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# China News Alert Issue 338

## Capital Markets

### Weak sentiment won't delay AgBank IPO -underwriter

BEIJING, May 8 (Reuters) - Agricultural Bank of China, aiming for the world's largest-ever initial public offering, will press ahead with its plans despite weak market sentiment, one of its underwriters said on Saturday.

Market jitters will probably delay the launch of an international board in Shanghai for the trading of overseas firms' shares, Li Jiange, chairman of China International Capital Corp (CICC), told reporters on the sidelines of a forum.

But when asked whether AgBank might postpone its dual listing, which could be as big as $30 billion, in Hong Kong and Shanghai, he said: "I think there will be no impact."

Shares in both Hong Kong and Shanghai just finished their worst week in months, battered by worries about Greek debt as well as Beijing's tightening campaign to cool the economy, particularly the real estate sector.

CICC, China's biggest investment bank, is an underwriter for AgBank's IPO, as well as a listing by China Everbright Bank.

A delayed launch for the international board would mark the first set-back for China's domestic financial markets in the wake of the recent turmoil. Hong Kong has already been hit, with conglomerate Swire Pacific (0019.HK) this week pulling a $2.7 IPO set for that market.

Just 10 days ago, a government official said China was on course to finalise rules this year allowing foreign companies to list in Shanghai.

When the board is eventually launched, Li said Chinese firms incorporated abroad -- the so-called red chips such as China Mobile (0941.HK) -- would list before foreign companies such as HSBC Holdings (0005.HK) (HSBA.L).

One potential obstacle for the international board is the yuan's lack of full convertibility on the capital account.

Sun Lujun, a senior official at the State Administration of Foreign Exchange (SAFE), said China was committed to widening the yuan's convertibility.

" We will keep moving towards making the yuan convertible under the capital account and we will never stop on half way," he told the same forum.

He added SAFE by the end of March had granted a total of $17.1 billion in quotas to 88 Qualified Foreign Institutional Investors (QFII), a programme that allows international firms and funds to invest in China's markets.

Under the reverse programme, which allows outbound financial investment, SAFE had granted $64.3 billion in quotas to 76 Qualified Domestic Institutional Investors (QDII), he said.

[Source: Reuters](http://www.reuters.com/article/idUKTOE64608M20100508) ([see archive](Weak_sentiment_wont_delay_AgBank_IPO_-underwriter.pdf))

### Beijing to allow news websites to list - report

HONG KONG (Reuters) - Beijing will allow 10 government-controlled news websites to list shares on the mainland stock market, the South China Morning Post reported on Tuesday, citing a mainland newspaper report.

Websites include the People's Daily, Xinhua and China Central Television, were approved to list shares on the A-share market, allowing them to raise funds to compete with popular portals such as sina.com, the SCMP said, citing a report by the Shanghai Securities News.

One or two of the 10 candidates would be allowed to list this year, the newspaper said.

Each candidate was expected to seek to raise at least 4 billion yuan ($586 million) to fund business expansion, the newspaper said, citing Citic Securities analyst Zhang Bin.

No major state-owned media company has been allowed to list on the stock market so far, the newspaper added.

[Source: Reuters](http://in.reuters.com/article/businessNews/idINIndia-48384620100511) ([see archive](Beijing_to_allow_news_websites_to_list_-_report.pdf))

## Corporate

### Opening doors to private firms

CHINA'S government has opened a new range of government-run industries to the private sector, either through investment in existing companies or establishment of new firms.

The government also announced yesterday that it would improve financing services and simplify administrative procedures for private sector involvement in those industries.

Water projects, power generation, mining, and logistics - currently mainly state-controlled - would be opened to the private sector, said a statement on the central government Website.

The statement also reiterated the opening of sectors announced at a State Council executive meeting in March, including education, welfare, transport infrastructure, telecommunications and energy, public utilities, scientific and technological programs for national defense, affordable housing construction and cultural industries.

Private investors could also participate in the establishment of financial institutions by investing in commercial financial institutions and establishing rural banks, credit companies, credit guarantee companies, and rural fund cooperatives.

Private companies were welcomed to participate in the reform of state firms through asset acquisitions or increasing their holdings in them, the statement said.

The government also restated its support for independent innovation in the private sector, encouraging the development of new products and investment in emerging industries, such as bio-medicine, new energy, environment protection and recycling.

Private companies were encouraged to boost overseas investment via international operations outside China, establishing multinational corporations and developing leading brands.

The government would improve financing services for private companies by strengthening the venture capital investment system.

The government would simplify administrative procedures by making them more efficient and cutting fees.

It promised to step up efforts to create a good environment for private investment by setting up a sound administrative service system and amending unfavorable laws and regulations in its March statement.

[Source: Shanghai Daily](http://www.shanghaidaily.com/article/print.asp?id=436932) ([see archive](China_gives_private_aye_for_key_state_companies.pdf))

### SAIC to further encourage foreign investment in China

May 13 - The State Administration of Industry and Commerce issued a notice today to further encourage foreign investment in China and to improve the overall investment environment for foreign-invested enterprises.

The notice encourages foreign-invested enterprises to upgrade to foreign enterprise groups, and allows parent companies and subsidiaries to use the term “group” in the company title. It also supports foreign enterprises transferring financial claims to the registered capital upon approval by the foreign exchange administration.

Wholly foreign-owned enterprises with registered capital of at least RMB30 million and engaged in the service or high-tech industry are now allowed to use the word "China" in the middle of their company title. In addition to other special provisions, foreign-invested enterprises and their authorized service branch can directly apply at the local registration authority for other operating subsidiaries.

In the meantime, the notice also encourages foreign enterprises to establish partnerships with Chinese companies to optimize the foreign capital structure, explore investment opportunities in central and western China, and to strengthen cooperation with border economic zones.

[Source: China Briefing](http://www.china-briefing.com/news/2010/05/13/saic-to-further-encourage-foreign-investment-in-china.html#more-7796) ([see archive](SAIC_to_Further_Encourage_Foreign_Investment_in_China.pdf))

### Standards for e-book readers being planned

CHINA will set up an entry threshold and impose standards to regulate the e-book reader market as well as protect authors' copyright, regulators disclosed at a forum yesterday.

Meanwhile, the China Written Works Copyright Society and Hanvon Technology, the biggest e-book vendor on the Chinese mainland, agreed to cooperate in digital publishing and copyright protection. They struck the agreement during the "Book, Newspaper, Magazine and Digital Publishing Summit" held in Beijing.

"It's (e-book) no doubt a booming industry but it still faces problems," said Zhang Yijun, a senior official at the General Administration of Press and Publication. "The regulation will help the industry to grow healthily."

In 2009, there were 700,000 e-book readers sold in China and sales are expected to grow fourfold to more than 3 million units to likely account for 30 percent of the global market, Zhang said.

GAPP will set up the entry threshold and it will, together with the copyright society and leading firms like Hanvon, formulate standards for the industry in areas of content, format, encryption, copyright and certification.

"It's key to protect the interests of the authors in the digital publishing industry," said Liu Yinjian, chairman of Shenzhen-listed Hanvon.

Some of the problems facing the industry include over-heated investment in e-book readers, the absence of an industry standard, copyright issues and lack of regulations on cyber bookstores, industry officials pointed out.

Under the pact with the copyright society Hanvon will distribute book content via a revenue-sharing model of 2-8 with publishers, which gives them and authors 80 percent of online book income - unlike the 3-7 model adopted by Apple (iPad) and Amazon (Kindle), analysts said.

[Source: Shanghai Daily](http://www.shanghaidaily.com/article/print.asp?id=436950) ([see archive](Volcanic_ash_clouds_Euro_plans_for_holidays.pdf))

### China to examine merger deals by SOEs to gauge risk

BEIJING -(Dow Jones)- China's government plans to examine the mergers and acquisitions of state-owned enterprises over the past five years, to determine the risks associated with the rapid overseas expansion of the firms and their investments in businesses outside their core operations.

China has been encouraging SOEs to increase their foreign investments in recent years, with several M&A deals arranged in the natural resources sector, but Beijing has become increasingly concerned about investment risk.

The State-Owned Assets Supervision and Administration Commission said in a statement on its website the government will examine all M&A deals in which SOEs bought controlling stakes in businesses not owned by the central government from 2004 to 2009.

The government wants to determine the effectiveness of management following such deals and compliance with M&A rules to "strengthen risk control, improve the management system and push forward the SOEs' fast and sound development," SASAC said. It didn't say what had prompted the move.

SASAC, an umbrella organization responsible for companies owned by the central government, including 150 major state-owned enterprises, said it will focus on whether M&A deals were in line with national industrial policies, if they helped the SOEs' core businesses, and whether any speculative investments were involved.

The statement said the commission will also pay close attention to the SOEs' operations after the acquisitions to see if there was a resulting high leverage ratio or very low profitability.

It ordered all state-owned enterprises, including their units, to submit by the end of June details of overseas investments made from 2004 to 2009. It said it will select some major M&A deals for closer scrutiny in July and issue comprehensive reports in August.

Last week, the 21st Century Business Herald cited an unnamed SASAC official as saying China may restrict some of the enterprises from investing in mining if it isn't their core business, to prevent over-investment in a sector it views as a strategic priority.

Some of the projects promise near-term returns but can increase investment risks, the paper cited the official at SASAC's planning and development bureau as saying.

[Source: Nasdaq](http://www.nasdaq.com/aspx/stock-market-news-story.aspx?storyid=201005110815dowjonesdjonline000299&title=china-to-examine-merger-deals-by-soes-to-gauge-risk) (Link no longer active)

## Other

### Shanghai may impose property tax

BEIJING, May 13 -- Shanghai is mulling tough measures, including imposing a property tax on owners of multiple houses, as early as this month in order to cool the overheated real estate market, the official Shang-hai Securities News reported Wednesday.

The draft rules, which are still under discussion and subject to change, include applying existing commercial-use property taxes to owners of multiple residential properties, the newspaper quoted an unnamed source close to the Shanghai municipal government as saying.

Extending existing commercial-use property taxes to owners of multiple residential properties would simplify the legislative process, and property owners would be evaluated by their families' per capita living space, the source said.

If property owners meet the tax-paying threshold, they would pay 0.8 percent of their property's assessed market value annually, the source said.

Detailed rules would be issued as early as this month, the source said.

The Shanghai Municipal Housing Support and Building Administration Bureau didn't comment on the rules when contacted by the Global Times Wednesday.

Experts said imposing a property tax would be the toughest measure yet to combat property speculators.

" The tax measure is aimed at increasing the efficiency of residential property usage, lessening the gap between the rich and the poor, and increasing local governments' fiscal revenues," said Yin Zhongli, a researcher with the Institute of Finance and Banking at the China Academy of Social Sciences. "It is definitely a trend for the whole country in the future."

Media reported in April that China would impose trial property taxes in Beijing, Shanghai, Shenzhen and Chongqing. However, Beijing and Shenzhen did not adopt a property tax in their recently-released local housing market measures. Chongqing mayor Huang Qifan told local media on April 20 that the city had proposed to the central government a plan for a property tax for high-end properties.

" Shanghai may be the first city in China to impose a property tax," said Yang Hongxu, an analyst with Shanghai-based E-House China Research Development Institute. "The property bubble is similar in Shanghai, Beijing and Shenzhen, but the Shanghai government faces more pressure due to limited land supply for commercial residential property this year."

Shanghai plans to supply 330 hectares of land for commercial residential property this year, while Beijing plans to supply about 1,250 hectares of land for the same purpose.

[Source: Xinhua News](http://news.xinhuanet.com/english2010/china/2010-05/13/c_13292145.htm) ([see archive](Shanghai_may_impose_property_tax.pdf))

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