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# China News Alert Issue 321

## Capital Markets

### China's central bank governor reaffirms moderately loose monetary policy for 2010

Zhou Xiaochuan, governor with the People's Bank of China, the central bank, reiterated that the bank will maintain a moderately loose monetary policy in 2010 and improve the focus and flexibility of the policy according to circumstances.

More credit support should go to promoting employment, strategic emerging industries, and industry transfer, Zhou said in a New Year address to the People's Bank of China.

Zhou stressed that more financial support should be given to transform the economy's development pattern, develop agriculture, help farmers and the progress of rural areas, and expand domestic consumption in 2010.

He also urged an increase in financial systems reform, improvements to the service functions of the financial industry to better support the real economy, promotion of the balance of international payments, and an effective guarding against and reducing of financial risks.

[Source: People Daily](http://english.peopledaily.com.cn/90001/90778/90859/6857320.html) ([see archive](Chinas_central_bank_governor_reaffirms_moderately_loose_monetary_policy_for_2010.pdf))

## Insurance

### Regulator approves first national insurance brokerage firm

The China Insurance Regulatory Commission (CIRC) has approved the establishment of D. Tong Insurance Sales Services Company Limited, which is the country's first national insurance brokerage company.

Before the approval, insurance brokerage companies could only do business in cities where they were registered. If they wanted to do business elsewhere, they had to register another company or control another company in that location.

Industry experts said the change will help brokerage companies integrate their resources and strengthen their management.

With a registered capital of 50 million yuan, D. Tong is wholly owned by Beijing Fanhua D. Tong Investment Management Company.

Statistics from the CIRC show that China has 2,529 insurance brokerage companies, and 84.78 percent of premiums income came through this channel.

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2009-12/30/content_9248775.htm) ([see archive](Regulator_approves_1st_national_insurance_brokerage_firm.pdf))

## Corporate

### JV partners team up for resources

China Railway Construction Corporation (CRCC) and Tongling Nonferrous Metals Group Holdings Company Limited (Tongling) are buying Canadian miner Corriente Resources Incorporated (Corriente) in a 4.4 billion yuan deal to gain access to copper resources in Ecuador.

Corriente was offered 55.89 yuan per share in cash, representing a 27 percent premium to Corriente's average trading price for the 30 trading days prior to 24th December, CRCC said in a statement to the Hong Kong Stock Exchange.

The deal would offer CRCC, China's largest railroad builder, and Tongling, the country's second-largest copper producer, mining rights to 17 copper deposits in Ecuador. The four biggest mines, Mirador, Mirador Norte, Panantza and San Carlos, have 11.54 million tons of copper reserves.

CRCC-Tongguan Investment Company Limited, a 50-50 joint venture between CRCC and Tongling, will manage the offer and develop the global mining business on behalf of the two companies.

"The Mirador, Panantza and San Carlos copper projects will require large scale capital investment by CRCC-Tongguan to unlock infrastructure development, social benefits and jobs that will flow to the people of Ecuador," Ken Shannon, CEO of Corriente, said in the statement.

CRCC said in a statement that the mining venture would help the firm diversify its portfolio. The offer is still subject to a minimum tender condition of 66.67 percent, the statement said. CRCC-Tongguan, with registered capital of 2 billion yuan, will finance the acquisition through bank loans and internal resources, said the statement.

Tongling also filed a statement with the Shenzhen Stock Exchange, saying the transaction was in the interests of its long-term development.

Tongling is eager to enlarge its copper reserves because of falling copper processing fees and its lack of self-sufficiency, said analysts. "Falling copper processing fees have eaten into Tongling's profit margin. Obtaining mining rights will secure raw copper supplies for them," said Peng Bo, an analyst with Guosen Securities.

Copper prices jumped to 58,360 yuan a ton on the Shanghai Futures Exchange, up 140 percent from January figures.

On 24th December, Tongling and U.S. copper miner Freeport-McMoRan Copper & Gold Incorporated, signed 2010 copper processing fees at US$46.50 a ton, down 38 percent from US$75 a ton in 2009.

Chinese mining companies have been actively looking for business opportunities since the start of the global credit crisis to bolster their metals reserves.

Earlier this month, Chinese zinc-maker Yunnan Chihong Zinc & Germanium Company Limited, said it would invest US$94 million to set up a joint venture with Canada's Selwyn Resources Limited to operate the Selwyn zinc-lead mining project.

Also this month, China's biggest gold producer, Zijin Mining Group Company Limited, made a US$498 million takeover offer for Indophil Resources NL of Australia to gain a stake in Southeast Asia's largest untapped copper and gold deposits at Tampakan in southern Philippines.

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2009-12/30/content_9245015.htm) ([see archive](JV_partners_team_up_for_resources.pdf))

### PetroChina wins approval for a stake in two Canadian oil-sands projects

PetroChina has won approval to buy a stake in two Canadian oil-sands projects in its biggest North American acquisition.

China's largest oil producer will pay US$1.8 billion to buy a 60 percent stake in the MacKay River and Dover oil-sands projects of Athabasca Oil Sands Corporation, Canadian Industry Minister, Tony Clement, said in a statement.

"To successfully compete in a globalised economy, we need to attract international investment, which can create jobs, raise our level of competition, and develop Canada's long-term economic prospects," Clement said.

It is the latest move by PetroChina to acquire overseas assets since last December when it spent over US$3.6 billion to buy Singapore Petroleum Corporation, acquired a stake in a Nippon Oil Corporation plant and formed a joint venture in Kazakhstan.

Under the deal, PetroChina will pay around US$249 million for AOSC's properties in the province of Alberta and will increase jobs. Its experience in heavy-oil projects in northeastern China could help unlock oil trapped in Alberta sands, the Canadian firm said. According to AOSC, the two projects contain an estimated 5 billion barrels of bitumen resources.

PetroChina originally agreed to close the transaction on 31st October after the initial agreement was reached on 31st August.

PetroChina's parent, China National Petroleum, said on 19th October that PetroChina will focus on expanding exploration and boosting overseas cooperation next year as China's energy demand rises.

PetroChina has received a US$30 billion loan from China Development Bank to fund overseas expansion.

[Source: Shanghai Daily](http://www.shanghaidaily.com/article/print.asp?id=424379) ([see archive](PetroChina_wins_projects_nod.pdf))

### PRC govt encourages further support for overseas firms

The Chinese government has said financial institutions will be encouraged to step up credit support to foreign-funded businesses as they have become an important part of the world's third-largest economy.

Foreign-funded companies should have more access to financing and would be encouraged to take part in mergers, acquisitions and reshuffling of Chinese enterprises, according to a statement issued after a meeting of the State Council, chaired by Premier Wen Jiabao.

The government would do its utmost to simplify the approval procedures and strengthen administrative transparency, said the statement.

As the global economy is gradually recovering, foreign direct investment in China rose for the fourth consecutive month in November after months of declines.

The statement said the government also encouraged overseas investors in new energy development, environmental protection, high-tech and modern service industries, as well as the advanced manufacturing sector.

[Source: Shanghai Daily](http://www.shanghaidaily.com/article/print.asp?id=424388) ([see archive](Fund_call_boosts_overseas_firms.pdf))

## Real Estate

### Premier Wen says China will cool property prices

Chinese Premier Wen Jiabao said the government will cool property prices, resist pressure for the yuan to appreciate and keep inflation at "reasonable" levels.

"Property prices have risen too quickly in some areas and we should use taxes and loan interest rates to stabilise" them, Wen said today in an online interview with the official Xinhua News Agency. China will "absolutely not yield" to pressure on the yuan, he said.

China's property prices climbed last month at the quickest pace since July 2008, adding to concern that record lending and inflow of money will inflate asset bubbles in the world's fastest-growing major economy. Central bank adviser Fan Gang said on 18th November that the nation needs to be on the alert for stock, real-estate and commodity bubbles as global capital flows into emerging economies.

"It's difficult to see how serious the government is about cooling the property market," said Andy Xie, former Morgan Stanley chief Asian economist. "The issue isn't about introducing new measures but enforcing existing measures."

In November, real-estate prices in 70 major cities rose 5.7 percent from a year earlier, compared with a 3.9 percent increase in October.

China should anticipate that inflation may appear and that the government will keep consumer-price increases within a "reasonable range," Wen said. The government will also maintain a "moderately loose" monetary policy and a "proactive" fiscal policy, he said.

Consumer prices climbed 0.6 percent in November from a year earlier, ending a nine-month run of deflation.

"China will keep its loose stance in the first half of next year, at least, as inflation is expected to stay within tolerable levels," said Shen Minggao, chief economist for Greater China at Citigroup Incorporated. "There will not be significant changes, in order to maintain policy stability, but some industries with excess capacity have seen credit tighten."

On 25th December, China raised its 2008 growth estimate to 9.6 percent from 9 percent and said this year's quarterly figures will also increase, narrowing the gap with Japan. A record 9.2 trillion yuan (US$1.3 trillion) of loans in the first 11 months of this year drove China's recovery after the global crisis slashed export demand.

China's growth may surge to as much as 12 percent next year, increasing the risk from inflation, unless the government raises interest rates, Zhu Jianfang, chief economist at Citic Securities Corporation, said.

Wen reiterated the government's stance on the yuan after rejecting a call last month by a group of visiting European officials, including central bank President Jean-Claude Trichet, for a stronger currency. China has held the yuan at about 6.83 per US dollar since July last year, shielding its exporters from the slump in global demand.

"Maintaining a stable yuan has made an important contribution globally," Wen said. "We will absolutely not yield to pressure to appreciate."

Twelve-month non-deliverable yuan forwards indicate that China's currency will appreciate 2.6 percent against the dollar in the next year. The yuan gained about 21 percent in the three years after a fixed exchange rate was scrapped in July 2005.

A US$586 billion, two-year stimulus package and subsidies for consumer purchases helped the economy expand 8.9 percent last quarter, the fastest pace in a year. China is poised to replace Japan as the world's second-biggest economy next year, according to International Monetary Fund projections.

[Source: China Post](http://www.chinapost.com.tw/business/asia/b-china/2009/12/28/238356/Premier-Wen.htm) ([see archive](Premier_Wen_says_China_will_cool_property_prices.pdf))

## Other

### New law enacted to promote renewable energy

China's utility companies will be required to buy all the power produced by wind farms and other renewable sources under a new law meant to promote the industry and reduce heavy reliance on coal.

Legislators approved the measure as an amendment to China's 2006 renewable energy law, the official Xinhua News Agency reported.

Beijing has set ambitious goals for wind, solar and other renewable energy in an effort to clean up its environment and curb surging demand for imported oil and gas, which communist leaders see as a strategic weakness.

The measure could also help Beijing fulfill promises to restrain growth in emissions of carbon dioxide and other gases blamed for climate change.

"The legislation on improving the consumption of clean energy contributes to the global fight on climate change," said Wang Zhongying, director of the renewable energy development center of the Cabinet's main planning agency, according to Xinhua.

Other countries such as Germany and Spain also promote solar, wind and other renewable power sources by requiring utilities to buy these and to pay higher prices than for electricity from coal and other traditional sources.

Xinhua gave no details of pricing but said companies that operate China's power grid could be fined if they refuse to buy renewable power, which suggested the cost may be higher. It said grid operators would be required to improve their technology and capacity to absorb power from renewable sources.

China is one of the biggest users of wind power and the government is trying to promote use of solar by promising to pay up to 70 percent of the cost of new systems.

China faces the challenge that its windiest areas are far from populous cities, requiring costly transmission lines that in many areas have yet to be built. Wind farm construction has raced ahead so fast that 25 percent are not connected to the national power grid.

Government goals issued in 2005 call for at least 15 percent of China's power to come from wind, solar and hydropower by 2020; up from 9 percent now. Officials say that target may be raised to 20 percent because the industry is developing so fast.

Coal provides two-thirds of China's power and is expected to remain the dominant energy source in coming years.

China is the world's biggest emitter of greenhouse gases, but is not bound by global agreements on curbing emissions because it is a developing economy. But the Cabinet promised last month to reduce emissions of carbon dioxide for each unit of economic output by 40 percent to 45 percent from 2005 levels by 2020.

[Source: China Post](http://www.chinapost.com.tw/business/asia/b-china/2009/12/28/238369/New-law.htm) ([see archive](New_law_enacted_to_promote_renewable_energy.pdf))

### China's top legislature adopts tort law

China's top legislature has ended its five-day bimonthly session, approving tort liability, island protection laws and an amendment to the renewable energy law.

Wu Bangguo, chairman of the Standing Committee of the National People's Congress (NPC), told the closing meeting that the Tort Law was significant in "protecting civil rights and people's interests, preventing and punishing infringement acts, reducing conflicts and promoting social harmony and stability."

The top legislator said the amendment to the renewable energy law would "greatly promote a healthy and rapid development of the renewable energy sector and adjust energy structure to strengthen the building of an environment-friendly and resource-saving society."

The island protection law would play a key role in protecting islands' eco-systems, rationally utilising natural resources and safeguarding the country's marine rights, Wu said.

The session also examined two reports from the State Council on employment and boosting development of small and medium-sized enterprises.

It also voted to ratify a United Nations protocol to combat human trafficking―the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children―supplementing the UN Convention against Transnational Organised Crime.

The session also approved a pact on criminal judicial assistance between China and Malta.

It voted to appoint Han Changfu, former governor of northeastern Jilin Province, as agricultural minister.

The meeting also decided to open the annual plenary session of the NPC on 5th March next year.

[Source: China.org](http://www.china.org.cn/china/2009-12/27/content_19137250.htm) ([see archive](Chinas_top_legislature_adopts_tort_law.pdf))

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