Charltons - China News Alerts Newsletter - 12 October 2009

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# China News Alert Issue 309

## Capital Markets

### ABC to go for listing in Shanghai

The Agricultural Bank of China (ABC), the only Big Four bank on the mainland that has yet to be listed, could float its shares on the Shanghai bourse as early as May or June of 2010, China Daily recently reported.

Whether the bank will seek a dual listing in Hong Kong is still under discussion, the newspaper said, citing sources with knowledge of the matter.

The bank would introduce only one strategic investor, which will be a financial institution from within the country, ahead of its initial public offering (IPO), according to the newspaper. That differentiates ABC from China's other three major lenders, the Industrial and Commercial Bank of China, Bank of China, and China Construction Bank, all of which had brought in several foreign banks as strategic investors before their listings a couple of years ago.

China Life Insurance, the nation's largest insurer, had earlier expressed its keen interest in buying into ABC, making it the top contender for becoming the bank's strategic investor.

China CITIC Securities and China International Capital Corporation could very well be the likely choices to be the underwriters because the two have been ABC's financial advisors for its restructuring in recent years.

In preparing for the IPO, the bank received a US$19 billion capital injection from Central Huijin, the domestic investment arm of China's sovereign wealth fund last October, making it 50 per cent owned by the latter, the newspaper said.

[Source: Xinhua](http://news.xinhuanet.com/english/2009-09/29/content_12125069.htm) ([see archive](ABC_to_go_in_for_listing_in_Shanghai.pdf))

## Corporate & Commercial

### China's MOC sets conditions on GM-Delphi deal

China's Ministry of Commerce (MOC) has issued a statement saying it would approve U.S. automaker General Motors Company's (GM) plan to buy part of parts supplier Delphi Corporation, but set conditions on the deal to avoid restricting competition.

The approval came after an anti-monopoly probe by the MOC into the deal and negotiations with the two companies over the deal conditions, aimed at avoiding exclusion or the restriction of competition, according to the statement.

The conditions include a ban on GM and Delphi exchanging trade secrets on Delphi's other Chinese customers, to prevent GM from receiving confidential and competitive information.

Delphi should also maintain the timeliness and quality of supplies indiscriminately to other domestic automakers, at market prices.

The ministry said it had discussed its concerns on competition with the two companies, and GM and Delphi had come up with solutions.

According to a Dow Jones report, authorities in the U.S. and E.U. had earlier given their approval for the deal, after Delphi, GM's former parts division, received approval from a U.S. court to sell assets to its lender and GM.

The report said this would clear the way for the auto-parts supplier, which operates 17 wholly-owned entities and joint ventures in China and 21 manufacturing sites, to end its four-year stay in bankruptcy.

Under China's anti-monopoly law, mergers and acquisitions that could impact the domestic market must undergo an anti-monopoly review.

[Source: Chinese Government](http://www.gov.cn/english/2009-09/29/content_1429111.htm) ([see archive](Chinas_MOC_sets_conditions_on_GM-Delphi_deal.pdf))

### Sinochem agrees to acquire Australia's Nufarm

Sinochem Corporation, the country's leading agrochemicals producer, has agreed in principle to buy Australia's Nufarm Limited for AUS$2.8 billion (US$2.44 billion), in a move to expand its farm chemicals business overseas, China Daily reported.

Sinochem has signed agreements with Nufarm, under which the company would offer AUS$13 per Nufarm share, the newspaper said, citing a statement from the Australian company. The price is a near 17-per cent premium to Nufarm's last traded price.

The acquisition of Nufarm, should it proceed, is consistent with Sinochem's strategy to become a leading global company in the total crop protection value chain including research and development, production, distribution and services, the newspaper said, citing Sinochem's statement.

The deal is subject to approval from regulators in both China and Australia, Nufarm shareholders and the Australian court, and assumes there is no material adverse change in Nufarm's business prior to completion of the transaction.

Sinochem is being assisted by the Royal Bank of Scotland as financial adviser and Blake Dawson as legal adviser.

Analysts said the deal would expand Sinochem's manufacturing facilities of pesticides and herbicides, as well as extend its overseas network.

[Sources: Xinhua](http://news.xinhuanet.com/english/2009-09/29/content_12125110.htm) ([see archive](Sinochem_agrees_to_acquire_Australias_Nufarm.pdf))

### ICBC buys 19.3% stake in ACL Bank at 11.5 Thai baht per share

The Industrial and Commercial Bank of China (ICBC), the worlds largest by market value, announced recently that it had reached an agreement with Bangkok Bank of Thailand to buy a 19.26 per cent stake in Thailand's ACL Bank.

Under the agreement, the ICBC would acquire the stake held by Bangkok Bank at 11.5 Thai baht (US$0.343) per share.

The ICBC said it would also make a tender offer to all other ACL Bank shareholders.

[Sources: Xinhua](http://news.xinhuanet.com/english/2009-09/30/content_12132122.htm) ([see archive](ICBC_buys_193_stake_in_ACL_Bank_at_115_Thai_baht_per_share.pdf))

### Chinese drinks maker Wahaha reaches amicable settlement with Danone

Chinese drinks making giant Wahaha Group announced that it had reached an "amicable settlement" with Danone, a Paris-based food and beverage producer.

The solution is still subject to approval by the Chinese government, said a spokesman for Wahaha Group.

Danone also announced its settlement with the Chinese company on its website on the same day. According to a press release posted on Danone's website, Danone and Wahaha will conclude their existing joint venture relationship. The French company has agreed to sell its 51 per cent stake in the Danone-Wahaha joint venture to Chinese partners.

All legal proceedings relating to the dispute between the two partners will end if this agreement is executed, said the press release.

"The collaboration between Danone and Wahaha helped to build a strong and respected leader in the Chinese beverage industry. We are confident that Wahaha will continue to be highly successful under its future management guidance," said Frank Riboud, CEO and Chairman of Danone, "Danone has a longstanding commitment to China where it has been present since 1987 and we are keen to accelerate the success of our Chinese activities."

Zong Qinghou, chairman of the board of Wahaha Group, said:" Chinese companies are willing to cooperate and grow with the world's leading peers on the basis of quality and reciprocal benefit."

The feud between Danone and Wahaha began 2006 but was made public in April 2007.

Since May 2007, the two companies had filed numerous complaints and lawsuits against each other.

[Sources: Xinhua](http://news.xinhuanet.com/english/2009-09/30/content_12136329.htm) ([see archive](Chinese_drink_maker_Wahaha_reaches_amicable_settlement_with_Danone.pdf))

## Insurance

### New insurance law goes into effect

China's new insurance law went into effect on 1st October. The new law is now more sophisticated and increases the number of provisions from 157 to 186.

The new revisions to the insurance law mainly focus on protecting the rights of policy holders and insurance beneficiaries. One of the new rules states that the failure of policy holders to release crucial information is a serious "fault," instead of an "offense" as defined by the old version.

Another big change is that the insurer is now required to fully explain detailed insurance terms and conditions before the client signs the contract.

The new rules also require insurers applying to set up branches to prove their ability to meet their liabilities in the preceding two quarters and in the previous year. The main shareholder in an insurer will need to have net assets of 200 million yuan or more to set up the company. The previous law issued in 2004 does not specify the period for which the insurer must meet standards on its ability to meet liabilities.

In addition, the new law sets more provisions on automobile insurance, which had been a concern for many consumers. It specifies that when the ownership of a used car is transferred to another person, the car insurance policy is automatically transferred.

[Sources: China.org.cn](http://www.china.org.cn/china/2009-10/01/content_18644524.htm) ([see archive](New_insurance_law_goes_into_effect.pdf))

## Other

### China to continue loose monetary policy and focus on domestic consumption

The monetary policy committee of China's central bank said the government will continue the moderately easy monetary policy while highlighting the role of domestic consumption in pushing the economy.

The People's Bank of China (PBC), the central bank, will try to keep both the sustainability and stability of the policy, the committee heard at its third-quarter meeting.

The PBC would guide reasonable growth in money and credit, and maintain sufficient liquidity in the banking system, committee members agreed.

The committee decided to optimise the credit structure by supporting the development of rural areas, and small and medium-sized enterprises.

They also agreed to expand credit for consumption on the premise that domestic consumers could play a great role in pushing economic growth.

Meanwhile, credit to high energy-consuming and environment-polluting industries would be strictly controlled, they agreed.

[Sources: Xinhua](http://news.xinhuanet.com/english/2009-09/29/content_12127600.htm) ([see archive](China_to_continue_loose_monetary_policy_stressing_domestic_consumption.pdf))

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