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1. National

Circular on Certain Issues Regarding Regulating Business Operation and Management of Trust Investment Companies

关于规范信托投资公司证券业务经营与管理有关问题的通知

【Issued By】 China Banking Regulatory Commission

【Subject】 Trust Investment Companies

【Promulgated on】 November 16th 2004

【Effective From】 November 16th 2004

【Source】 www.court.gov.cn

The Circular is enacted to regulate the securities business conducted by trust investment companies. The key points thereof may be summarized as follows:

- When conducting securities business, trust investment companies shall manage and book the trusted funds separately in relation to its own funds. Moreover, separate management and booking shall be applied to funds from different trustors. Special accounts in connection with securities business shall be opened respectively at commercial banks, China Clearing and Depository Company and accredited securities companies, and shall be reported to competent regulatory body.
- One account shall be established by a trust investment company for each trust deed if the trustor gives the instruction that trusted fund shall be managed and applied independently. If, however, an instruction is given from the trustor that trusted funds shall be managed and applied as a collective scheme, one account shall be established by a trust investment company for each scheme. The opening of accounts shall be disclosed to the trustor and the beneficiary.
- Sound corporate governance structure and internal control shall be established by trust investment companies, and the independence of internal assessment department thereof shall be enhanced with a view to preventing interference from controlling shareholders and actual controlling persons.
- The principles of compound investment and risk distribution shall be adopted. Respective percentage of different investment choices and investment policies shall be determined beforehand and a risk critical point shall be set in advance.
- The daily average market value of the investments in stocks in circulation, corporate bonds and securities investment funds shall not be more than 50% of the net assets of the trust investment companies when they are using their own funds to invest in securities.

Circular on Certain Issues Regarding Enhancement of Control over Natural Preservation Areas

关于加强自然保护区管理有关问题的通知

【Issued By】 General Office of State Environmental Protection Administration (SEPA)

【Subject】 Environmental Assessment

【Promulgated on】 November 12th 2004

【Effective From】 November 12th 2004

【Source】 www.sepa.gov.cn

This Circular calls for enhancement of administration and supervision over construction projects affecting natural preservation areas on a solid basis. It reiterates those relevant provisions in the Regulation of PRC on Natural Preservation Areas ("中华人民共和国自然保护区条例") shall be strictly observed and no tourism and production activities may be conducted in the central parts as well as the buffering parts of the natural preservation areas.

As to specific regulatory control, key construction projects approved by the State shall be subject to relevant assessment and approval procedures in connection with the adjustments to the natural preservation areas pursuant to Provisions on Administration of Adjustments on Territorial Scope and Function Parts of National Natural Preservation Areas and of Changes to the Names Thereof

("国家级自然保护区范围调整和功能区调整及更改名称管理规定"). Adjustments to the local natural preservation areas shall be made by reference to the regulation governing adjustments to national natural preservation areas cited above.

The environmental assessment report of the projects affecting natural preservation areas shall devote a separate chapter to the issues concerning natural preservation areas, forecasting the effects over the function, protected species and value of the natural preservation areas concerned, and proposing relevant protective measures. Measures of protection, restoration and indemnification shall be implemented by the developer. The consent by the SEPA to environmental assessment reports of projects affecting national natural preservation areas is mandatory before such reports are approved by competent authorities. Environmental assessment reports of projects affecting local natural preservation areas are to be strictly examined by the provincial authorities in charge of environmental protection.

Circular on Taxation Administration of Bonded Logistics Centers (Class B)

保税物流中心（B型）税收管理办法

【Issued By】 State Administration of Taxation

【Subject】 Export Tax Refund

【Promulgated on】 November 15th 2004

【Effective From】 November 15th 2004

【Source】 www.law-lib.com

Bonded Logistics Center (Class B) (the "Center") for the purpose of this Circular refers to a closed area approved by the General Customs Office and supervised by the customs authorities, the function of which is to administer the bonded warehousing of more than one logistics enterprises.

The goods entering the Center after customs declaration from enterprises outside the Center are treated as exports and exportation procedures shall be followed. On the other hand, transportation inward from the Center by enterprises outside the Center shall be deemed as imports upon which import VAT and/or import consumption tax may be imposed.

In the event that enterprises outside the Center sell goods to enterprises within the Center, or the enterprises outside the Center sell goods to overseas enterprises which then warehouse such goods with enterprises within the Center, tax refund applies upon production of proper documentation. Tax refund also applies where domestic-produced machinery, loading and unloading equipments, management equipments, testing and examining equipments, and packaging materials are sold by enterprises outside the Center to enterprises within the Center and transported therein for the use of the latter. However, if the aforesaid articles are for the use of the Center instead of enterprise therein, no tax refund is available. In addition, no VAT and consumption taxes shall be levied on the condition that the enterprises within the Center exports their productions directly or sell to other enterprises within the Center provided that the said productions are processed within the Center; however, for the aforesaid exports, no tax refund is granted.

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