore, it addresses the situations that may amount to cybercrimes, such as the disclosure and resale of personal data and the online infringement of intellectual property.

The 68 articles contained within the Network Security Law have been divided into seven chapters, which is detailed in the following:

- (a) Chapter 1 discusses the general principles;
- (b) Chapter 2 details the government's cyber security strategy;
- (c) Chapter 3 provides detailed rules on the government's role in protecting the secure operation of cyberspace;
- (d) Chapter 4 focuses on data privacy issues;
- (e) Chapter 5 emphasises on network monitoring and emergency responses;
- (f) Chapter 6 specifies the penalties for the violation of network security rules; and
- (g) Chapter 7 contains the relevant definitions and other supplementary provisions.

The Network Security Law also provides for the obligations of network operators, which are defined to include operators of basic telecommunication networks, Internet information service providers, and key information system operators. As well as being responsible for the secured operation of networks, network operators are obliged to:

- (a) protect personal information, privacy, and trade secrets of users;
- (b) notify and obtain the consent of users when collecting and using personal information;
- (c) refrain from leaking, tampering, stealing, or reselling personal information;
- (d) set up systems to handle complaints, reports, and requests to amend erroneous personal information;
- (e) police the network to prevent the dissemination of false or unlawful information; and
- (f) maintain records of relevant activities.

In relation to data privacy, which is an important area in today's online world, the Network Security Law includes broad provisions to provide for the protection of network data, which refers to the different types of electronic data collected, stored, transmitted, processed, and produced through networks. Furthermore, such provisions apply to all network operators, which has been broadly defined to ensure all obligations are relevant to any person who is the owner of a computer information network, as well as to those who may administer to a computer information network or provide services in relation to it. The requirements in relation to data protection include:

- (a) the collection and use of personal information to comply with the principles of legality, legitimacy, and necessity;
- (b) the purpose, method and scope of the collection and use of personal information to be expressly disclosed, and the collection and the use of personal information to be based on the individual's consent;
- (c) for network operators to collect and use personal information only in connection with their provision of services and to not collect or use personal information outside the scope agreed by the individual;
- (d) for network operators to disclose to individuals their policies in relation to the collection and use of personal information;
- (e) the right of individuals to demand for the removal of the collection of their personal information, and the right to demand the correction of any inaccurate personal information; and
- (f) for the prohibition against any entity or individual in acquiring personal information by any unlawful means, or to sell or unlawfully provide personal information to others.

Additionally, the Network Security Law requires key network equipment and special purpose network security products to comply with applicable security standards and to be subject to a

security certification or security inspection before being available on the market, and for all network operators to undergo a national security review. However, the details of such inspections and reviews are vague, therefore giving room for the enforcement authorities to interpret the provisions broadly.

Finally, the Network Security Law provides for penalties for non-compliance with its provisions by entities or responsible individuals, which includes warnings, rectification orders, fines, or confiscation of illegal gains, and the suspension of the business or revocation of the entity's business license.

The Network Security Law has received many responses due to some of its terms being extremely vague and consequently broad, for example, its detailed definition of what constitutes a 'citizen's personal information' to include the citizen's name, birth date, ID number, biometric data, profession, residence, and contact details is relatively extensive, and the requirement of an operator of key information infrastructure, such as public communications infrastructure and information systems used by the public utilities, the government, the military, and those information systems used in transportation, health care and the financial sector, to store personal information and other significant data collected and produced in the course of business operations within China is extremely broad, especially due to the lack of definition for the term 'significant data' and because the term 'information infrastructure' includes networks and systems that are managed by network service providers who provide services to 'large groups of users'.

Furthermore, it provides the authorities the power to require network operators to provide necessary support and assistance to accommodate national security and criminal investigation needs, but fails to specify the limit of such power, and it also fails to make clear the types of 'network products and services' that would be deemed to affect national security and the necessary procedures for 'security reviews and assessments', therefore leaving room for the authorities to interpret it broadly and consequently cause increased confusion and room for abuse of power.

### **Guiding Opinion for Cross-border E-commerce in China**

With the rapid expansion of China's e-commerce industry and the nation being the world's second largest online retail market, the Chinese government has begun implementing regulations to boost the e-commerce industry for a more consumption-driven economy, including regulations to protect consumers and oversee online sellers. The latest regulation, the Guiding Opinion to Promote Healthy and Rapid Development of Cross-border E-commerce (the "Guiding Opinion"), supplements the recent trends in government regulations of online sales, involves the regulation of cross-border trade and tax issues, and includes specific measures to improve the logistics of importing and exporting through e-commerce means.

The Guiding Opinion refers to China's 'One Belt, One Road' plan, which is China's long-term initiative to reopen the Silk Road and to create a new maritime trade route. The e-commerce measures in the Guiding Opinion supports the 'One Belt, One Road' plan to enable China to increase its international trade opportunities and to begin a second opening up of the country.

An important measure in the Guiding Opinion is the tax policy, as it implements a defined e-commerce tax policy encompassing value added taxes, excise tax rebates, and exemptions for e-commerce retails goods, with the Ministry of Finance and the State Administration of Taxation given authorisation to implement such tax policies with the goal of stimulating domestic consumption and encouraging fair competition. Furthermore, the Guiding Opinion encourages a reasonable increase in the imports of consumer goods by streamlining the customs process for goods purchased via e-commerce while ensuring there is compliance with China's laws,

regulations and standards in this area. In this, China hopes to match its custom regulatory measures with those of other countries to improve its import and export processes, therefore enabling for a safe and efficient flow of goods to and from China, which would also improve overall international cooperation in e-commerce trading, and provide a comprehensive service system in China with a global logistic supply chain whereby foreign enterprises may integrate their services, warehouse their goods and provide cross-border financing to build full-service e-commerce businesses.

The Guiding Opinion also provides for the improvement of the e-commerce payment and settlement process, which will see China piloting a program for cross-border electronic foreign exchange services, therefore promoting e-commerce activities in RMB and creating a domestic bankcard clearing organisation to expand overseas business, including credit evaluation mechanisms and a cross-border e-commerce security system with goals of consumer protection against unsafe and poor quality goods, intellectual property right protection, and creating a fair and competitive market environment.

Finally, the Guiding Opinion has illustrated China's dedication towards the industry organisations in playing a role in e-commerce by allowing industry organisations to act as bridges between the government and business enterprises, which will include facilitating exchange and cooperation between domestic and foreign businesses, holding exhibitions, involving universities and vocational schools, and providing training on cross-border e-commerce. Therefore, the Guiding Opinion seeks to work in conjunction with consumer protection and intellectual property laws in encouraging international cooperation, creating a competitive and global market to inspire innovation and consumerism, and to embrace the huge potential available in the e-commerce industry.

### **China's State Council Provides Guidance on the Internet Plus Action Plan**

On July 4, 2015, the State Council released the Guiding Opinions on Actively Promoting the Internet Plus Action Plan with the stated aim of achieving rapid, high-quality economic growth and industry development, and its intention of taking advantage of China's scale and applications of the Internet to drive deeper and comprehensive integration between the Internet and the real economy.

The Internet Plus Action Plan includes general requirements and targets, details action plans, the supporting policies, and outlines the key Internet Plus actions, which include:

- (a) entrepreneurship and innovation;
- (b) collaborative manufacturing;
- (c) modern agriculture;
- (d) smart energy;
- (e) inclusive finance;
- (f) public services;
- (g) efficient logistics;
- (h) e-commerce;
- (i) convenient transportation;
- (j) green ecology; and
- (k) artificial intelligence.

The Internet Plus Action Plan also includes supportive measures, which have been categorised into the following parts:

- (a) Policy Environment: eliminate unreasonable mechanisms and policies, ease Internet-integrated product and service market access, and promote entrepreneurship and

- innovation;
- (b) **New-Generation Information Infrastructure Development:** accelerate research and development of new hardware engineering, such as chips and high-end servers, and applications of cloud computing and big data;
  - (c) **Public Resources Sharing:** enhance public services and implement pilot programs for public access to government data, encourage online access to national innovation platforms by small and medium enterprises;
  - (d) **Business Operation Support:** increase government procurement of cloud services, innovate credit products and services, and pilot equity crowd funding; and
  - (e) **Safety Regulations:** improve risk assessment, safeguard network and information security, and protect fair competition.

The Internet Plus Action Plan will seek to integrate the mobile Internet, cloud computing, big data and the Internet of Things with modern manufacturing, therefore it will encourage the healthy development of e-commerce, industrial networks, Internet banking, and for Internet companies to increase their international presence. The Chinese government hopes the Internet Plus Action Plan will create a new engine for economic growth, and to further deepen the integration of the Internet with economic and social sectors.

### **China's Regulation over Internet Finance**

China's government has issued guidelines providing for the the fast-growing area of Internet finance in order to address the risks exposed by the recent stock market turmoil and to support the sector in directing financing to small businesses and entrepreneurs. The guidelines also seek to minimise risk to ensure the healthy development of Internet finance, therefore it seeks to regulate the market order and further clear regulatory responsibilities and includes ten central government ministries and industry regulators, including the People's Bank of China, the Ministry of Industry and Information Technology, the Ministry of Finance and China Securities Regulatory Commission.

There have been several arrangements made, including the central bank to oversee online payments, the securities regulator to be responsible for crowd funding and the online sales of funds, and the banking regulator to supervise platforms directly linking borrowers and lenders, which is known as peer-to-peer lending. In particular, the guidelines ban peer-to-peer lending businesses from illegal fundraising and require peer-to-peer lenders to entrust funds raised from investors with banks to guard against fraud.

Further, the guidelines outline measures aimed at promoting innovation in Internet finance, including boosting cooperation between financial institutions and Internet companies, expanding access to capital, cutting bureaucratic red tape and introducing tax breaks. Therefore, the guidelines seeks to encourage qualified financial and Internet firms to provide Internet-based payment, loans, crowd funding platforms, consumer finance and other services. The Internet finance area has played a positive role in promoting the grown of small and micro enterprises and expanding employment, opening the doors for mass entrepreneurship and innovation. It is therefore important to regulate this area due to its potential for its huge role in the future economy.

## **Intellectual Property**

### **Major iPhone Counterfeiting Bust**

Nine suspects for counterfeiting operations have been arrested in a recent police bust in Beijing, which revealed a factory producing more than 41,000 fake Apple iPhones, a value worth up to RMB 120 million. In this particular operation, the Beijing factory employed hundreds of workers to repackage second-hand smartphone components as Apple iPhones, with a significant number of Apple iPhones making it successfully to the US. Therefore, in acknowledging the importance of intellectual property rights in bolstering an economy, the Chinese authorities have recently targeted its efforts at dispelling China's reputation for producing counterfeit goods, as well as pushing firms to apply for trademarks and patents in an attempt to prevent future disputes in relation to intellectual property.

### **Hong Kong's New System to Target Counterfeit Transactions**

In a joint operation by the Hong Kong Customs and Excise Department and the University of Hong Kong, a computer system, named SocNet, designed to trace counterfeit transactions on online social media networks has been recently developed and launched. The computer system, which is estimated to improve customs efficiency by 90 per cent in handling online counterfeit cases, is a reflection of the authorities' recognition that there are mass information available on social networks where illegal trade may occur, and an attempt to use artificial intelligence to converse with potential dealers in order to identify illegal sellers who can then be traced by customs officials.

## **Life Sciences**

### **Advertising Rules for Life Sciences Companies**

In China's attempt to strengthen consumer protection and regulate fraudulent market behaviour, the Advertising Law will be receiving its first amendment in two decades, effective as of 1 September 2015. Specifically, the amendment subjects life sciences companies to new advertising requirements and restrictions.

The State Administration of Industry and Commerce, the enforcement body supervising advertising compliance, is accepting public comments in relation to the revision of administration measures on drug, device and medical service advertisements, including the Review Standards for Pharmaceutical Advertisements, the Review Standards for Medical Device Advertisements, the Review Standards for Veterinary Drug Advertisements, and the Administrative Measures on Medical Service Advertisements.

The following includes the changes introduced:

- (a) advertising is prohibited for a broad set of pharmaceutical products, including pharmaceutical precursor chemical, and drugs, devices and treatment methods for drug rehabilitation;
- (b) drug and device advertisements must clearly state critical information about the products, such as contraindication and adverse effects;
- (c) drug and device advertisements may not contain absolute assurances or guarantees of the product's safety;
- (d) advertisements concerning OTC drugs may not specify their pharmacologic action mechanisms;

- (e) the use of spokesmen in drug, device and medical service advertisements is prohibited;
- (f) mass media including broadcasting, television and the Internet may not feature drug, device, health supplement or medical service advertisements in disguised forms, such as news reports or in a health-related public education program;
- (g) mass media targeted at minors may not carry drug, device, health supplement or medical service advertisements; and
- (h) advertisements producers and publishers and advertisement owners will be jointly liable for fraudulent advertisement of products and services concerning consumers' lives and health.

Furthermore, the revision proposes to remove the restriction on medical service advertisements, which currently may only contain basic information regarding the advertised medical institution, such as name, address, telephone, clinical subjects and the number of beds. Therefore, the new revision will allow other promotional content unless expressly prohibited. The series of changes will assist the government in the regulation of ensuring safe and proper advertisements in relation to drug and device advertisements, which will therefore provide consumer protection.

### **Environment**

The Ministry of Environmental Protection recently issued the Measures for the Public Participation in Environmental Protection, effective as of September 1, 2015. This is one of the many laws China has recently enacted in order to ensure the protection and sustainability of China's environment. The Measures outline the responsibilities of environmental protection authorities in supporting and encouraging the media and the citizens, legal persons, and other organisations of China in the protection of the environment. The Measures emphasise of the social duty a citizen, legal person or organisation may have in relation to the issue of environmental pollution or ecological damage, which may require such a citizen or legal person to report to the authorities via letter, fax, e-mail, the complaint hotline of any related activities. Therefore, in conjunction with China's Environmental Law, the Measures are an illustration of China's seriousness in restoring China's environment to something more sustainable.

### **Arbitration and Dispute Resolution**

#### **Clarification of CIETAC Split**

The Supreme People's Court of China (SPC) have issued its long-awaited notice of the China International Economic and Trade Arbitration Commission (CIETAC) split, effective as of 17 July 2015, while also clarifying the validity of arbitration agreements and the enforceability of arbitral awards involving the CIETAC and its former sub-commissions.

The split first began in 2012, when disagreements between the CIETAC (Beijing) and its Shanghai and Shenzhen sub-commissions resulted in the two sub-commissions declaring independence from CIETAC, and consequently renaming themselves as the Shanghai International Arbitration Centre (SHIAC) and the Shenzhen Court of International Arbitration (SCIA). This was a serious concern due to the uncertainty surrounding the validity of arbitration agreements and their associated resulting arbitral awards, as well as the adoption of inconsistent approaches by the lower courts.

The Notice clarifies a number of issues, including:

- (a) SHIAC and SCIA has jurisdiction over cases where the arbitration agreements were entered into before the split and which specifies CIETAC Shanghai or CIETAC Shenzhen as the arbitration commission;
- (b) CIETAC (Beijing) has jurisdiction over arbitration agreements entered into after the split



- and which specify CIETAC Shanghai or CIETAC Shenzhen as the arbitration commission;  
and
- (c) SHIAC and SCIA has jurisdiction over those cases where the arbitration agreements were entered into before 17 July 2015 if the disputes have already been referred to the SHIAC or SCIA, and no objections are raised by the respondent before the arbitral award was rendered.

The notice shall not affect arbitrations commenced before 17 July 2015, and parties are not permitted to rely on the notice to challenge the enforceability of arbitral awards already obtained, except in limited circumstances where an application has been made before the first arbitration hearing. However, where parallel arbitration proceedings have commenced before more than one arbitration commission, the local courts shall determine the validity of the arbitration agreements pursuant to the rules contained within the notice, provided a challenge to the validity of the arbitration agreement has been made before the first arbitration hearing. Therefore, the notice seeks to clarify and provide for all the issues surrounding the split, and is effective in regulating the difficulties caused by the split.

## **Taxation**

### **Business Tax for Agriculture-Related Loans**

The Ministry of Finance and the State Administration of Taxation have recently issued the Notice on the Preferential Business Tax Policy for Agriculture-Related Loans Granted by the Department of Financial Service to Agriculture, Rural Area and Farmers (ARF) of the Agricultural Bank of China. The notice outlines the interest income from loans granted to farmer households, enterprises and various organisations in rural areas by county sub-branches, or county business departments, under the branches of all provinces, autonomous regions, municipalities directly under the central government and municipalities separately listed on the State Plan, and under the branch of Xinjiang Production and Construction Corps, and all county branches incorporated in the pilot reform of the Department of Financial Services to ARF of the Agricultural Bank of China. The notice has stipulated above shall be subject to the business tax at the reduce tax rate of 3%.

## ***Business News***

### **China's Free Trade Zones are Attracting Overseas Investors**

China's free trade zones (FTZs) in Guangdong, Tianjin and Fujian have been attracting overseas investment, evidenced by the report at the end of May where the three zones collectively received RMB 22.6 billion over a month after their establishment in contracted overseas investment. The FTZs are the government's effort in testing reform policies and their attempt to better integrate the economy with international practices in a landscape where China's old export-reliant model is no longer sustainable. Therefore, the FTZs have been a success as they have provided easier access to both foreign and domestic investment, opened up the service sector, and liberalized measures for the financial sector.

### **Chinese Firms Sign up for Free Trade Zones**

It has been reported by the Ministry of Commerce that approximately 19,500 companies have commenced operations in China's pilot free trade zones, with many involved in the country's financial sector. The free trade zones were mainly created to simplify the trade approval system and further encourage innovation and internationalisation, with foreign investors allowed to set up facilities in the zones, and more plans to use the free trade zones to further increase China's flexibility to compete with more established trade rivals in the Asia-Pacific region by offering investors with an improved administration regime, a trade regulatory model, financial systems and other reforms and innovation benefits, including relaxed or the removal of market access limits such as equity ratios and limits on business volumes.

While the Tianjin free trade zone is designed to promote a more coordinated development of the Beijing, Tianjin and Hebei provinces, as well as a focus on shipping services and finance, with policies regarding shop registration and other areas of maritime law and arbitration being improved to allow the port city to compete better with other international shipping hubs such as Hong Kong and Singapore, the Fujian province free trade zone will be striving to deepen cross-Straits economic cooperation and to be a focal point for goods setting out on the 21<sup>st</sup> Century Maritime Silk Road. Therefore, China is beginning to further extend its reach in the free trade industry chain in both the East Asia region and the Asia-Pacific region.

### **China's 15<sup>th</sup> Forum on Internet Media**

The 15<sup>th</sup> Forum on Internet Media of China opened in the southern coastal city of Zhanjiang, Guangdong Province on 17 July, 2015. It was led by the Cyberspace Administration of China, and will be focusing on the internal connection between the cyber-power strategy and the Internet Plus Action Plan, with the E-path to One Belt, One Road as the Forum's theme.

The One Belt, One Road initiatives consists of a network of railways, highways and other forms of infrastructure, such as oil and gas pipelines, power grids and Internet networks and aviation routes in the Eurasian area. Therefore, the Forum will provide guidance on the types of roles media convergence and technological innovation can play in this context, and ways the Internet media can boost the One Belt, One Road initiative. China has a massive potential in its Internet media, which may play a significant role in promoting people-to-people communication and cultural exchanges between different countries to further build international cooperation, therefore the Forum is thinking in terms of economic development and looking to brighten China's future economy.

### **Chinese Firms Inject \$1.75 Billion to Build Power Plant in Vietnam**

The Vinh Tan 1 thermal plant power project began construction on July 18 2015, with completion date to be within four years. The investment of \$1.75 billion US dollars involves several large companies, including China's Southern Power Grid Company, China Power International Development Company, and the Power Corporation under the Vietnam National Coal-Natural Industries Corporation. The project includes two generating units, with each generating 600 megawatts. The plant is significant as it is expected to assist in increasing the power supply, create jobs, promote economic development and improve people's livelihood in Vietnam, and it is so far the largest program in Vietnam operated by Chinese companies.

### **Australia and China Finalise Live Cattle Export Agreement**

The Agriculture Minister of Australia has signed a deal in which Australia will deliver a million head of cattle per annum to China within the next decade, therefore doubling the size of the current trade. Currently, Australia supplies approximately 1.2 million head of slaughter cattle per annum to a range of nations including Indonesia, Egypt, Cambodia, Thailand and Malaysia. The Australian Livestock Exporters Council have flagged the agreement due to its historic nature, as Australia is the first country to export feeder and slaughter cattle to China, and because of its significant contribution to improved farm gate returns for Australian producers to support 10,000 jobs across Australia.

### **China's Cooperation with Foreign NGOs**

China has always held itself an appreciator of the contributions made by overseas non-governmental organisations (NGOs), and as affirmed by the Minister of Public Security, will be continuing its support for any friendly activity in China by any NGOs. Specifically, the Minister announced its continuing support during a symposium on overseas NGOs, which was attended by representatives from China's Ministry of Foreign Affairs, Ministry of Public Security and the Ministry of Civil Affairs, as well as several representatives from several renowned overseas NGOs and consuls-general of the United States, the United Kingdom and Germany.

Proving China's support in overseas NGOs comes in the form of a draft law setting the dos and don'ts for foreign NGOs by the Standing Committee of the National People's Congress, and which will allow NGOs to hold events with the permission of the State Council's public security departments and provincial government's public security organs. The law is designed to guide organisations in protecting their legal interests, therefore giving NGOs strong protection for any legitimate activities in China and also providing convenience to foreign NGOs in China. Currently, there are over 7000 foreign NGOs carrying out long-term and temporary activities in China, ranging from poverty alleviation and environmental protection to hygiene and education, therefore benefiting the recipients in China, especially due contribution of advanced technologies and management skills to China.

### **New BRICS Bank in China**

A new \$100 billion international development bank, the New Development Bank (NDB), backed by developing countries such as Brazil, Russia, India, China and South Africa (BRICS) has launched in Shanghai, and will add to the breaking of World Bank's monopoly along with the Asian Infrastructure Investment Bank (AIIB), therefore creating more options for borrowers who may therefore look for the best terms among the different institutions. However, it has been noted the NDB intends not to challenge the existing system, but improve and complement the system, and that the NDB will also be working in conjunction with AIIB by coordinating policies,

establishing a ‘hotline’ to improve communications, and working with both the AIIB and the World Bank on projects such as assessment expertise and joint financing.

The NDB is highly anticipated due to the potential for it to add alternative approaches in relation to financial products, as opposed to the World Bank, which has been criticised to be overly rule-bound in relation to project assessments and therefore environmentally unsustainable. Furthermore, the NDB will be sharing operational experience with AIIB, therefore strengthening its cooperation with AIIB, and also be the driving force to accelerate global economic recovery by support infrastructure projects, such as the One Belt, One Road initiative, therefore expanding global demand and assisting China increase its economic growth.

### **China’s Foreign Exchange Reserve**

China has released the updated foreign exchange reserve and gold reserve as of the end of June 2015, which contained 3.69 trillion dollars, a gold reserve of 53.52 million oz., and 232.9 million dollars worth of foreign currency assets. The Officials of the People’s Bank of China and the State Administration of Foreign Exchange (SAFE) who assessed and analysed the price changes noted that the accumulated amount of gold reserve was through various channels both domestically and internationally.

### **Wal-Mart Purchases Remaining Shares of a Chinese Firm**

Wal-Mart Stores Inc. recently announced it acquired the remaining shares in the e-commerce business Yihaodian, therefore finally taking full ownership of the fast-growing Chinese company. Yihaodian is one of China’s top e-commerce businesses, therefore the purchase by such a well known and reputable company is highly anticipated, and there is great hope for the team, which is formidable with the combination of Yihaodian’s local experience and Wal-Mart’s global sourcing and strong local retail presence and supply chain. The investment in Yihaodian is part of Wal-Mart’s long-term commitment to growing in China, and is beneficial to China in terms of stimulating foreign investment and economy growth.

*This update is aimed at keeping our clients and partners informed as to the latest legal and business developments in the Greater China region. Whilst every care has been taken to ensure the accuracy of the information contained in this update, it should not be relied upon for any purpose prior to formal legal advice being obtained.*