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# China News Alert Issue 265

## Capital Markets

### China says to strengthen regulation of securities trade

The China Securities Regulatory Commission (CSRC) said it would not only impose administrative penalties on illegal activities in securities trade, but also hand over severe criminal cases to the police.

It said recently that by the end of September, the investigation team of the commission had completed inquiry into 66 cases that involves illegal activities in securities trade this year.

These cases involved insider trading, market manipulation and violation of information disclosure regulations.

The CSRC has imposed 43 administrative punishments, confiscating 153.18 million yuan ($22.53 million) of illegal income and fining 146.66 million yuan.

The commission also revoked the securities business licenses of 13 people and banned two people from engaging in securities fund business.

[Source: China Economic Net](http://en.ce.cn/subject/chinamarkets/mktstock/200811/08/t20081108_17318020.shtml) ([see archive](China_says_to_strengthen_regulation_of_securities_trade.pdf))

### China allows insurance funds to invest in non-listed companies

China will allow insurance funds to invest in non-listed companies so as to increase their investment opportunities, China Insurance Regulatory Commission (CIRC) spokesman Yuan Li told recently.

The State Council, or Cabinet, has given its approval to the idea and the CIRC was drawing up relevant measures, Yuan said.

Trial programs would start with major domestic insurers, which had the ability to cope with investment risks, Yuan said, without elaborating.

Insurance funds now could only take equity stakes in major infrastructure projects, such as the Beijing-Shanghai express railway, according to Yuan.

The CIRC would not restrict domestic insurers' moves to invest overseas because of the global financial crisis, he said. But the CIRC would work to help the insurers avoid risks from such investments.

[Source: People's Daily](http://english.peopledaily.com.cn/90001/90776/90884/6529746_txt.html) ([see archive](China_allows_insurance_funds_to_invest_in_non-listed_companies.pdf))

### Man admits stocks manipulation charge

A man, who raised 4.8 billion yuan ($704 million) from thousands of people to invest in the stock market, pleaded guilty to manipulating stock prices recently.

The Shanghai No 2 intermediate people's court will pass sentence on Zhu Yaoming, 52, at a later date.

Zhu is currently serving a 14-year jail term for fraud, bribery and illegally obtaining loans.

From January 1999 to June 2003, Zhu hired 22 people to open more than 6,000 accounts in more than 10 cities with the money he had raised.

He then proceeded to buy and sell shares on the stock market, manipulating their worth.

Last year, China Securities Regulatory Commission (CSRC) banned Zhu from trading.

Prosecutors so far have only managed to collect enough evidence to charge him with manipulating one of the four stocks, Hubei Biocause Pharmaceutical Co Ltd, which was heard recently.

Prosecutor Wu Weijun said Zhu had managed to obtain more than 52 percent of the company's shares.

"On March 6, 2001, trading between his accounts constituted nearly 80 percent of the day's turnover," Wu said.

He inflated the stock price of the pharmaceutical company from about 2 yuan to 12 yuan.

"He seriously influenced its the price and turnover," Wu said.

In June 2003, when stock prices began to fall, Zhu could not maintain his position. He was investigated and arrested.

In 2005, he was sentenced to nine years in prison by Shanghai No 2 intermediate people's court for loan fraud and bribery.

With eight companies registered in his name in Shanghai, Zhu obtained loans amounting to 115 million yuan from banks through the use of false documents.

He suffered a loss on the stock market and ended up owing more than 36 million yuan to the Bank of Shanghai.

He had also bribed employees of various companies listed on the stock exchange to get loans.

Last year, the Hubei higher people's court further sentenced Zhu to nine-and-a-half years in jail for illegally obtaining loans.

Zhu, a high school graduate, initially did well trading in treasury bills. He later switched to buying and selling rare postage stamps, and eventually to the stock market.

Liu Chunyan, a lawyer, said manipulating stock prices was once a common practice.

"But now it is not so prevalent because of the frequent crackdowns by the authorities," he said.

[Source: China Daily](http://www.chinadaily.com.cn/china/2008-11/04/content_7170505.htm) ([see archive](Man_admits_stocks_manipulation_charge.pdf))

## IPR

### SIPO to revise the implementing Rules of Patent law

China's State Intellectual Property Office (SIPO) is expected to change name of the current Implementing Rules of Patent Law of the People's Republic of China to "Implementing Provisions for the Patent Law of the People's Republic of China".

The SIPO issued on November 4, 2008 the Draft Amendment to the Implementing Provisions for the Patent Law of the People's Republic of China (Draft for Comment) for public input. Under the Draft, if the patent applicants are Chinese units and haven't consigned any patent agency, they must delegate one of their personnel as the contact person.

The public-input process is scheduled to conclude on December 5, 2008. The fourth session of the Standing Committee of the 11th National People's Congress (NPC) deliberated, for the first time, the draft amendment to the Patent Law at the end of August, 2008.

Besides, the SIPO also released on November 6 the Amendment to the Guidelines for Patent Examination and Approval (Draft) (Draft for Comment) for public input. And the process will be ended on November 25, 2008.

[Source: Lexis Nexis](http://hk.lexiscn.com/latest_message.php?id=4949) ([see archive](SIPO_to_Revise_the_Implementing_Rules_of_Patent_Law.pdf))

## Corporate & Commercial

### China considers policies to promote auto sales

China's government is discussing policies to help automakers boost sales and fend off the global financial crisis, according to the country's top planning agency.

The government is analyzing policy options including consumption-tax breaks and subsidies to automakers that develop vehicles powered by alternative energies, Chen Jianguo, deputy head of the industrial coordination department of the National Development and Reform Commission, told a conference in Tianjin recently.

Chinese automakers are facing their toughest challenge in three years as demand is falling and profitability is plunging amid rising costs. The country's auto sales fell in August and September as a 64 percent stock-market slump and the economic slowdown curbed demand.

The government held a meeting in Beijing recently of more than 10 automakers to gather industry suggestions, Chen said. "It is possible the government may announce policies" to help revive the industry, he added.

Chinese carmakers have been forced to slash prices, even as steel costs have risen, to compete among the 52 brands on sale, the most in any country. SAIC Motor Corp, China's biggest automaker, had a 78 percent drop in third-quarter profit. Chongqing Chang'an Automobile Co, the Chinese partner of Ford Motor Co, had a third-quarter loss of 107 million yuan ($15.67 million), compared with a 68.4 million yuan profit a year earlier.

China's car sales rose 11 percent in the first nine months, compared with a 22 percent increase for the whole of last year. The government is also urging automakers to take advantage of a reshuffle in the global automobile industry and speed up development of vehicles using alternative energies, Chen said.

China's government will help automakers with technology and financial support to make progress in the area of electric cars, Chen added.

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2008-11/09/content_7188500.htm) ([see archive](China_considers_policies_to_promote_auto_sales.pdf))

### Senior Chinese official calls for better development of non-public sector

Jia Qinglin, chairman of the National Committee of the Chinese People's Political Consultative Conference, the country's top political advisory body, called on the country's private enterprises to play an active role in economic growth.

Jia, also a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, said the private sector should step up efforts on the development mode shift and optimize product structures during a research tour in the eastern Zhejiang Province from Nov. 7 to 10.

He told non-public companies to make full use of the opportunity of the government's decision to boost domestic consumption in the coming years.

The government recently announced it would launch a stimulus package estimated at 4 trillion yuan (570 billion U.S. dollars) to be spent over the next two years to finance programs in 10 major areas, such as low-income housing, rural infrastructure, water, electricity, transport, the environment and technological innovation.

Jia said over the past three decades the private sector had made important contributions to China's economic development, technology innovation, job creation and other areas.

He added that they should enhance innovation capabilities and sharpen competitive edges to better cope with adverse global economic conditions.

He urged on local governments to earnestly implement favorable policies for private companies, help enhance their risk management capabilities and create a sound development environment for them.

[Source: China Securities Journal](http://www.cs.com.cn/english/ei/200811/t20081111_1650287.html) ([see archive](Senior_Chinese_Official_Calls_for_Better_Development_of_Non-public_Sector.pdf))

## Taxation

### China reduces tax burden on firms

The government recently announced that it would cut value-added tax (VAT) for all industries from January 1 to reduce the tax burden on companies by more than 120 billion yuan ($17.57 billion) next year.

The State Council, in an executive meeting, passed revised regulations on VAT, consumption tax and business tax. It is part of a stimulus package of 4 trillion yuan to be spent by the end of 2010.

The revision is aimed at a shift from the existing production-based to a consumption-based VAT regime, which would enable companies to get tax deductions on spending on fixed assets, the meeting said.

It also scrapped policies that exempted imported equipment from VAT, and ruled that foreign-funded companies will not enjoy tax rebates on domestic equipment purchases as they used to, putting them on an equal footing with local companies.

The VAT rate for small businesses was reduced to a universal 3 percent from 6 percent for industrial firms and to 4 percent for commercial companies.

The reform would help encourage technological upgrading at Chinese companies, boost domestic demand, and push for industrial restructuring, said the meeting.

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2008-11/11/content_7191910.htm) ([see archive](China_reduces_tax_burden_on_firms.pdf))

## Other

### ADB to assist China in improving economic laws

The Asian Development Bank (ADB) is providing technical assistance to help China improve the capacity of its judiciary to implement economic laws.

ADB will provide a grant of $400,000 that will finance seminars and training programs designed to improve the quality and consistency of judgments in cases involving economic and commercial law. The Supreme People's Court and National Judges College will contribute an equivalent of $500,000 to the project.

“Two of the most pressing challenges for PRC's judicial system are the quality of adjudication of economic and commercial law-related cases and consistency in the application of the law in such cases,” said Peng Xiaohua, Principal Counsel for ADB's Office of the General Counsel.

In recent years, there has been an increase in the number and complexity of disputes related to economic and commercial laws. At the same time, many laws drawn up to deal with the country's rapidly changing economic environment were drafted in a relatively short time and tend to lack detail.

The seminars will focus on updating the legal interpretations and providing training to the judges on jurisprudence of such legal interpretations from the Supreme People's Court related to cases involving economic law.

Particular emphasis will be on assisting judges from less developed regions, particularly in western parts of the country, where financial constraints have made it difficult to attract and keep high-quality personnel or to provide ongoing training for the judges.

The project will be implemented over 18 months ending in February 2010.

[Source: China Daily](http://www.chinadaily.com.cn/china/2008-11/09/content_7187489.htm) ([see archive](ADB_to_assist_China_in_improving_economic_laws.pdf))

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