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# China News Alert Issue 287

## Capital Markets

### China to restart new stock issuance after reform

Yao Gang, vice chairman of the China Securities Regulatory Commission (CSRC), said recently that new stock issuance will restart for sure, but it should take place after relevant reform has been completed.

A capital market would not sustain for long without effective fund raising, said Yao during the Boao Forum for Asia (BFA) Annual Conference 2009.

He said the global financial crisis had little impact on the Chinese capital market since the listed companies had limited investment in foreign financial products.

Comparing with volatile overseas markets, the Chinese stock market posted better performance, said Yao, citing a 30.34 percent rise of the Shanghai composite index in the first quarter of this year, and a 41.71 percent gain in the Shenzhen bourse during the same period.

Charles Li, chairman of JP Morgan, said the fact that the Chinese capital market escaped the financial crisis did not mean that China did not need to further open its financial system to the outside world.

He noted China should keep an open mind since the financial market would not move forward without innovation.

BFA was established in 2001 as a platform for high-level interaction between leaders and business people from Asia and around the world. The theme of this year's conference is "Asia: Managing Beyond Crisis".

[Source: China Daily](http://www.chinadaily.com.cn/china/2009-04/18/content_7691213.htm) ([see archive](China_to_restart_new_stock_issuance_after_reform.pdf))

### CSRC Disclosed the Implementing Plan of the Growth Enterprise Board for the First Time

The China Securities Regulatory Commission (CSRC) disclosed, for the first time, the implementing plan of the growth enterprise board on April 20, 2009. Under the plan, the CSRC will announce the time when the application materials of enterprises applying for listing and offering stocks on the second board will be accepted after releasing the system construction and the comprehensive regulation systems and providing training to the intermediates.

As disclosed, the CSRC will also release four documents concerning the supervision of public offering on the second board, including the Contents and Formats for Information Disclosures by Companies That Offer Securities to the Public Guidelines Application Documents of Initial Public Offering and Listing on the Growth Enterprise Board, the Contents and Formats for Information Disclosures by Companies That Offer Securities to the Public Guidelines Listing Prospectus of Enterprises Listed on the Growth Enterprise Board, the revised Administrative Measures for the Sponsor Business of Securities Offering and Listing and Measures of the China Securities Regulatory Commission for the Issuance Examination and Approval Commission.

Besides, the Shenzhen Stock Exchange will also release such relevant regulations as the Rules for Offering Stocks on the Growth Enterprise Board and the Special Provisions for the Stock Exchange on the Growth Enterprise Board.

[Source: Lexis Nexis](http://hk.lexiscn.com/latest_message.php?id=5669) ([see archive](CSRC_Disclosed_the_Implementing_Plan_of_the_Growth_Enterprise_Board_for_the_First_Time.pdf))

### China's credit policy unchanged despite 1Q loan surge: bank supervisor

The credit policy set at the beginning of the year would remain in place, despite a surge of loans in the first quarter, the China Banking Regulatory Commission (CBRC) said in a brief statement on its website recently.

According to the People's Bank of China (PBOC, the central bank), bank credit extensions hit 4.58 trillion yuan (670.6 billion U.S. dollars) in the first quarter, representing about 90 percent of the annual target.

Premier Wen Jiabao said on March 5 at the opening of the annual session of the National People's Congress, the national legislature, that new yuan-denominated loans this year were expected to reach 5 trillion yuan.

The surge in bank loans, and a CBRC investigation into the use of the funds, have fueled market speculation that the government might tighten controls on lending to avoid risk.

The investigation was a regular one, the statement said. The CBRC would conduct investigations every year according to work demand to ensure credit safety and financial stability.

The CBRC did not say when the investigation was conducted nor release any results.

The CBRC would continue urging financial institutions to firmly implement the government's macroeconomic policies -- ensure economic growth, boost domestic demand and adjust industrial structure, it said.

PBOC vice governor Yi Gang also said the bank would maintain a moderately easy monetary policy to promote economic growth.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-04/23/content_11246257.htm) ([see archive](Chinas_credit_policy_unchanged_despite_1Q_loan_surge_bank_supervisor.pdf))

## Corporate & Commercial

### Nod for Minmetals' bid for bulk of OZ Minerals

China Minmetals Corp has won the go-ahead from Australia for its revised 1.2-billion Australian dollars (850 million U.S. dollars) bid to buy the bulk of OZ Minerals Ltd, the world's second-largest zinc miner.

But Minmetals must meet several conditions, Australian Treasurer Wayne Swan said in a statement on Thursday in announcing the approval. These include Minmetals having to operate the acquired mines using companies incorporated, headquartered and managed in Australia under predominantly Australian managers and must maintain or increase production and employment at certain mines.

Swan, whose portfolio includes foreign investment approval, rejected Minmetals initial 2.6-billion Australian dollars full takeover of the debt-laden OZ Minerals last month on national security grounds.

OZ Minerals' Prominent Hill copper-gold mine, which is close to a weapons-testing site, has been excluded from the revised deal.

Minmetals, based in Beijing and China's biggest metals trader, welcomed the approval of the revised application, calling it a "significant milestone in Sino-Australian cross-border investment."

"While recognizing the focus is on shareholder approval in the short term, we look forward to building long-term partnerships and meeting as soon as practicable with relevant stakeholders, particularly employees," Minmetals said.

Minmetals must also price its products on an arms-length basis by sales teams in Australia that must meet international benchmarks, Swan said.

Australia is yet to rule on a US$19.5-billion investment by Chinalco, China's leading nonferrous metals producer, in its mining giant Rio Tinto which is also eager to pay off debt. If approved, it would be the biggest overseas investment yet by a Chinese company.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-04/24/content_11248081.htm) ([see archive](Nod_for_Minmetals_bid_for_bulk_of_OZ_Minerals.pdf))

### Baidu under attack over "monopoly"

Baidu has been accused of abusing its dominant position online to "punish" a company that cut back spending on advertising with the Internet search engine.

Tangshan Renren Information Service Company (TRISC) Wednesday said Baidu had "monopolized the Chinese search engine market", demanding more than 1.1 million yuan (160,000 U.S. dollars) in compensation after one of its subsidiary websites was blacklisted.

It is believed to be the first case to deal with an alleged breach of the Anti-Monopoly Law, which came into effect this month. The suit opened at Beijing No. 1 Intermediate People's Court but a verdict was still pending.

TRISC claimed reports from multiple sources prove Baidu has "more than half of total market share" and said it exercised its power to eradicate the competitiveness of the plaintiff's website, as well as impair market dynamics.

"After we lowered the amount we paid for Baidu's advertisement service last May, Baidu punished us and coerced us to reuse the service by doing so," a spokesman for TRISC told the court.

The number of visits to its website "dropped sharply" on July 10 from 2,961 to 701. While a search for the company on the U.S.-based search engine Google found 6,690 pages, Baidu found only four, he said.

The promotion service offered by Baidu charges enterprises to have their site moved up the results lists following a search.

Baidu refuted the monopoly allegations and said the so-called "search engine market" does not even exist because there is no pricing scheme involved in most searching activity.

"Searching services provided by our engine is free to Net users and enterprises," responded Baidu, adding that a website can easily exclude itself from being listed in search results by installing a simple program.

Baidu also questioned the figures provided by TRISC, saying the reported increase in its usage was a "seasonal phenomenon", and added that, "as a precedent of anti-monopoly cases in Western courts, companies are normally investigated for two years".

Competition among fast-emerging search engines is also tight and users easily switch between them, it said.

The Internet firm also said it had blocked the TRISC site because the firm had cheated and created illegally links to increase hits for its website.

"Search engines are dedicated to providing the best experience free of charge," it said, adding that it was "normal in the industry" to crack down on such sites.

Baidu ruled out TRISC's proposal for an out-of-court settlement on condition that the defendant compensates its "losses".

[Source: Xinhua](http://news.xinhuanet.com/english/2009-04/24/content_11246945.htm) ([see archive](Baidu_under_attack_over_monopoly.pdf))

## Real Estate

### Down payment rule to buy 2nd home remains

The Shanghai banking regulator recently reiterated that buyers must put at least a 40-percent down payment if they purchase a second home as it attempts to curb irregularities because banks are trying to bypass the rule by giving more leeway to high-end clients.

Banks are strictly banned from giving mortgage loans of more than 60 percent of the home value to second home buyers, the Shanghai Bureau of the China Banking Regulatory Commission said in a statement.

The only exception is for clients who are buying a second home for their own use and at the same time whose previous per capita living space is less than the city's average.

Banks are trying to bypass the requirement on second home transactions as they speculate that the central government is trying to revive the property market.

The statement reinforced the second home requirement rule and made it clear to banks that it won't be changed amid the current economic slowdown.

The banking regulator pointed out irregularities committed by banks such as giving high-end VIP clients mortgages of more than 60 percent of the home value.

The regulator also called for a closer scrutiny over cooperation between banks and property agents.

They sometimes teamed together to allow home buyers to pay part of the down payment by credit card or give home buyers a cash refund to reduce the real down payment to lower than 40 percent of the home value, according to market sources.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-04/22/content_11231136.htm) ([see archive](Down_payment_rule_to_buy_2nd_home_remains.pdf))

## Other

### Amendment to China's Postal Law in line with WTO commitment, lawmakers told

A proposed law amendment that would ban foreign companies from mail delivery in China conforms with the country's commitments to the World Trade Organization, legislators heard recently.

The draft amendment to the Postal Law being deliberated by the Standing Committee of the National People's Congress created no new barriers for investment and trade, said Qiao Xiaoyang, of the NPC Law Committee.

An article in the amendment that would ban foreign companies from providing delivery services in China for security reasons has raised concerns that it might breach WTO commitments and threaten the businesses and investments of foreign delivery companies.

Qiao said the amendment would not affect the development of foreign business operations in China, nor did it breach China's WTO commitments.

Under WTO rules, foreign investment concerning service and trade was allowed only in the service sectors that a member promised to open.

On entering the WTO in 2001, China made specific commitments to open express mail services with the exception of "services monopolized by China's postal department according to the law," said Qiao.

According to the Postal Law of 1986, delivery of letters in China was a monopoly of the postal department, he said.

A 1995 regulation on the management of international cargo transport service providers allowed foreign businesses to deal with international express mail, except for private letters.

Therefore, "the amendment article on not opening domestic delivery to foreign investment conforms to China's WTO commitment," he said.

Qiao said foreign companies involved in international express mail, excluding private letters, and their international and domestic deliveries would not be affected. "There's no such thing as creating new investment and trade barriers."

The legal operations of foreign-invested delivery companies in China would continue to enjoy the protection of Chinese law, he said.

The amendment was tabled at 8th Session of the 11th National People's Congress (NPC) Standing Committee for a second reading, and would be passed at the five-day session if lawmakers agreed.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-04/20/content_11222227.htm) ([see archive](Amendment_to_Chinas_Postal_Law_in_line_with_WTO_commitment_lawmakers_told.pdf))

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