

## China Business Advisory

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### Economic News

#### China would continue its policies next year



China would continue to adopt the proactive fiscal policy and moderately easy monetary policy next year and endeavor to improve the economic growth quality, according to the Central Economic Work Conference. President Hu Jintao and Premier Wen Jiabao addressed the meeting,

which is held once a year to set the tone for economic development for the following year. As 2010 will be the last year of the country's 11th five-year plan, it was agreed that economic and social development next year would be of great significance to cope with the adverse widespread impacts of the international economic downturn and to lay a sound foundation for China's 12th five-year plan. Participants of the Conference agreed that the government should coordinate efforts to maintain stable and comparatively fast economic growth and speed up economic development. The government should focus more on structural economic adjustment and improving the quality of economic growth in 2010. More efforts will be spent on deepening reform of the economic system and fine-tuning economic growth.

## **Beijing gets tough with industrial cleanup**

The government of China will issue a circular to get rid of obsolete power plants and coal mines. To clean up the industry, the central government will not grant production licenses to owners of plants who fail to meet the eco-requirements. Industries destined for a revamp include steel, cement, nonferrous metals, coke, paper making, leather, printing and dyeing. The central government may raise the price of electricity and water charged to enterprises that do not make the necessary changes within the given timeline, according to the National Development and Reform Commission.

## **Tax in China**

### **Period to apply for input VAT deduction extended**

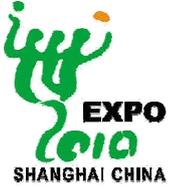
China's State Administration of Taxation ("SAT") released a circular in early November which extends the period to obtain input VAT deduction generally from 90 days to 180 days, Guoshuihan [2009] No. 617 becoming effective on January 1<sup>st</sup>, 2010. Those who fail to submit the relevant input VAT documents before the stipulated deadline may not be qualified to have the input VAT set off against the VAT to be paid on their sales. We recommend CBA readers to review their VAT management and control system to ensure proper compliance with this regulation to avoid unnecessary tax expenses.

### **Establishment of partnerships by foreign investors allowed in China**

Further to the Chinese Partnership Law updated in 2006, the State Council issued an administrative directive for foreign enterprises and individuals establishing partnerships in China, which will take effect from March 1<sup>st</sup>, 2010. It is a big step forward in this area providing more alternatives for foreign investors to structure their investments in China. The directive allows foreign enterprises or individuals to establish partnership in China without Chinese partners. However, clarification is needed for certain areas including whether non-cash capital is allowed and how different partners and partnerships are classified. Generally speaking, this regulation is welcome as it shows that the government is making an effort to provide more choices for foreign investors. And it is expected that more guidance and clarification will be issued in due course to tackle the practical problems and issues not addressed by the current laws.

## Shanghai World Expo 2010

### Carbon calculator for Shanghai World Expo



The organizers of the 2010 World Expo in Shanghai will run an online carbon calculator to help visitors check carbon dioxide emissions from their choice of transport. The calculator is part of efforts to ensure a green event and follow the theme of Expo 2010 --- “Better City, Better Life.” It is expected to be available on several websites in the middle of January 2010

and users can calculate their emissions by typing in their departure locations, transport modes and destinations.

### Service Highlight

In the light of the continued booming China economy coupled with its ever changing regulations, we reiterate to CBA readers that Sino-Bridge has a team of professionals who are highly experienced and knowledgeable in both international and Chinese business operations to provide a most comprehensive array of professional services to meet the diverse needs of our clients. The following are a highlight of some of the services we offer:

- ✦ Sourcing of investment opportunities and joint venture partner identification and evaluation
- ✦ Feasibility studies, market research on industry, product potential, competitors, customers profile, entry strategy
- ✦ Due diligence on financial performance, asset valuation and management profile of target companies
- ✦ Negotiation on finalizing investment deals
- ✦ Setting up of joint ventures or wholly foreign-owned entities; completing all legal and regulatory procedures pertaining to their full operation
- ✦ Development of overall business strategy in China; building an appropriate team of staff; engaging professionals of different disciplines to meet varying needs
- ✦ Production support including quality control, follow up on shipment and managing suppliers
- ✦ Arrangement for financing in the form of bank loans, convertible instruments and equity investment
- ✦ Completion of legal and regulatory requirements on an on-going basis
- ✦ Performance of ongoing financial and operational monitoring

Visit [http://sinobridge-consulting.com/china\\_consulting.htm](http://sinobridge-consulting.com/china_consulting.htm) to find out how we can help you, or email Ms Nikita Yim at [nikitayim@sinobridge-consulting.com](mailto:nikitayim@sinobridge-consulting.com).

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