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# China News Alert Issue 274

## Capital Markets

### Shanghai and Shenzhen stock exchange arranged 2008 annual report disclosure of listed firms

The Shanghai Stock Exchange and the Shenzhen Stock Exchange released on December 30, 2008 the Circular on 2008 Annual Reports of Listed Companies, and stipulated that companies that were listed prior to December 31, 2008 must disclose their 2008 annual reports before April 30, 2009, and must conduct the performance forenotice prior to January 31, 2009.

The two bourses urged that the listed firms must disclose, in form of list and in the annual reports, sum of cash dividends and ratio of the net profits of the previous three years. They must complete their revision to the articles of association prior to June 30, 2009, and specify the cash dividend policies.

The Shenzhen Stock Exchange also urged the listed companies disclose their self-appraisal reports of the internal control. The Shanghai and Shenzhen Stock Exchange will respectively arrange the disclosure of annual reports for 45 and 30 firms listed on the main board.

[Source: Lexis Nexis](http://hk.lexiscn.com/latest_message.php?id=5196) ([see archive](Shanghai_and_Shenzhen_Stock_Exchange_Arranged_2008_Annual_Report_Disclosure_of_Listed_Firms.pdf))

### China's banking watchdog sets up office to help execute court orders

China's banking watchdog set up an office recently to help clearing up the country's commercial banks' backlogged cases of dead loans, in an effort to maintain economic stability amid global financial crisis.

At a seminar jointly held by the China Banking Regulatory Commission (CBRC) and the Supreme People's Court, Cai E'sheng, CBRC vice chairman, said that the office's main function is to coordinate court order enforcement of financial cases and protect creditor's rights.

"The creditor's rights derived from bank loans directly affect the national financial order, and play key roles in the healthy development of the country's economy and finance," Cai said, without giving the specific number of the backlogged cases in the field.

However, such cases have remained to be the major obstacle for court execution, he added.

He asked the CBRC local branches to set up corresponding offices to handle the work within their power.

Courts have also been granted rights to get access to the bank account information of related individuals and organizations, as a special offer from the banking sector to promote the execution of long-delayed cases.

China started an eight-month campaign in last Nov. to bring an end to a number of commercial banks' pending cases of their loan disputes.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-01/07/content_10614822.htm) ([see archive](Chinas_banking_watchdog_sets_up_office_to_help_execute_court_orders.pdf))

## Corporate & Commercial

### China issues new product catalogues under import and export licensing

China will use licenses to manage imports of two categories of products and exports of 50 kinds of commodities in 2009, the Ministry of Commerce has said.

According to the ministry's statement, licenses will be used to control imports of ozone layer depleting substance and major used mechanical and electrical products in 2009.

Meanwhile, the ministry will use licenses to manage exports of 50 kinds of commodities including corn, wheat, cotton, coal and oil.

New versions of product lists are available on the ministry's website www.mofcom.gov.cn. The 2008 versions expired on Dec. 31.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-01/03/content_10595499.htm) ([see archive](China_issues_new_product_catalogues_under_import_and_export_licensing.pdf))

### Shanghai sees growing foreign investment in office buildings

The Shanghai Municipal Commission of Commerce on Friday reported a "jump" of foreign investment in the city's office buildings in 2008 against a backdrop of slump real estate market across China.

The city approved 58 foreign-invested real estate projects in the first 11 months of 2008, involving a total investment of 3.94 billion U.S. dollars, which was 66 percent more than that a year earlier, the commission said in a statistical report.

Nearly half of the investment was aimed at high-class office buildings, the report said.

A senior economic official attributed the boom of foreign real estate investment to the rising demand for luxury office building as the continuing arrivals of regional headquarters of international companies.

"The increase of foreign investment in Shanghai's real estate market shows foreign companies are still confident in China's economy," said Liu Jinping, deputy head of a municipal leading group of foreign investment.

According to statistics provided by the commission, foreign investors established 77 regional headquarters, investment companies and research and development centers in the municipality during the 11 months of 2008, bringing the total number of regional headquarters of international companies to 223.

The official said the municipal government would continue to support foreign investment in high-class office buildings which goes in line with the government policy for boosting the service industry in the economic powerhouse of China.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-01/02/content_10590585.htm) ([see archive](Shanghai_sees_growing_foreign_investment_in_office_buildings.pdf))

### Chinalco: China resource industry sees opportunity amid global crisis

Some Chinese mineral giants see the global economic slowdown as a blessing in disguise.

"The crisis presents a rare opportunity for our domestic companies to initiate cooperation with foreign enterprises," said Xiao Yaqing, general manager with state-owned Aluminum Corp. of China (Chinalco).

"When the time is ripe, overseas acquisitions, strategic investments and joint development could all be considered."

Statistics from the December issue of Caijing showed that 2008 has seen a leap in the number of overseas acquisitions by China's metal, mining and energy companies. These include share purchases and exploration licenses.

Seven transactions were completed and three remain in progress. There were five such cases in the past three years. About 10 major nonferrous metal companies, including Chinalco, are considering further overseas mergers and acquisitions.

The acquisition strategy was in line with the government's policy to encourage state-owned companies to invest in foreign mining companies to secure mineral resources.

According to Xiao, China's material and energy enterprises should have a role in global resource allocation.

"We have long been providing products to other countries with our own natural resources. Now it's time to contribute to the world economy with world resources," he said.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-01/02/content_10590240.htm) ([see archive](Chinalco_China_resource_industry_sees_opportunity_amid_global_crisis.pdf))

## Real Estate

### Chinese banks expand house loan preferences to cut debtor burden

Major Chinese lenders are expanding a preferential policy on house loan interests to cut the burden of the country's home buyers hit by the spreading financial crisis.

For individuals who bought houses on mortgage lending before Oct. 27, 2008 and have not paid off the loans, their credit interest rates could be reduced to 70 percent of the benchmark rate from the previous 85 percent, customer service staff of several banks told recently.

The discount will be available for Beijing, Shanghai and Qingdao clients of the China Construction Bank after their applications go through default record checks.

The Bank of China branch in Shanghai is also providing the preference but the Beijing branch keeps the rate unchanged.

The Industrial and Commercial Bank of China, the country's largest lender, and the Agricultural Bank of China are also making specific rules for similar rate discounts.

China's central bank announced in October it would reduce the lower limit of interest rates on individual house loans to 70 percent of the benchmark credit rate from 85 percent, starting from Oct. 27 last year.

The move was viewed as a stimulus to the flagging property market but it has been unclear whether house mortgage deals before that date can enjoy the favor.

Under the rate discount, home buyers with a 500,000-yuan (73,500 U.S. dollars) bank loan to be paid off within 20 years can save nearly 60,000 yuan of interest, analysts estimate.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-01/04/content_10603235.htm) ([see archive](Chinese_banks_expand_house_loan_preferences_to_cut_debtor_burden.pdf))

## Taxation

### China issues decree ending three tax, fee regulations

China's State Council, or cabinet, issued a decree signed by Premier Wen Jiabao recently abolishing three tax and fee regulations.

The provisional regulation governing urban real estate tax, promulgated in 1951, is abolished as of Jan. 1, 2009.

From Jan. 1, 2009, foreign-invested companies, wholly foreign-funded companies and organizations and foreign nationals shall pay real estate tax under the interim regulations of the People's Republic of China on real estate tax.

The Yangtze River maintenance fee collection regulation promulgated in 1987 is abolished as of Jan. 1, 2009.

The inland river maintenance fee collection regulation promulgated in 1992 is also abolished as of Jan. 1, 2009.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-01/01/content_10587468.htm) ([see archive](China_issues_decree_ending_three_tax_fee_regulations.pdf))

### Increased value-added tax rates on minerals kick in

A higher value-added tax (VAT) on 82 mineral products became effective recently.

China raised the VAT rate for minerals two months ago to ease the burdens of producers. Mineral producers welcomed the policy but analysts are uncertain whether the new tax rates would bolster the sector.

The VAT rate for such mineral imports as copper ore, nickel ore, aluminum ore as well as ore concentrates was raised to 17 percent from 13 percent, according to the Ministry of Finance and the State Administration of Taxation.

The two ministries said the new rates will cover both ferrous and nonferrous metals and non-metal minerals. The rate for salt would remain unchanged at 13 percent.

"The four-percent increase is an adjustment of a big margin," a source inside the Henan Yuguang Gold and Lead Co. said. The man, who preferred to remain anonymous, added the company would be able to save a large amount of money it would have spent on taxes and will therefore be able to reduce costs.

Thanks to higher VAT rates, such companies will be able to deduct a larger amount of taxes paid for ore imports when they sell final products.

Jiang Ning, an analyst with the Shanghai-based nonferrous metals website, said it was too early to tell whether the nonferrous metal sector would perform better.

Nonferrous metal producers have posted all-round losses after prices fell by 20 to 46 percent in last few months. Some producers were forced to suspend production to avoid further losses.

According to the National Bureau of Statistics (NBS), profits of the non-ferrous metal and processing industry fell 34.1 percent year-on-year in the first 11 months of 2008.

Jiang said he expected the nonferrous sector to have a poor performance in the first quarter of this year.

In addition to higher VAT rates, the country's State Reserve Bureau, which maintains stockpiles of key raw materials, was reported to be discussing a purchase of 300,000 tonnes of aluminum at a premium price from producers. The move is aimed at increasing prices and supporting producers.

Jiang said if that happens, such a move would only be effective in the short term and was not enough to change the long-term trend. He added that the biggest problem for non-ferrous metal producers was insufficient demand after global financial turmoil slashed demand across the world.

The steel sector also suffered because of retreating global demand. The NBS said profits of the iron and steel industry fell by 13.7 percent during the first 11 months of 2008.

Many analysts said the metal industry in general is regaining confidence as a result of the proposed purchase plan. They said increased infrastructure construction would also boost demand for steel.

The VAT rate hike for mineral products was part of the country's more broad VAT reform which exempts companies from paying value-added tax for equipment purchases.

The reform was announced in November and included in the 4 trillion yuan (586 billion U.S. dollars) stimulus package.

The VAT reform is expected to reduce the tax burden on companies by more than 123 billion yuan next year.

In 2007, VAT revenue exceeded 1.5 trillion yuan, accounting for31 percent of the country's total tax income.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-01/01/content_10589485.htm) ([see archive](Increased_value-added_tax_rates_on_minerals_kick_in.pdf))

### SAT adjusted enterprise income tax collection ranges of newly-increased enterprises

China's State Administration of Taxation (SAT) decided, in a circular recently, that beginning on January 1, 2009, to adjust the enterprise income tax collection ranges of the enterprises which are newly increased after 2009.

Under the circular, banks (credit cooperatives), collection of enterprise income tax on insurance companies, foreign-invested companies and the representative offices of foreign enterprises shall be administrated by offices of the SAT.

The Circular also stipulated that for enterprises which have established cross-regional businesses and collective tax payment prior to the end of 2008, subordinates that are newly established

[Source: Lexis Nexis](http://hk.lexiscn.com/latest_message.php?id=5205) ([see archive](SAT_Adjusted_Enterprise_Income_Tax_Collection_Ranges_of_Newly-increased_Enterprises.pdf))

## Other

### New policies take effect on New Year's Day

China started taking new administrative policies on New Year's Day, including two regulations on car fuel levy and road policing which are expected to mostly affect drivers.

In a circular to all localities last month, the State Council, or China's Cabinet, said the government decided to levy a fixed sales tax, or 0.8 yuan, on per liter of motor vehicle fuel, which offsets car owners' previous annual payment for road maintenance, beginning January 1, 2009.

The money collected would go for road and water routes maintenance, the government said.

Also effective as of the New Year's Day is the revised norms for traffic police patrolling, which asks police to be lenient to drivers who slightly violate traffic rules and cause little damage.

The government requires the China Insurance Regulatory Commission to publicize certain information on administrative procedures, punishment verdicts, state-approved insurance terms and premium rates, according to a new rule on the release of government information.

A lawyer registration regulation allows Taiwan lawyers to practice legal business in the Chinese mainland if they pass certificate tests for lawyers in China and meet other requirements.

The new law on promoting recycling economy prohibits local governments to dismantle buildings that meet the standards for urban planning and construction and are in the "life span" except for immediate needs of public interest.

It also requires government departments to take a lead in using energy- and water-saving products and those that are conducive to environmental protection.

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2009-01/01/content_7359809.htm) ([see archive](New_policies_take_effect_on_New_Years_Day.pdf))

### Amended Chinese highway, waterway transport, shipping route regulations to go into force

Three amended regulations, on highway management, waterway transport and shipping route management, will come into force on Jan. 1, 2009, according to a State Council decree signed by Premier Wen Jiabao.

The amended regulation on highway management stipulates that funds for highway construction may come from channels including the central and local government budget, sino-foreign joint venture, and loans.

[Source: Xinhua](http://news.xinhuanet.com/english/2008-12/31/content_10583405.htm) ([see archive](Amended_Chinese_highway_waterway_transport_shipping_route_regulations_to_go_into_force.pdf))

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