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# China News Alert Issue 236

## Capital Markets

### CSRC to control trading risks on the second board

The China Securities Regulatory Commission (CSRC) is reportedly formulating Special Provisions for Transactions on the Second Board.

The CSRC intends to provide rules to promote the requirements for investors' trading access to the market, control explosive trading on the initial listing day of new shares, minimise the abnormal fluctuation of share prices, strengthen listing suspension mechanisms and enhance the transparency of after-hours trading information.

The continuous monitoring term for the main board is currently two complete accounting years.

For the second board, the CSRC is considering, with reference to offshore markets, requiring sponsors to perform continuous monitoring responsibilities for 3 accounting years following the listing of issuers.

Information from the CSRC also disclosed that circumstances for the legislation of the establishment of the second board have been prepared and that the CSRC is seeking public comments on its Measures for the Administration of Share Initial Public Offering and Listing on the Second Board (Draft for Comment).

[Source: Lexiscn](http://www.lexiscn.com/latest_message.php?id=3504) ([see archive](CSRC_to_control_trading_risks_on_the_second_board.pdf))

### Chinese commercial banks allowed to invest in U.S. stocks & funds

Chinese commercial banks have been allowed to make investments for their wealth management clients in U.S. stock markets and public funds selected by the U.S. regulator.

The breakthrough was made recently after regulators from China and the United States reached an agreement on the supervision of commercial bank's wealth management business, said the China Banking Regulatory Commission (CBRC).

The United States is the latest addition to a range of overseas investments open to the Chinese mainland wealth management business, which include Hong Kong, Britain, Singapore and Japan.

"The CSRC is expanding the range, which will gradually include not only capital markets in developed countries, but also emerging markets," a CSRC official said.

To date, 23 commercial banks in China have acquired the license to make overseas investments for their clients as of the end of 2007, after the CSRC approved such business in May 2007.

[Source: The Chinese Government's Official Web Portal](http://english.gov.cn/2008-04/07/content_938657.htm) ([see archive](Chinese_commercial_banks_allowed_to_invest_in_US_stocks_funds.pdf))

## Corporate & Commercial

### Venture capital-invested companies likely to enjoy preferential policies in China

Venture capital-invested companies should enjoy preferential policies in the upcoming NASDAQ-like growth board, so as to develop China's technologically innovative enterprises, many of which are small and medium-sized, said Science and Technology Minister, Wan Gang.

He made the remarks at the tenth China Venture Capital and Private Equity Forum 2008.

The Ministry of Science and Technology is pushing for the early launch of the growth board, and aims at building an effective quit mechanism for venture capital companies, Wan said.

The ministry is working with the China Securities Regulatory Commission in exploring the development pattern of technically innovative companies, and guiding them to obtain financing through the domestic capital market, he said.

China's traditional investment and financing system provided insufficient support for smaller companies, and had thus severely handicapped the start of small businesses, especially the pioneering endeavours to industrialise technical innovations, he said.

China should improve its support of venture capital and private equity investments, Wan said.

[Source: Xinhua](http://news.xinhuanet.com/english/2008-04/12/content_7964494.htm) ([see archive](Venture_capital-invested_companies_likely_to_enjoy_preferential_policies_in_China.pdf))

### Nuclear power firms given tax rebates

China will grant a value-added tax (VAT) rebate to nuclear power companies as part of the country's efforts to promote the development of nuclear power, the Ministry of Finance and the State Administration of Taxation said in a joint statement.

The government will return 75 per cent of VAT to nuclear firms each year for the first five years after a nuclear plant starts operations.

The annual rebate will fall to 70 per cent in the following five years and to 55 per cent in the five years after that, the statement said.

The rebates took effect on 1st January 2008.

China, the world's second largest energy consumer, has been promoting nuclear power as an alternative to oil- and coal-fired generating plants.

Its target is 40 million kilowatts of installed nuclear power capacity, 4 percent of total capacity, by 2020.

[Source: China.org](http://www.china.org.cn/business/2008-04/11/content_14919460.htm) ([see archive](Nuclear_power_firms_to_get_tax_rebate.pdf))

## Real Estate

### China punishes thousands for illegal land grabs

China has meted out disciplinary punishments to 2,864 people and criminal penalties to 535 during the largest crackdown on illegal land grabs in recent years.

Chinese authorities uncovered 31,700 cases of unlawful land seizure from 15th September last year to 15th January, involving a total land area of 3.36 million mu (224,267 hectares), said Zhang Pu, deputy director of the law enforcement and supervision bureau of the Ministry of Land and Resources.

Nearly 60 per cent of the land was used before obtaining government approval. The rest was illegally rented or misappropriated, Zhang said at a press conference.

Altogether 3,857 people were transferred to disciplinary investigators and 2,797 to judiciaries, said Zhang.

The area of unlawful buildings confiscated and demolished in the campaign totaled 26.3 million square kilometers, while 4 billion yuan (US$571.1 million) was fined and seized.

The campaign targeted local governments who illegally transferred land from rightful owners to property developers or industrial parks. It has triggered rising resentment from farmers and concerns over grain supply.

The campaign has "effectively checked the worsening tendency of unlawful land use," said Liu Tianzeng, chief land inspector sent by the Ministry to the eastern city of Nanjing.

China found 43,000 hectares of land illegally grabbed last year, a 67.6 per cent increase from 2006, according to official data.

Liu said the country must establish a long-term mechanism to prevent illegal land use and keep arable land of no less than 120 million hectares. That is the amount China needs to feed its 1.3 billion people.

A national regulation was being revised to hold local leadership responsible for serious law-breaching land grabs that occurred within their jurisdiction, said Zhang. He urged strict restrictions be imposed on registry and bank loans to projects involving land misuse.

China had 121 million hectares of arable land at the end of 2006, down 8.3 million hectares from 1996.

[Source: Xinhua](http://news.xinhuanet.com/english/2008-04/14/content_7975925.htm) ([see archive](China_punishes_thousands_of_people_for_illegal_land_grabs.pdf))

## IPR

### Intellectual property rights guidelines approved

The State Council, or cabinet, recently approved new guidelines to promote innovation and the use of new technologies by China's industries.

The guidelines on the national strategy of intellectual property rights, drafted by the State Intellectual Property Office and other relevant government departments, were approved at an executive meeting of the State Council presided over by Premier Wen Jiabao.

According to a statement from the meeting, the strategy would exert greater efforts to crack down on the infringement of intellectual property rights, safeguard market order and the legal rights of the public, strengthen international cooperation and adherence to international practice, and make concerted efforts to raise public awareness of intellectual property issues.

It pointed out that intellectual property rights had been a focus for international economic competition and competition among enterprises.

The implementation of the national intellectual property rights strategy was a major event that had a strong bearing on the future of the nation and the people, it said.

The State Council vowed to make efforts to perfect the country's intellectual property system, encourage creative activity and stimulate innovation.

Efforts would be made to encourage and support enterprises to create and use intellectual property, said the statement.

In recent years, the government has launched a series of campaigns to crack down on crimes related to the infringement of copyrights, trademarks and patent rights.

The guidelines began to be mapped out in July 2005. Tian Lipu, head of the State Intellectual Property Office, said in January 2008 that the guidelines were vital to implementing the country's intellectual property rights system and promoting the development of the economy and science.

Organisations guiding the implementation of the guidelines were set up in 17 provinces, autonomous regions and municipalities. Guangdong, Guizhou, Shandong and Shanghai have already issued their own strategies, he said.

The government will set up about 40 service centers for IPR protection. The centers will provide consultation and financial support for those unable to afford to pursue cases, said Tian.

[Source: China.com](http://english.china.com/zh_cn/business/news/11021613/20080410/14778164.html) ([see archive](Intellectual_property_rights_guidelines_approved.pdf))

## Taxation

### Fuel taxes set to be refunded

The government will refund value-added taxes on gasoline and diesel imported by the country's two largest oil companies in the second quarter of 2008, the Ministry of Finance has said.

Value-added taxes on 500,000 tons of gasoline and 1 million tons of diesel imported by China National Petroleum Corporation (CNPC) between 1st April and 30th June this year will be refunded, the ministry recently said on its website.

It will also return collected taxes to China Petrochemical Corporation (Sinopec) on imports of 500,000 tons of gasoline and 1.5 million tons of diesel in the same period, the statement said.

Analysts said the 17 per cent tax refund is aimed at reducing the refining losses of the oil companies and increasing the supply of refined oil products in the domestic market to prevent a shortage.

"The tax rebate will reduce the refining losses of CNPC and Sinopec to some extent," said Zheng Zhiguo, an energy analyst with Shenyin Wanguo Securities in Shanghai. "But the amount is small and cannot fully cover the losses."

High crude oil prices in the international market have caused big losses for domestic oil producers in their refining businesses as prices of refined oil products are controlled by the government.

Industry experts said government-controlled oil prices in the domestic market have led to supply shortfalls as refineries cut back production to avoid losses while producers and dealers hoard oil in anticipation of more price rises.

Both CNPC and Sinopec will see big losses in their refining businesses in the first quarter of 2008. "We estimate that the country's largest refiner Sinopec will lose 16 billion yuan in refining during the period," said Liu Gu, an analyst with the Guotai Jun'an Securities in Shenzhen.

Previous media reports had said the country is working to grant a hefty tax rebate on crude imports to help oil firms limit their refining losses. Rumours are that the government may cut the 17 per cent value-added tax on crude imports to 4.25 per cent.

Both CNPC and Sinopec declined to comment on the report.

In the first two months of this year, China imported 5.95 million tons of refined oil products, an increase of 17.7 per cent. The total value of the imports stood at US$3.97 billion, according to Customs.

[Source: People's Daily Online](http://english.people.com.cn/90001/90781/6393499.html) ([see archive](Fuel_taxes_set_to_be_refunded_set_to_be_refunded.pdf))

## Other

### Environmental watchdogs strengthened

The top environmental watchdog has published a plan to give muscle to the country's monitoring capacity from 2006 to 2010.

The plan was jointly developed by the Ministry of Environmental Protection, the National Development and Reform Commission (NDRC) and the Ministry of Finance.

It will require about 15 billion yuan in investment, of which, 7.8 billion yuan will come from the national treasury. The rest will come from local governments and companies.

According to the general plan for environmental protection over the next five years, the country will spend about 35 billion yuan on the capacity building of environmental agencies. Accounting for more than 40 per cent of the total input, improving supervision plays a big role in strengthening environmental watchdogs.

Wu Shunze, a member of the plan's writing group and a researcher with the Chinese Academy for Environmental Planning, said that the top priorities are developing an advanced environmental-quality monitoring and warning system, and enhancing environmental law enforcement.

It maps out 13 top tasks for the coming years, including strengthening emergency-response capabilities, supervising nuclear and radioactive materials and solid waste, protecting natural reserves and furthering environmental research.

"The plan emphasises establishing the hardware needed by environmental monitors," Wu said.

"Currently, some environmental watchdogs' toolboxes aren't sufficiently stocked." For example, some staff lack access to vehicles to travel to the sites of industrial accidents, where they should be providing an immediate response.

The Ministry of Environmental Protection recently issued equipment lists for local environmental protection bureaus and will ensure that the lists are filled, Wu said.

However, Wu added that equipment supplies are only a base; working out how to make best use of these tools is the next step.

[Source: People's Daily Online](http://english.people.com.cn/90001/90781/6393510.html) ([see archive](Environmental_watchdogs_to_sharpen_teeth.pdf))

### China approves new bonded zone in port city

China's State Council has approved a new bonded zone in Tianjin, a further move to boost the opening-up strategy in the northern coastal municipality.

The bonded zone covers an area of 195.63 hectares at the Airport Industrial Park, an official from the Tianjin Binhai New Area, where the park is located, said.

The zone is set to enjoy the most favourable policies in taxation and foreign exchange. It will offer comprehensive services in international shipping, distribution, purchase, transit trade and export processing businesses.

The official said the preferential policies will benefit plants in the new bonded zone, including the Airbus A320 assembly plant that was approved by the National Development and Reform Commission in June 2006. It is expected to start operation in August 2008.

The zone will attract more aviation manufacturing enterprises and help establish an air freight center in north China. It was also expected to boost development of the Tianjin Binhai New Area, which has been designated as a pilot for many of the country's new economic and financial policies.

[Source: China Securities Journal](http://www.cs.com.cn/english/ei/200804/t20080410_1425131.html) ([see archive](China_approves_new_bonded_zone_in_N_port_city.pdf))

### China's government procurement saves 6.25 billion yuan

China's central government procurement was 29.14 billion yuan (US$4 billion) between 2003 and 2007, saving 6.25 billion yuan, according to an announcement made at a recent conference.

Statistics show central government procurement was valued at 710 million yuan in 2003 and 11.75 billion yuan in 2007, the 2008 conference of the central government procurement heard.

Ma Jihong, secretary of the CPC committee of the Central Government Procurement Center, said government purchases mainly focused on energy-efficient, innovative and domestic products.

On-line products such as software and Internet facilities the center bought were all domestically made with the country's own intellectual property rights.

"About 63.3 per cent of the automobiles the government bought were domestic brands such as HQ, Chery and Roewe, and 55.7 per cent of government procurement was energy-efficient," Ma added.

Li Baorong, an official in charge of procurement, said a standard government purchase system was conducive to creating a just competition environment, preventing commercial bribery and saving money.

He called for a more transparent, simplified, convenient and fair procurement process. Currently, 80 per cent of procurement was completed on-line, with more than 17,000 suppliers.

[Source: Xinhua](http://news.xinhuanet.com/english/2008-04/11/content_7958872.htm) ([see archive](Chinas_government_procurement_saves_625_bln_yuan.pdf))

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