Charltons - China News Alerts Newsletter - 12 November 2010

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# China News Alert Issue 355

## IP

### China resolved to protect intellectual property

China is determined to fully protect intellectual property, the country's trade minister said during an economic forum with Portuguese and Chinese businessmen.

"We have a long road ahead in terms of protecting intellectual property, but we will try to do our best," Chinese Commerce Minister Chen Deming said. "If future generations don't know how to protect intellectual property, we will miss out on dynamism in terms of innovative activity," he said, adding that China already has a body that protects intellectual property.

Chen spoke shortly before the start of a two-day visit to Portugal by Chinese President Hu Jintao, amid hopes Lisbon will reap the benefit of Beijing's largesse in trade deals and alleviate market pressure on its debt.

The two countries are expected to ink several cooperation agreements, notably in the telecommunications and renewable energy sectors, according to Chen.

"Even though China was not committed within the Kyoto Protocol framework it reducing its carbon emissions, China wants to do everything it can to develop its green economy," he said.

[Source: France 24 News International](http://www.france24.com/en/20101106-china-resolved-protect-intellectual-property-minister) (Link no longer active)

## Jurisdiction

### The Secretary for Justice visits Shenzhen and Guangzhou

The Secretary for Justice, Mr Wong Yan Lung, SC, began a two-day visit to Shenzhen and Guangzhou on 3rd November today, to update leaders and counterparts on Hong Kong's latest developments in the legal field. The visit is also aimed at strengthening legal ties and cooperation between these three cities.

Apart from the Mayor of Shenzhen, Mr Xu Qin, Mr Wong is also meeting officials from the Shenzhen Municipal Intermediate People's Court, the Legislative Affairs Office of Shenzhen Municipal People's Government, Shenzhen Municipal Justice Bureau and the South China Sub-Commission of the China International Economic and Trade Arbitration Commission.

They exchanged views on various legal issues, including the implementation of the Framework Agreement on Hong Kong/Guangdong Co-operation, mutual assistance on legal matters and mutual enforcement of arbitral awards.

Mr Wong will then visit Guangzhou tomorrow, where he will meet with officials of the High People's Court of Guangdong Province, the Legislative Affairs Office of the Guangdong Provincial People's Government, the Justice Department of Guangdong and representatives of the Guangzhou Arbitration Commission.

In addition, Mr Wong will also exchange views with representatives of Hong Kong law firms in Guangdong to obtain first-hand information on their operation in the province.

In the evening, Mr Wong will meet the Vice Governor of the Guangdong Province, Mr Li Ronggen, before returning to Hong Kong.

[Source: Hong Kong Department of Justice](http://www.doj.gov.hk/eng/public/pdf/2010/pr20101103e.pdf) ([see archive](The_Secretary_for_Justice_visits_Shenzhen_and_Guangzhou.pdf))

## Securities

### China Mobile internally ready for A-share listing

China Mobile Chairman Wang Jianzhou has said the company was internally ready for listing on China's A-share market.

However, because of the complicated procedure for rolling out the international board of the A-share market, there is no detailed information so far for its listing, Wang added.

Meanwhile, Wang also revealed that China Mobile plans to expand its TD-LTE trial network from three to six cities.

China Mobile has piloted the TD-LTE network service, and the telecom industry believes the telecom operator will accelerate the transition to TD-LTE to change the fact that its 3G services have no outstanding advantages.

Wang said the development of TD-LTE is faster than expected, thanks to the explosive growth of data business in the Chinese mainland market. The popularity of smart phones has lead to increased usage of data services. China Mobile rolled out the world's first TD-LTE system during the 2010 World Expo in Shanghai, which won the interests of overseas telecom operators.

The carrier decides to expand the trial network construction from three to six cities, after the approval of related authorities.

An industrial insider unveiled that three coastal cities, namely Qingdao, Xiamen and Zhuhai, would be considered by China Mobile.

[Source: TMC Net](http://www.tmcnet.com/usubmit/2010/11/09/5124478.htm) ([see archive](China_Mobile_internally_ready_for_A-share_listing_Wang_Jianzhou.pdf))

## Investment

### China Investment Corporation announces the establishment of a wholly-owned subsidiary in Hong Kong

China Investment Corporation (CIC) has announced that it has established and registered a wholly-owned subsidiary in Hong Kong: CIC International (Hong Kong) Co., Limited.

CIC will fully utilise Hong Kong's position as an international financial centre as well as its world-class investment and financial services to develop and expand CIC's investment activities outside the Mainland.

CIC has appointed Professor Lawrence J. Lau to be the Chairman of CIC International (Hong Kong) Co., Limited. Prof. Lau has previously served as a Member of the CIC International Advisory Council.

CIC was established in September 2007 as a wholly state-owned corporation in accordance with the Company Law of the People's Republic of China. Its registered capital is US$200 billion.

As the sovereign wealth fund of China, the objectives of CIC are to realise the diversification of the state's foreign exchange assets and achieve a relatively high risk-adjusted long-term rate of return, through its investment activities outside the Mainland, principally portfolio investments with a small percentage of direct investments, operate entirely in accordance with commercial principles.

[Source: China Investment Corporation](http://www.china-inv.cn/cicen/resources/news_20101107_129418.html) ([see archive](China_Investment_Corporation_Announces_the_Establishment_of_a_Wholly-Owned_Subsidiary_in_Hong_Kong.pdf))

### CIC No.2' expected to start operation before year-end

Guoxin Asset Management Co, China's new state-asset management company, is expected to be running before the end of the year, Shanghai Securities News reported, citing Shao Ning, vice chairman of the State-owned Assets Supervision and Administration Commission (SASAC).

Guoxin Asset Management Co, also referred to as "China Investment Corporation No.2", will play an important role in the restructuring of state-owned enterprises, Shao said.

Guoxin will assist the SASAC's plan to reduce the number of centrally-administered SOEs.

According to Shao, the SASAC will further promote the overseas listing of Chinese SOEs. "We hope to create favourable conditions for SOEs to simultaneously list their A shares in mainland and H shares in Hong Kong, whether these companies have listed overseas or not," Shao said.

[Source: China.org](http://www.china.org.cn/business/2010-11/09/content_21306162.htm) ([see archive](CIC_No2_expected_to_start_operation_before_year-end.pdf))

## Real Estate

### China to restrict foreign investment in property

China plans to limit foreigners from investing in its already speculative real estate sector, the official Securities Times reported.

The Ministry of Housing and Urban-Rural Development and the State Administration of Foreign Exchange have issued a notice to outlining the rules, which will only allow individuals to purchase one housing unit for their personal use, the newspaper said, without saying where the information came from.

Foreign companies can only acquire non-residential office facilities in their registered cities, the newspaper said.

The move is aimed at stemming hot money flow into the property sector.

[Source: Forexpros](http://www.forexpros.com/news/financial-news/china-to-restrict-foreign-investment-in-property--paper-173852) ([see archive](China_to_restrict_foreign_investment_in_property_-paper.pdf))

## Others

### China October CPI Hits 2-Year High, Signals More Tightening

China's consumer price inflation hit 4.4% in October, its highest level in two years, which may lead to further monetary-policy tightening measures following the latest central bank announcement to raise banks' reserve requirement ratio.

China's consumer price index rose 4.4% in October from a year earlier, the National Bureau of Statistics said, accelerating from September's 3.6% rise. The CPI rise was higher than the median 4.0% rise forecast by 12 economists.

The pickup in October's CPI, driven by a 10.1% rise in food prices, comes amid concerns the U.S. Federal Reserve's latest round of quantitative easing could add to China's inflationary pressures. Many Chinese officials have criticised the Federal Reserve's move, saying it will boost global commodities prices and increase hot money inflow into China, potentially fueling inflation and asset bubbles.

Zhou Wangjun, a vice director with the price department of the National Development and Reform Commission, said that China's CPI likely will rise a bit more than 3% this year, but the government has sufficient commodity reserves and other tools to curb inflation.

Reflecting the concern about excessive liquidity and inflation, China's central bank said that it will raise banks' reserve requirement ratio by 50 basis points. Economists widely expect more such hikes in the coming months.

China's producer price index, a gauge of factory-gate prices, rose 5.0% in October from a year earlier, higher than September's 4.3% rise and also above the median 4.6% rise economists had expected.

"Inflation now replaces asset bubbles as the top concern for policy makers as well as investors. Beijing's policy focus is quickly shifting to curbing inflation and containing capital inflow," Bank of America Merrill Lynch economist Ting Lu said in a research note.

The investment bank forecast that China will likely increase banks' reserve ratio by 100-150 basis points by the end of next year and raise interest rates. Lu said China will likely allow the yuan to appreciate 5% against the U.S. dollar each year, a pace that is "not too slow, not too fast."

The statistics bureau also said that China's value-added industrial output in October grew 13.1% from a year earlier, below September's 13.3% rise and the survey's median forecast of a 13.4% rise.

Urban fixed-asset investment rose 24.4% in the January-October period, slowing slightly from a 24.5% rise in the January-September period. The increase in urban FAI, a measure of capital spending in China, was in line with economists' median forecast of a 24.4% rise.

Retail sales in October grew 18.6% from a year earlier.

[Source: Wall Street Journal](http://online.wsj.com/article/BT-CO-20101110-723937.html) ([see archive](UPDATE_China_October_CPI_Hits_2-Year_High_Signals_More_Tightening.pdf))

### MF elevates China to No. 3 on board

The International Monetary Fund says China and other major emerging economic powers will receive a bigger role on the fund's governing board.

IMF chief, Dominique Strauss-Kahn, announced the structural reforms after a meeting of the IMF's board.

It elevates China's voting power above traditional major IMF European powers such as Germany, Britain and France.

China would become the third most powerful IMF member of the international lending institution, outranked only by the U.S. and Japan.

"New changes in the global economy will now be reflected in changes in the Fund," Strauss-Kahn told reporters.

Developing countries have long criticised the voting system of the IMF, which was established after World War II to stave off a reprise of the Great Depression.

"This historic agreement is the most fundamental governance overhaul in the Fund's 65-year history and the biggest ever shift of influence in favour of emerging market and developing countries to recognise their growing role in the global economy," said Strauss-Kahn, the IMF's managing director.

The U.S. retains a 17 percent voting stake in the IMF, effectively giving it veto power because major decisions require an 85 percent majority to pass.

The IMF also announced reform of the governing board's membership, expanding its top tier to 10 from five.

Currently, there are five countries that essentially make up the top group in the IMF's 24-member Executive Board as they are always represented: the U.S., Japan, Britain, France and Germany. This group is now expanded to 10 with the addition of China, India, Brazil, Italy and Russia.

All the board's proposed reforms will have to be approved by the full 187-nation membership, and ratified by the U.S. Senate and other countries' parliaments.

Poorer nations have long attacked the system for giving too much weight to the U.S. and its allies in Europe, and noted the traditional power-sharing arrangement that put a European at the head of the IMF and an American atop the World Bank, its sister institution.

China and others have long sought to challenge the U.S.-European understanding. The proposed reforms represent a shift of about 6 percent of the IMF's share assessments from the traditional Western powers to developing nations, reflecting the growth and influence of China and other rising powers.

Strauss-Kahn said that about half of the IMF's proposed budget of some US$755.7 billion would come from the "advanced" economies; about 30 percent would come from the oil-producing nations, and the remaining 20 percent from developed countries

[Source: MSNBC](http://www.msnbc.msn.com/id/40036117/ns/business-world_business/) ([see archive](IMF_elevates_China_to_No_3_on_board.pdf))

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