



China Announces New Business and Economic Incentives

China's Economy keeps rolling merrily along, despite the on-going international financial and credit market upheaval, natural disasters, recent currency revaluations and a global recession. China's economy showed a 9% quarterly growth for the third quarter, and every indication is that reduced demands for exports will be replaced by domestic growth.

In his key-note speech at the Seventh Asia-Europe Meeting, Chinese President Hu Jintao recognizes that the global financial crisis has noticeably increased the uncertainties and factors for instability in China's economic development. While China is now confronted with many difficulties and challenges in our economic endeavor, he stresses that "We have maintained relatively fast economic growth and steady development of the financial sector. The fundamentals of the Chinese economy have not changed."

As a result, and in light of the changing domestic and international economic situation, Hu continues "China is committed to make its macroeconomic regulation measures more proactive, focused and effective, and make timely adjustments to the policies, including "vigorously expand(ing) domestic demand, especially consumer demand, maintain(ing) economic and financial stability and stability of the capital market, while continuing to promote sound and fast economic and social development."

Three recent changes announced impacting business and economic conditions include:

Adjustments to Value Added Taxes (VAT) in Key Industries

Effective 1 November, 2008, VAT refund rates have been increased for 3,486 categories of selected commodities, representing 25.8% of all the commodities taxed. The selected commodities mainly cover those of labor-intensive and high-tech/high-value added nature, including (but not exclusive to): textile, garments, toys, furniture and anti-AIDS drugs.

The increase of the export VAT refund rates will reduce the net VAT costs of exports for the selected commodities, and is designed to not only promote the competitiveness of those labor-intensive export businesses, but also facilitate an accelerated growth of the businesses exporting high-tech/high-value added commodities. Undoubtedly such change should be welcome by exporters in these businesses.

We will be able to provide additional information as to the impact this change will have on your specific business and products. Just give us a call.

Promotion of Small and Medium Enterprise Development

Steps have also been taken to encourage financial institutions to provide more loans, to widen financing channels and to provide more financial support to small and medium enterprises and companies involved in technological innovations. Please contact us for additional details.

Increased Incentives for Home Buyers

Beijing has decided to reduce taxation on home buying, do away with property stamp tax, and cut the mortgage rates by as deep as 30 percent, in a concerted package of new policies to stave off a housing sector slump.

Effective November 1, the property deed tax will be reduced from 3-5 percent to 1 percent for people buying their first home if it is or smaller than 90 square meters. For those buying their first home, regardless of the size, the down payment requirement will be lowered to 20 percent from the present 30 percent, and banks will be allowed to charge as little as 70 percent of benchmark lending rates for the mortgages.

The move marks an initial unwinding of property tightening measures that the government put in place over the last few years, to counter what were then rapidly rising prices and a skyrocketing inflationary pressure.

SB's Observations

We expect China to introduce additional measures as needed to sustain its economic growth, help struggling businesses withstand the current global financial crisis, as well as assist workers laid off in factories servicing the weaker export market.

We will keep you abreast of future changes as they occur, to help explain their impact and assist our clients in developing a game plan to take advantages of new opportunities.

Stay tuned.

Our China Investment Business Advisory Team

Hong Kong
Rm 803-4, 8/F., Seaview Commercial Bldg,
21-24 Connaught Road West, Hong Kong

Guangzhou
17H, East Tower, Fuxing Comm. Bldg., 159-163 Huangpu
Rd West, Tianhe Dist,
Guangzhou, PRC 510620

Shanghai
Unit03, 12B/F, 327 Wuding Road, Jingan Dist.
Shanghai, PRC 200041

Lyon Odiceo
115 Boulevard Stalingrad – BP52038
69616 Villeurbanne Cedex

Paris Odiceo
49 bis avenue Franklin Roosevelt
75008 PARIS

Company Website:
www.amdfk-sinobridge.com

General:
Tel: (852) 3579 8745
E-mail: info@amdfk-sinobridge.com