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PRESS RELEASE

Online Retail Market For FIEs In China

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The Ministry of Commerce released the Circular on Issues Concerning Approval of Foreign-Invested Companies' Conducting Internet Sales and Vending Machine Sales on 19 August 2010.

According to the Circular, on-line sales are deemed as an extension on the internet of the ordinary sales activities. An existing manufacturing or trading foreign invested enterprise (FIE) may directly conduct sales online if the sale activities are within the scope of its existing business license. For a trade FIE, if its existing business scope covers retailing business, the retail business can be put online without changing its business scope. Manufacturing FIEs may engage in the online sales of its own manufactured products.

Foreign investors may directly apply for the establishment of new companies specialized in on-line sales.

FIEs selling products through their own websites are required to register the websites with the telecommunication regulatory authority. If, however, an FIE is not trading at its website as a seller, but only provides an internet service platform so that buyers and sellers could trade through such website, it has to apply for a license of value-added telecommunication service with the Ministry of Industry & Information Technology. To be qualified for such license, foreign investors shall not own more than 50% shares in the FIEs.

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