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# China News Alert Issue 279

## Capital Markets

### China's local governments may issue bonds to finance stimulus package

China's legislature recently reviewed a proposal to permit local governments to issue bonds to finance the 4-trillion-yuan (US$586 billion) stimulus package.

The Standing Committee of the National People's Congress reviewed the report amid a string of proposals.

Local governments are now banned from issuing bonds directly but some still managed to raise funds by issuing corporate bonds via their subsidiaries to fund public infrastructure construction.

However, the government will face a relatively huge fiscal deficit this year due to its proactive fiscal policy, such as the stimulus plan, and the slowing economy.

Of the 4 trillion yuan, the central government will fund only 1.18 trillion yuan, and others will come from local governments and private capital.

The pending deficit led to a discussion about allowing local governments to issue bonds and some media said 200 billion yuan of local government bonds would be issued via the central government this year.

The National Association of Financial Market Institutional Investors has said in a report that the country is expected to issue 1.4 trillion yuan of bonds this year to offset the deficit.

China's fiscal revenue tumbled 17.1 percent to 613 billion yuan last month from a year ago due to an economic slowdown, falling corporate profit and tax cuts.

[Source: Xinhua](http://english.china.com/zh_cn/business/economy/11021617/20090218/15331402.html) ([see archive](Chinas_local_governments_may_issue_bonds_to_finance_stimulus_package.pdf))

## Corporate & Commercial

### China Minmetals confirms $1.7 bln offer to buy OZ Minerals

China Minmetals Non-ferrous Metals Co. Ltd. (CMN) recently confirmed its 1.7-billion- U.S.-dollar offer for Australian miner OZ Minerals Ltd., and said it was waiting for the regulators' approval.

"We don't know how long it will take to get approval and we can't predict any outcome. We have applied for the deal in accordance with commercial standards, and will have to wait," said CMN deputy head Jiao Jian.

OZ Minerals announced recently that CMN had offered 82.5 Australian cents per share, a 50 percent premium over OZ Minerals' last trading price on Nov. 27.

OZ Mineral, Australia's third-largest mining company and the world's second-largest zinc producer, is involved in copper, lead, zinc and nickel operations.

"The acquisition will strengthen both of our market positions and it can provide adequate resources to our business. This is a strategic cooperation," Jiao said.

However, he declined to reveal how the company planned to raise the capital.

"The 1.7 billion U.S. dollars would comprise our own money and loans from banks. But we cannot say what banks will be involved or what portion each of us are going to take," he said.

The deal needs to be approved by Australia's Foreign Investment Review Board before it can be passed on to the shareholders for discussion. OZ Minerals said it would recommend the deal to the shareholders.

The deal also needs Chinese regulators' approvals, including the top economic planer, the National Development and Reform Commission and the State Administration of Foreign Exchange.

"These required approvals are no different from any other overseas acquisitions," Jiao said.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-02/17/content_10836453.htm) ([see archive](China_Minmetals_confirms_17_bln_offer_to_buy_OZ_Minerals.pdf))

### Sanyuan to compete in auction of scandal-hit Chinese dairy company's assets

Beijing-based company Sanyuan confirmed recently that Sanyuan Group and one of its subsidiaries would bid in next month's auction for Sanlu, a Chinese dairy company at the center of the milk contamination scandal.

Wan Qian, secretary for the board of directors of Beijing Sanyuan Foods Co. Ltd. confirmed the board had agreed that Hebei Sanyuan -- a full-asset subsidiary of Sanyuan Foods Co.Ltd.-- and Sanyuan Group would jointly bid in the auction for Sanlu, and the bid offered should not go beyond 110 percent of Sanlu's total value.

Beijing Sanyuan Foods Co. Ltd, with more than 5,000 people on its payroll, is a Sino-foreign venture which mainly produces dairy products. It also runs outlets of McDonalds and is involved in real estate development, according to a document posted on the company's website.

The company's decision was made known recently. Related announcements appeared at venues for securities trading across Beijing.

Beijing Sanyuan Foods decided to pool funds ranging 800 million yuan (about 117.65 million U.S. dollars) to one billion yuan through non-public selling shares to Sanyuan Group, Beijing Sanyuan's parent company, and Beijing Enterprises (Food) Co. Ltd.,a big share holder, at 4 yuan per share, according to the announcements.

The money raised will be channeled to Hebei Sanyuan for its future business activities, including buying assets of Sanlu. Sanlu was declared bankrupt Thursday by the Intermediate People's Court of Shijiazhuang, capital city of Hebei Province. Hebei Sanyuan is expected to make up for the remaining financial shortage through measures including bank loans.

Sanlu Group's assets will be auctioned on March 4 at the Intermediate People's Court of Shijiazhuang, according to a joint statement by the Hebei Jiahai Auction Co. Ltd., Hebei Dongfang Auction Co. Ltd. and Hebei General Auction Co. Ltd..

Sanlu Group's land use rights, buildings, machines and equipment will be up for bidding.

Assets also include Sanlu Group's investment rights and interests over three other dairy companies, the joint statement said.

Sanlu Group failed to repay outstanding debts, which surpassed its assets. It met the conditions for bankruptcy, according to the court order.

Sanlu Group has 274 creditors, the largest being Sanlu Business and Trade Company, a wholly-owned subsidiary of the group itself. The other creditors include banks, distributors and suppliers.

On Dec. 19, the Sanlu group borrowed 902 million yuan (132 million U.S. dollars) to pay medical fees of children sickened by baby formula tainted with melamine and to compensate victims, which increased its debt to 1.1 billion yuan.

Sanlu leased its plants to a subsidiary of Beijing Sanyuan Foods Co. Ltd. in December, days after the bankruptcy petition was accepted by the Shijiazhuang Intermediate People's Court.

Sanlu stopped production on Sept. 12. Its melamine-tainted baby milk powder was found to have caused the deaths of at least six children and sickened more than 300,000 other children.

Last month, it was fined 49.37 million yuan by the Shijiazhuang court, which also imposed a life sentence for Sanlu chairwoman Tian Wenhua. Tian was convicted of manufacturing and selling fake or substandard products by the Shijiazhuang Intermediate People's Court and sentenced to life in prison.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-02/15/content_10823891.htm) ([see archive](Sanyuan_to_compete_in_auction_of_scandal-hit_Chinese_dairy_companys_assets.pdf))

### China Mobile to invest another $500 mln in Pakistan

China Mobile Communications Corporation (China Mobile) will invest another 500 million U.S. dollars in Pakistan during the year 2009, the company's subsidiary in Pakistan disclosed recently.

The money will be earmarked for building new network capacity and other infrastructure, the CM Pak Ltd. (CM Pak), China Mobile's wholly-owned subsidiary in Pakistan said in a statement.

The Federal Minister for Investment, Senator Waqar Ahmed, Ambassador at large Khalil Ahmed, Advisor to the Prime Minister on Water Resources Majidullah Kamal and Chinese Ambassador Luo Zhaohui visited the head office of CM Pak and were briefed about the performance of the company.

Qian Li, Chief Executive Officer of CM Pak, known in Pakistan as ZONG, introduced the operations of the company and also informed the visitors of the failure of the company to get the (Long Distance International) LDI license despite of the approval from the Prime Minister and the cabinet.

Zafar Usmani, Chief Operating officer of the company, informed that the company had so far invested 1.66 billion U.S. dollars in Pakistan and offered more than 41,700 jobs in the country.

Waqar Ahmed Khan praised the role of China Mobile and appreciated the company's plan to continue to invest in the country. He hoped the problem of the company could be resolved and more Chinese companies could come to the country for investment.

Luo Zhaohui appreciated the Pakistani government's investor-friendly policies. He said the Chinese government had always been encouraging investors to come to Pakistan and the bilateral cooperation was expected to be enhanced as a result of the combined efforts.

ZONG is China Mobile's first overseas venture which came into being in 2007.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-02/13/content_10815062.htm) ([see archive](China_Mobile_to_invest_another_500_mln_in_Pakistan.pdf))

### Shenzhen Released Tentative Measures for Trial Small-loan Companies

Small-loan companies registered in Shenzhen must be established by the legal-person enterprises which are registered in line with law in Shenzhen. And the major founder-members must be the enterprises whose net capital exceeds RMB 50 million and whose asset-liability ratio must be no higher than 70%.

Under the Tentative Measures of Shenzhen for Trial Small-loan Companies (Measures) which was released recently, balance of loan which a small-loan company grants to a same borrower must not exceed 5% of the net capitals. And the ceiling balance of loan of a same borrower shall be RMB 5 million.

Besides, when a small-loan company is established, fund contribution of the major founder-members must not account lower than 30% of the total registered capitals; and that of other single fund-contributor and the affiliated parties must not be lower than 5% of the total registered capitals.

[Source: Lexis Nexis](http://hk.lexiscn.com/latest_message.php?id=5389) ([see archive](Shenzhen_Released_Tentative_Measures_for_Trial_Small-loan_Companies.pdf))

### Foreign companies to set up regional headquarters in Shanghai

According to the latest statistics from the Shanghai Municipal Commission of Commerce, foreign companies set up 83 new economic institution headquarters in Shanghai in 2008. As of the end of 2008, foreign companies had set up a total of 676 economic institution headquarters in Shanghai, comprised of 224 regional headquarters, 178 investment-oriented companies and 274 research and development centers.

Sha Hailin, Chairman of the Shanghai Municipal Commission of Commerce, said Shanghai will continue to vigorously develop the headquarters economy in 2009 and carry out all incentives and preferential policies designed.

Foreign companies which establish regional headquarters in Shanghai can enjoy extensive financial aid, encouragement and convenience in various areas including finance, capital management, entry and exit management, human resources and customs clearance.

Regional headquarters of multinational corporations in Shanghai are the only head offices invested in or authorized by offshore-registered parent companies to perform management and service functions for an industry in regions of more than one country.

According to the Shanghai Municipal Commission of Commerce, by the end of 2008, 17 investment-oriented companies in Shanghai had already been verified by the Ministry of Commerce as national regional headquarters, accounting for nearly half of the total number of national regional headquarters in China. Sixty companies included in the Fortune 500 list have established their regional headquarters in Shanghai.

[Source: People.com](http://english.people.com.cn/90001/90776/90884/6592445.html) ([see archive](Foreign_companies_to_set_up_regional_headquarters_in_Shanghai.pdf))

## Other

### China to provide public release of data on state-invested companies

China's state assets supervisor said in a notice recently it would accept requests, effective immediately, from individuals and institutions for data about state-invested companies to promote transparency.

The State-owned Assets Supervision and Administration Commission (SASAC) said it would release the information on its website or through the media.

It would release government documents and regulations as well as details of the businesses and state asset management of these companies, it said. The notice said information would not be released if it was against national, public or economic security or if it violated the legal rights and interests and commercial secrets of the companies.

Individuals or institutions can apply by letter, fax or e-mail. The agency will reply within 15 days.

The SASAC will also set up public reference rooms for the public to seek information.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-02/12/content_10810297.htm) ([see archive](China_to_provide_public_release_of_data_on_state-invested_companies.pdf))

### China bans actors impersonators in medical advertisements

The Chinese government issued a circular recently, prohibiting actors and celebrities from hosting medical programs on radio and TV after a few actors impersonators were found on advertisements.

In a story published on Feb. 4, The Beijing Times exposed a middle-aged actor who imitated four experts under different names on TV while selling drugs.

The article also mentioned an actress who mimicked patients suffering from lung, liver, kidney and heart problems. She claimed that her diseases were cured after taking drugs mentioned in all the advertisements.

The government said impersonating experts or patients was misleading, so new rules were set to prohibit the behavior, according to the Ministry of Health.

The circular, which was jointly issued by the State Administration of Radio, Film and Television, the State Administration For Industry and Commerce, the Health Ministry, the State Food and Drug Administration and the State Administration of Traditional Chinese Medicine, reiterated other rules for releasing medical and drug advertisements on radio and TV media.

Those advertisements which use experts and patients' images to prove the effects of drugs or medical products should not be broadcast, according to the circular.

Those which contain the content of cure rates, effective rates and hotline interaction between doctors and patients should not be broadcast. Information service programs produced by pharmaceutical companies or medical organizations should not be broadcast, the circular said.

Radio and TV broadcasters were asked to check for those kinds of programs and advertisements and immediately stop broadcasting them. If they did not act swiftly enough, the heads of relevant radio and TV stations would be punished and their names exposed to the public.

[Source: Sina](http://english.sina.com/china/2009/0216/218889.html) ([see archive](China_bans_actors_impersonators_in_medical_advertisements.pdf))

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