Charltons - China News Alerts Newsletter - 14 June 2004

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# China News Alert Issue 58

## Headlines

### SDRC and other government departments issue Various opinions for the reform of the coalite industry

Nine government departments including the SDRC, the Ministry of Finance, Ministry of Commerce and the Ministry of Land Resources have jointly issued Various opinions for the reform of the coalite industry (Various Opinions). In the Various Opinions, the nine government departments call for:

1. Improving industry structure and reducing pollution;
2. Controlling the total amount of coalite output and restricting unjustified expansion within the industry; and
3. Restricting market entry and strengthening the administration.

### China to prohibit import of non-exclusive audio and visual products

According to new rules released by the Ministry of Culture, the Ministry shall prohibit the import of audio and visual products that are not subject to an exclusive licence for use. According to the Ministry of Culture, a licence for the use of imported audio or visual products should have a term of three years or more. In order to avoid the sale and distribution of audio or visual products imported by different parties in the same market (parallel importing), where a publisher or distributor (who is not the original importer) plans to import an audio or visual product that is already published in the domestic market, the distributor or publisher must submit a copy of its agreement with the original importer of the audio or visual product in question to the government for approval.

### China Securities Regulatory Commission (CSRC) approves proposal submitted by the Shenzhen Stock Exchange to list open-ended funds

A Listed Open-ended Funds (LOP) proposal submitted by the Shenzhen Stock Exchange has recently received the approval of the CSRC, and has been submitted to the State Council for approval. The LOP proposal is likely to be approved by the State Council in the near future.

## Corporate & Commercial

### State Development and Reform Commission (SDRC) releases policy guidelines in respect of ten major industries

The SDRC recently released policy guidelines with respect to the development of ten major Chinese industries: coal, electricity, petrochemicals, ferrous metals, construction materials, machinery, light industry, textiles, pharmaceuticals and transportation and logistics.

### SDRC promulgates and implements a Policy for the development of the motor vehicles industry

With the approval of the State Council, the SDRC has promulgated and implemented a Policy for the development of the motor vehicles industry (New Policy) on 1 June 2004. The New Policy replaces the previous Policies on the motor vehicles industry (1994) and comprises 13 chapters and 78 articles.

### Ministry of Commerce issues Guidelines on the reform and development of the logistics industry

On 1 June 2004, the Ministry of Commerce issued Guidelines on the reform and development of the logistics industry (Guidelines), which set out various government goals for the industry. In particular, the Ministry of Commerce calls for two to four Chinese domestic logistics companies to become Fortune 500 companies by 2010.

### Ministry of Commerce report: China's GDP increases by 9% during the first half of 2004

The Foreign Trade Trend Report issued by the Ministry of Finance on 2 June 2004 forecasts that China's economic growth level in the second quarter of 2004 will remain at the same level as in the first quarter of 2004, with a GDP growth increase of 9% for the first half of 2004.

### China's Ministry of Propaganda, State Press and Publications Administration issues Opinions on improving the contents of publications for minors

The Chinese Ministry of Propaganda, State Press and Publications Administration has issued Opinions on improving the content of publications for minors (Opinions) in which the Ministry calls upon all publishers of books, magazines, audio and visual products, electronic products, and internet materials to pay greater attention to the publication content aimed at minors, and to incorporate additional content suitable for the development of minors.

### The State Council promulgates Management Regulations for the logistics for foodstuff

Recently the Premier of China's State Council Wen Jiabao signed State Council Order 407 promulgating the Management Regulations for the logistics for foodstuff (Management Regulations). The Management Regulations comprise of 54 articles and 6 chapters, namely General Provisions, Management of Trading of Foodstuff, Macro-management, Supervision and Inspections, Legal Responsibilities, and Supplementary Provisions.

## Taxation

### SAT issues circular on administration of tax registration

Recently the SAT issued a circular stating that the National Tax Bureau and the regional tax bureaus shall be jointly responsible for the administration of tax registration. The circular also sets out rules on the contents, working procedures and systems with respect to tax registration.

## Capital Markets

### Shenzhen Stock Exchange Small and Medium Enterprise (SME) Board

The SME board is part of the main board of the Shenzhen Stock Exchange. Investments on the SME board are subject to the same restrictions as those on the main board regarding permitted investors and trading fees. There will not be a separate SME board index and companies not qualified to list on the main board will not be listed on the SME board. The Shenzhen Stock Exchange's website www.szse.cn has a section devoted to the SME board (in Chinese).

### Checking of annual reports by the Shenzhen and Shanghai Stock Exchanges completed

The Shenzhen and Shanghai Stock Exchanges have recently completed their checking of 2003 annual reports. Both Exchanges have identified various common problems with respect to annual reporting by listed companies, including numerous supplements and corrections to the 2003 annual reports of companies listed on the Shenzhen Stock Exchange inconsistent profit forecasts and an increasing number of listed companies with shareholder disputes leading to poorer corporate performance on the Shanghai Stock Exchange.

### China Banking Regulatory Commission (CBRC) - fixed assets loans

The CBRC recently issued a circular relating to fixed asset loans granted or promised by financial institutions in respect of proposed or actual projects in certain sectors, including iron and steel, aluminum, cement and golf courses before the end of March 2004, in particular projects with a total investment amount of over RMB30 million. The circular covers state-owned development banks, state-owned commercial banks, shareholding commercial banks, municipal commercial banks, municipal credit unions, agricultural commercial banks, agricultural cooperative banks, agricultural credit cooperatives at the county level, investment trust companies, and financial companies.

## Insurance

### Registered capital requirement for insurance companies lowered to RMB200 million

On 18 May 2004, the China Insurance Regulatory Commission (CIRC) issued newly revised Regulations for the administration of insurance companies (Regulations), which will come into force on June 15, 2004. The new Regulations lower the capital requirement for the establishment of new insurance companies from the previous RMB500 million to RMB200 million. At the same time, the required increase in capital for insurance companies when setting up a new subsidiary has been lowered from RMB50 million to RMB20 million.

### State Administration of Taxation (SAT) and CIRC issue circular on standardizing insurance brokerage business

Recently SAT and the CIRC jointly issued a Circular on the standardization of the receipts issued by insurance brokerage service providers (Circular). The Circular introduces the compulsory use of a Uniform Receipt for Insurance Brokerage Services. Pursuant to the Circular, insurance brokerage institutions should apply for the uniform receipt with the relevant tax authorities, following the relevant procedures in this regard. Where insurance companies make a commission payment to a brokerage institution, the insurance company must retain the uniform receipt issued by the insurance brokerage institution in this regard for record purposes.

## Real Estate

### Plan on furthering land market reform implemented

The Chinese Ministry of Land Resources has issued a formal letter to all provincial level governments requesting them to draft and implement detailed plans reforming local land markets, and to submit a ¡°cleanup and reform¡± report on the current local situation on land use for new projects before the end of June this year.

## Other

### Supreme People's Court issues Minutes of the discussion panel with respect to applicable laws in the adjudication of administrative disputes

The Supreme People's Court has issued Minutes of the discussion panel with respect to applicable laws in the adjudication of administrative disputes (Minutes). The Minutes contains clarification provided by the Supreme People's Court on issues such as how to resolve inconsistencies between different provisions in the same regulation, the relationship between special regulations and general regulations, regional regulations and departmental regulations, new and old laws, as well as the purpose and authority of judicial interpretations.

### China to relax restrictions on ultra-light aircraft

China has relaxed its current restrictions on ultra-light aircraft from 1 June 2004. Aircraft with a maximum flying speed of below 100 km an hour, and weighing below 116 kg (motor aircraft) and 71 kg (non-motor aircraft) do not require the certification of the Chinese Civil Aviation Commission. The Civil Aviation Commission has also lifted the age and aviation knowledge restrictions for pilots operating these aircraft, and they will no longer have to pass examinations or to apply for piloting licences.

### National Food and Drug Administration issues circular on the categorization of prescription and non-prescription drugs

Recently the Chinese National Food and Drug Administration has issued a Circular on the categorization of prescription and non-prescription drugs (Circular). In the Circular, the State Food and Drug Administration requests all provincial, municipal, and district level governments to strengthen local supervision on the categorization of pharmaceuticals. According to the Circular, whereas pharmaceutical retailers above the municipal level have in general met the national standards on the categorization of pharmaceuticals; starting in 2004 and before the end of 2005, pharmaceutical retailers at the county level and above must also meet national standards. Those that fail to meet national standards by the end of 2005 will have to have their business scope redefined and re-approved.

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