Charltons - China News Alerts Newsletter - 03 October 2013

[online version](http://www.charltonslaw.com/non-ferrous-metals-investment-adopts-leverage-model/)

# Mining News

## Non-Ferrous Metals Investment Adopts "Leverage Model"

Prudential Fund (Prudential), the first non-ferrous metals indexed fund established in the PRC recently listed on the Shenzhen Stock Exchange (SZSE).

Prudential recently announced that both the fixed A Shares and leveraged B Shares of the Prudential CSI 800 Non-Ferrous Metals Index Structured Fund (Prudential Fund) , officially established on 30 August are being traded on the SZSE. . As well as being the first non-ferrous metals industry index structured fund established in the PRC, it is also the first non-ferrous metals index structured index fund to be listed and traded. Investors may trade conveniently through the secondary market in non-ferrous metals industry leveraged investment instruments---800 non-ferrous B, and may arbitrage freely, providing more convenient investment instruments for investors that see promise in this industry.

It is understood that recent macroeconomic stabilisation has benefited the non-ferrous metals industry. The industry's electricity use in August 2013 was 350.9 billion kWh, a 12% increase on August 2012. Consolidating the latest economic statistics for August, manager of the Prudential Fund Wu Yanan pointed out that following the implementation of a set of policies that aim to promote stable long-term growth, signs of economic improvement are more obvious and the earnings of seasonal industries are expected to improve. In the long-term, Wu Yanan said he believes that, since many resources are non-renewable, the constraints and bottlenecks which are likely to affect China's future economic development and resources will become more obvious and resource prices are more likely to rise than to fall. Therefore, the long term outlook for the non-ferrous metals industry remains positive.

[Source](http://www.worldmr.net/Industry/IndustryList/Info/2013-09-22/147429.shtml) ([see archive](1.pdf))

## Iron Ore Futures Approved, Steel Companies Preparing for "Battle"

The China Securities Regulatory Commission (CSRC) recently issued approval to the Dalian Commodity Exchange to trade in iron ore futures. Industry sources believe the approval was timely, as the listing of iron ore futures would serve as a powerful risk management tool as the steel industry faces an increase in systemic risk and fluctuations in iron ore prices while steel mills face increasing raw materials price risk.

Industry risks have increased. After the dissolution of the iron ore long-term price agreement mechanism in 2010, the price of iron ore has fluctuated regularly. Based on China's import of 686 million tonnes of iron ore in 2011, the fluctuations indicated that the industry faced a raw materials unit volatility risk of up to USD 800 million. As fluctuations in international prices of iron ore have a large effect on the production and operations of steel mills, steel mills hedge against volatility risks in iron ore prices.

The steel industry is preparing for fluctuations in the price of upstream iron ores, excess steel production capacity and loss-making operations, iron ore futures will undoubtedly serve as cost risk management tools. Accordingly, Hu Yuyue, head of the Securities and Futures Research Institute of the Beijing Technology and Business University, believes that iron ore futures can serve as effective risk management tools for the industry, and will prove useful for averting industry risk and establishing a fair and reasonable way to arrive at trading prices.

[Source](http://www.worldmr.net/Industry/IndustryList/Info/2013-09-18/147349.shtml) ([see archive](2.pdf))

## Shanghai Mining Exchange: Helps Encourage Mining Enterprises to "Get Out There"

According to the Shanghai International Mining Exchange (SIME), in the first 8 months of this year, there have been more than 90 projects listed on the Shanghai mining rights market. Trading institutions are currently establishing third-party service channels and mining investment "capital pools" to help encourage mining companies to "get out there" and engage in overseas mining investments, mergers and acquisitions.

A SIME spokesman told reporters that the Shanghai Free-Trade Area will foster institutional innovation in such areas as investment, trade, finance and administration. Against this backdrop, the mining industry, which is closely related to financial capital and shipping and trade, will also have the opportunity for growth. "Taking advantage of the Free-Trade Area could simplify the process of overseas investment in the mining industry, lower the costs of trade and complement mining companies' strategy of "getting out there".

It is understood that, in the first 8 months of this year, 92 projects have been listed on the Shanghai mining rights market, including 60 domestic projects and 32 international projects covering 18 types of minerals including copper, gold, nickel, molybdenum, tungsten, iron, coal and potash.

According to relevant sources, Shanghai mining rights trading institutions are currently preparing internationalised third-party service channels to provide technical, legal, valuation and other services for overseas investment, mergers and acquisitions in the mining industry. At the same time, it will also cooperate with banks, investment institutions and large mining companies to create a "capital pool" for investment in the mining industry, providing capital support for Chinese enterprises' investment in overseas mining projects.

[Source](http://www.worldmr.net/Industry/IndustryList/Info/2013-09-16/147219.shtml) ([see archive](3.pdf))

## PRC, Turkmen Leaders Open the World's Second Largest Single Gas Field

On 4 September, President Xi Jinping and President Gurbanguly Berdimuhamedov of Turkmenistan attended the completion ceremony of the first phase of the Renaissance gas field being developed by the China National Petroleum Corporation (CNPC) in Turkmenistan.

The two heads of state visited the first natural gas processing facility of the Renaissance gas field accompanied by the head of CNPC. They viewed a model of the project and listened to talk about the facility. Later, the two leaders stepped into the main building and each gave a speech.

Xi Jinping and Gurbanguly Berdimuhamedov also attended the opening ceremonies at the second and third natural gas processing facilities of the Renaissance gas field.

The Renaissance gas field is the second largest single gas field in the world, with current proven reserves of between 4 billion and 6 billion cubic metres. The gas field is an important base of Turkmenistan's export of natural gas and is an important source of gas for the China-Turkmenistan natural gas co-operation.

[Source](http://www.worldmr.net/Industry/IndustryList/Info/2013-09-09/146881.shtml) ([see archive](4.pdf))

## Ministry of Commerce to Abolish the Management of Licences for the Import of Certain Scrap Metals

Beginning on 1 September, the automatic import licencing management system (Import Licensing System) applicable to the importation of certain products such as steel products, scrap steel, scrap aluminium, copper, waste paper, natural gas, fertiliser, beef, mutton, pork and pork by-products and chicken has been abolished.

On 26 August, the Ministry of Commerce and the General Administration of Customs issued a joint notice, in which they announced the amendment of the "2012 Automatic Import Licencing Management Commodity List" and abolished the automatic import licencing management for some commodities. This decision came into effect on 1 September 2013.

An Import Licensing System is a system where, for the purpose of strengthening controls on international trade, importers of certain commodities are required to be pre-approved and licenced. The abolition of the Import Licensing System means that a business may import commodities freely, without needing to possess an import licence.

The notice states that the commodities to which this abolition of the Import Licensing System will apply includes 11 non-electronic products such as steel products, scrap steel, scrap aluminium, copper, natural gas and fertlisers, and a total of 123 commodities; additionally, the Import Licensing System for f electronic products under 7 customs commodity codes steam turbines, hydraulic turbines and other power devices, and textile machineries will be abolished.

The steel products for which automatic import licencing management will be abolished include 37 custom commodity codes such as certain hot-rolled stainless steel coils, cold-rolled stainless steel pipes, drill pipes and stainless steel seamless boiler pipes.

[Source](http://www.worldmr.net/Industry/IndustryList/Info/2013-08-29/146445.shtml) ([see archive](5.pdf))

## Ministry of Land and Resources Confirms Total Extraction Limits for Rare Earths, Tungsten and Antimony for This Year

According to the Ministry of Land and Resources (MLR), Jiang Daming MLR head, Party Secretary and Chief State Land Inspector, chaired the 11th meeting of the Minister's office on the morning of 26 August and approved the Ministry of Land and Resources' Notice in Relation to the Total Extraction Limits for Rare Earths, Tungsten and Antimony for the Year of 2013. It confirms that, while the level of extraction of ionic rare earths in the PRC remains unchanged, the level of extraction of rock and mineral rare earths has increased. Extraction of tungsten has remained at the same level as that of 2012, while the extraction level of antimony has been moderately reduced.

It was confirmed during the meeting that, to actively regulate the market, and speed up the transition to a management method that would be advantageous to mining, prevent over-investment and market over-reaction, the Ministry of Land and Resources has consolidated its plan for reforming the mining rights approval regime and, in setting out the rare earths, tungsten and antimony extraction limits for 2013, proposes to abolish the suspension policy in relation to antimony mining rights, amend the tungsten and rare earths mining differentiated management policy and adjust the restrictive antimony joint usage indicator policy. According to the Notice, the registration of the exploration and extraction of antimony will no longer be suspended and may proceed according to the relevant requirements, procedures and requests. Newly established antimony extraction rights must conform to the extraction limit.

[Source](http://kuaixun.stcn.com/2013/0827/10710198.shtml) ([see archive](6.pdf))

## Shanxi Sets Out Implementation Rules for Trading of Mining Rights

In order to regulate the trading of mining rights, the Shanxi Land and Resources Trading Service Centre has recently set out implementation rules for the trading of mining rights. Henceforth, mining rights trading institutions must document every trade of mining rights for future reference and which will be subject to oversight, so that illegal activities such as market manipulation and fraud which can sometimes occur in such trades may be investigated.

Mining rights are the rights to utilise mining resources, including exploration rights and extraction rights. Henceforth, the issuance and transfer of mining rights in Shanxi will conducted by biddings, auctions, listings, agreements and other methods permitted by laws and regulations. The issuance of mining rights must be conducted at a trading venue or Internet platform controlled by a legally established mining rights trading institution; similarly transfers of mining rights must be publicised on an Internet platform provided by a mining rights trading institution.

A spokesman from the Shanxi Land and Resources Trading Service Centre explained that mining rights trading institutions will document every trade in mining rights for future reference. Any illegal activity such as market manipulation and fraud committed by either party to the trade in mining rights will be handled by the Ministry of Land and Resources. A person found to be in breach is liable for compensation for any economic losses that may arise. An institution can be found criminal liable for similar breaches.

[Source](http://www.mlr.gov.cn/xwdt/kyxw/201309/t20130917_1272318.htm) ([see archive](7.pdf))

## Laotian Government Regulates Exploitation of Mineral Resources, Bans Illegal Extraction Activities

According to the "Vientiane Times", the Laotian government has acknowledged the enormous damage that excessive mineral resources extraction brings to the environment. Small mineral resources companies in certain provinces use cyanide to refine gold next to rivers, while other companies extract river sand illegally under a cloak of legitimacy, causing enormous environmental damage. Also, the Laotian government is currently investigating businesses that have acquired mining permits yet have not initiated exploitation activities for an extended period, and may revoke such licences, if necessary.

In its July session, the National Assembly of Laos requested that the government set out, as soon as possible, rules to check the enormous environmental damage caused by excessive extraction of mineral resources; that is to terminate contracts and suspend illegal extraction activities in the case of mining companies that do not obey the relevant rules and regulations. To protect the environment and restrict extraction activities, the Laotian government required, in June 2012, that with the exception of coal exploitation no new mining extraction applications be approved before 2016.

[Source](http://news.163.com/13/0920/10/99775B7J00014JB5.html) ([see archive](8.pdf))

## Vietnam Steel Association Intends to Bring Anti-Dumping Action against the PRC

On 19 September, the "Saigon Times" reported that Pham Chi Cuong, Chairman of the Vietnam Steel Association (VSA), stated that since no tariffs are imposed on boron steel, large amounts of boron steel from the PRC are sold into the Vietnamese market, harming domestic construction steel production. The Vietnam Steel Association has notified the China Iron and Steel Association of its intention to bring an anti-dumping action and suggested that the PRC strengthen its regulatory regime to resolve the matter.

Statistics produced by the General Department of Vietnam Customs show that, in the first 7 months of 2013, boron steel imports from the PRC to Vietnam totalled 350 thousand tonnes, representing 12% of domestic construction steel sales in Vietnam.

[Source](http://www.worldmr.net/Industry/IndustryList/Info/2013-09-22/147436.shtml) ([see archive](9.pdf))

## Mongolian Mining Corporation Downgraded to Caa1

On 6 September, "The UB Post" reported that Moody's Investors Service has downgraded the rating of Mongolian Mining Corporation (MMC) and its senior unsecured bonds from B2 to Caa1.

The downgrade occurred because the downward trend of coking coal prices has been more severe than expected, causing MMC to experience poor liquidity and credit and may not recover easily in the coming 12 to 18 months.

[Source](http://www.worldmr.net/Industry/IndustryList/Info/2013-09-10/146949.shtml) ([see archive](10.pdf))

**This newsletter is for information purposes only.**

Its contents do not constitute legal advice and it should not be regarded as a substitute for detailed advice in individual cases.

Transmission of this information is not intended to create and receipt does not constitute a lawyer-client relationship between Charltons and the user or browser.

Charltons is not responsible for any third party content which can be accessed through the website.

If you do not wish to receive this newsletter please let us know by emailing us at unsubscribe@charltonslaw.com

**Charltons - China News Alerts Newsletter - Issue 375 - 03 October 2013**