

## Latest Updates

## 1) Banking &amp; Finance

Administrative Rules on Trust Companies, effective March 1, 2007

## 2) Real Estate

City Square Not to Exceed 5 Hectares

## 3) Foreign Direct Investment

Joint Examination & Approval for Merger & Acquisition of Domestic Enterprises by Foreign Investor; and Catalogue of Industries for Guiding Foreign Investment shall be issued in early 2007

Please feel free to contact our Senior PRC Attorneys for more information:

## Sandy Lin

e: [slin@lehmanlaw.com](mailto:slin@lehmanlaw.com)  
p: +86 10 8532 1919 ext 355

## Wenjie Sun

e: [wjsun@lehmanlaw.com](mailto:wjsun@lehmanlaw.com)  
p: +86 10 8532 1919 ext 314

**Administrative Rules on Trust Companies**  
issued by the China Banking Regulatory Commission  
("CBRC") and will come into effect on March 1, 2007

- contributed by Feng Yuanyuan

**Summary:**

Compared with the *<Administrative Rules on Trust and Investment Companies>* published on May 9, 2002, the new **Administrative Rules on Trust Companies** brought about some significant points which are worth the attention:

1. **Scope** of these rules changes from Trust and Investment Companies to Trust Companies, which gives prominence to trust business according to statement of the speaker of CBRC.
2. **Supervisor** of the Trust Companies changes from the People's Bank of China to the China Banking Regulatory Commission.
3. **Fixed business.** The new rules emphasize the principle of "compressing the fixed business and giving prominence of trust business". It states that the Trust Company cannot engage in indebted business except the inter-trust company borrowing and the fixed assets of trust company cannot be invested in entity. The scope of investment business under the fixed business is limited to financial company share investment, financial products investment and own fixed assets investment. This system cuts down the relationship between trust business and fixed business and also impels the trust company to provide best service to the beneficiary.
4. **Affiliated business.** The new rules limit the affiliated business and prevent the transferring of interest. It states that the trust company cannot lend to or transfer property to the affiliated companies with the Trust Companies' fixed properties, provide guarantee to the affiliated companies or finance with the shareholder's stock.
5. **Concourse fund trust plan.** The new rules introduced some stricter requirements than non-business trust.
6. **Supervision of trust company.** The new rules cancel the requirement of report in advance for the different place of concourse fund trust plan. It also requires the supervisor make strict supervision on the trust company on the basis of boarder entrance to the concourse fund trust plan.

**New Rules by Ministry of Land Resources:  
City Square Not to Exceed 5 Hectares**

**Summary:**

The *<Limited Land-Use List 2006>* and *<Forbidden Land-Use List 2006>* issued by the Ministry of Land Resources (MLR) and National Reform and Development Committee (NRDC) announced that for cities where its population is larger than 200 million, the land usage of city square cannot exceed 5 hectares, and the development of villas and golf courses are forbidden.

The Lists also provide that low-density and big-size residential land usage and racing car tracks are listed in the limited using scope. These projects cannot occupy the in-field.

Power supply and electric industry land usage is provided in the Limited List and for the iron and steel industry land usage could be found in the Forbidden List.

The Lists had given strict control and enforcement rights to the respective governmental offices: The land use by central government or provincial government must be approved by Central; whereas the land use by government under provincial level must be approved by provincial level government.

The Lists further provide that the widths of main roads in the cities cannot exceed the following standards:

- small-size cities – 40 meters;
- mid-size cities – 55 meters; and
- big cities – 70 meters.

For mega cities with more than 200-million population, the width of roads need to be widen to 70 meters, the land usage must be according to the City Construction Booklet.

Meanwhile, the city squares cannot exceed the following standards: small-size cities – 1 hectare, mid-size cities – 2 hectares, big cities – 3 hectares, and for mega cities, not exceeding 5 hectares.

**Joint Examination & Approval for Merger & Acquisition of Domestic Enterprises by Foreign Investor; and Catalogue of Industries for Guiding Foreign Investment shall be issued in early 2007**

**Summary:**

On February 2, 2007, official from the Chinese Ministry of Commerce disclosed that the relevant government agencies are studying documents regarding joint examination and approval for merger and acquisition of domestic enterprises by foreign investors, and a decision pertaining to these documents are expected to be announced soon. In addition, it is widely believed that the Chinese Development and Reform Commission may issue a new version of “Catalogue of Industries for Guiding Foreign Investment” in early 2007.

Another report made by the Study Center of Chinese Development and Reform Committee also put forward that China should set up a standing committee comprised of Ministry of Commerce, Development and Reform Committee, Ministry of Finance and other related governmental organizations to jointly examine and approve merger and acquisition of domestic enterprises by foreign investors.

In September 2006, Ministry of Commerce, China Securities Regulatory Commission, State Administration for Industry & Commerce, State Administration of Taxation, and State Administration of Foreign Exchange jointly issued the *<Interim Provisions on the Takeover of Domestic Enterprises by Foreign Investors>*.

It is believed that the Ministry of Commerce and other relevant government agencies will examine, approve and if necessary, carry out further antitrust review procedure when it involves foreign investors’ proposed merger and acquiring domestic enterprises / interests. The Ministry of Commerce shall convene hearing involving the relevant departments, institutions, enterprises and other interested parties.

However, the Provision does not point whether to set up a special examination and approval censorship for the takeover of domestic enterprises by foreign investors.

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## 北京 BEIJING

10-2 Liangmaqiao Diplomatic Compound  
No.22 Dongfang East Road  
Chaoyang District  
Beijing 100600 China  
Tel: +86 (10) 8532 1919  
Fax: +86 (10) 8532 1999  
E-mail: [beijing@lehmanlaw.com](mailto:beijing@lehmanlaw.com)

## 上海 SHANGHAI

Suite 209-210 Kerry Center  
No. 1515 West Nanjing Road Shanghai  
200040 China  
Tel: +86 (21) 5298 5252  
Fax: +86 (21) 6288 2699  
E-mail: [shanghai@lehmanlaw.com](mailto:shanghai@lehmanlaw.com)

## 深圳 SHENZHEN

8th Floor, Excellence Times Square  
4068 Yitian Road, Futian District  
Shenzhen 518048 China  
Tel: +86 (755) 2399 6188  
Fax: +86 (755) 2399 6190  
E-mail: [shenzhen@lehmanlaw.com](mailto:shenzhen@lehmanlaw.com)

## 广州 GUANGZHOU

418-2 Goldlion Digital  
Network Center  
138 Tiyu Road East, Tianhe Guangzhou  
510620 China  
Tel: +86 (20) 8511 8683  
Fax: +86 (20) 3878 1801  
E-mail: [guangzhou@lehmanlaw.com](mailto:guangzhou@lehmanlaw.com)

## 成都 CHENGDU

Suite 1302, Sichuan Chengdu  
Gaopeng Da Dao,  
No. 3 Dongfang Xiwang Building  
Chengdu 610041 China  
Tel: +86 (10) 8532 1919  
Fax: +86 (10) 8532 1999  
E-mail: [chengdu@lehmanlaw.com](mailto:chengdu@lehmanlaw.com)

## 香港 HONG KONG

Suite 2311, Shell Tower Times Square, 1  
Matheson Street Causeway Bay, Hong  
Kong  
Tel: +852 3588 2188  
Fax: +852 3588 2088  
E-mail: [hongkong@lehmanlaw.com](mailto:hongkong@lehmanlaw.com)

## 芝加哥 CHICAGO LIAISON OFFICE

Suite 200, 60 West Randolph  
Chicago, Illinois  
60610 USA  
Tel: +1 (312) 762 9352  
Fax: +1 (312) 762 9281  
E-mail: [usa@lehmanlaw.com](mailto:usa@lehmanlaw.com)

## 澳门 MACAU

Macau, Rua de Pequim, N°126 Edif.  
Comercial I Tak, 14 Andar "A"  
Tel: +853 2875 0353 / 2875 0354  
Fax: +853 2875 0355  
E-mail: [macau@lehmanlaw.com](mailto:macau@lehmanlaw.com)

## 乌兰巴托 ULAANBAATAR

Marco Polo Place  
Sukhbaatar District,  
Building 5/3, Rooms 3-1 to 3-6  
Jamiyan Guni Street  
Ulaanbaatar 210651 Mongolia  
Tel: +976 (11) 327 810  
Fax: +976 (11) 327 829  
E-mail: [mongolia@lehmanlaw.com](mailto:mongolia@lehmanlaw.com)