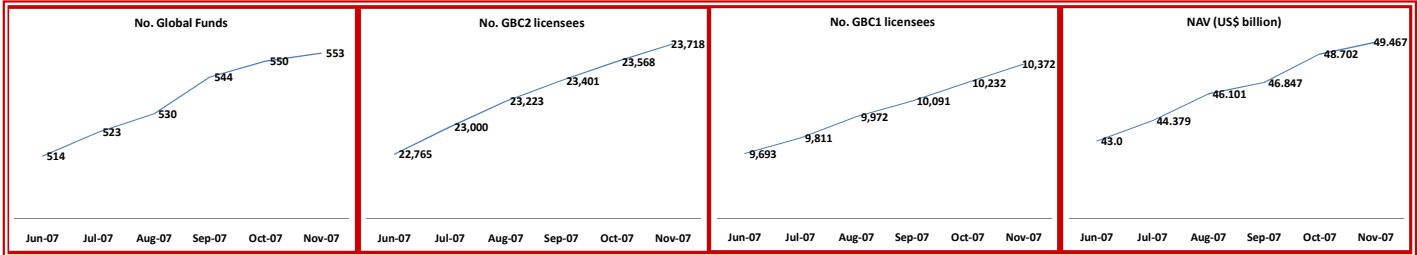




DEDICATED PROFESSIONALS AT
YOUR SERVICE



Dear Readers

The adherence of Mauritius to the Hague Securities Convention is yet another step in improving the international competitiveness of its financial services centre. The collective investment schemes industry will benefit particularly from this development.

As India and China continue to be major markets for our global business sector, new measures in these two countries should increase the appeal of Mauritius as the ideal platform to structure inwards investments there.

Jimmy Wong

Managing Director

Mauritius Adheres To Hague Securities Convention

Mauritius has agreed to adhere to the Hague Securities Convention, as the government seeks to enhance the jurisdiction's status as a credible international financial centre.

The convention, also referred to as the 'Hague Convention on the Law Applicable to Certain Rights in Respect of Securities held with an Intermediary', provides for certainty as to the law applicable to clearance, settlement, and secured credit transactions that cross national borders.

The convention also aims to increase transactional efficiencies in the global securities markets, reduce systemic risk in cross-border transactions and intermediary holdings, and facilitate cross-border capital flows.

"With a view to giving more impetus to the effort to become one of the major financial services centre, Mauritius has agreed to adhere to the Hague Securities Convention," the government confirmed in a statement on April 1st.

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For an update on enterprise tax reforms in China,
please refer to page 5

Changes approved in the FDI policy by Government Of India

by *R L Kabra*

The Policy on Foreign Direct Investment (FDI) is reviewed on a continues basis through an Inter-ministerial consultation process with a view to rationalization / liberalization of the policy and taking into account stakeholders concerns. Accordingly Government of India has, on a review of existing policy, approved changes in the policy of FDI in the Civil Aviation Sector, Petroleum Sector, Commodity Exchange, Credit Information Companies & for Industrial Parks which is tabulated as under;

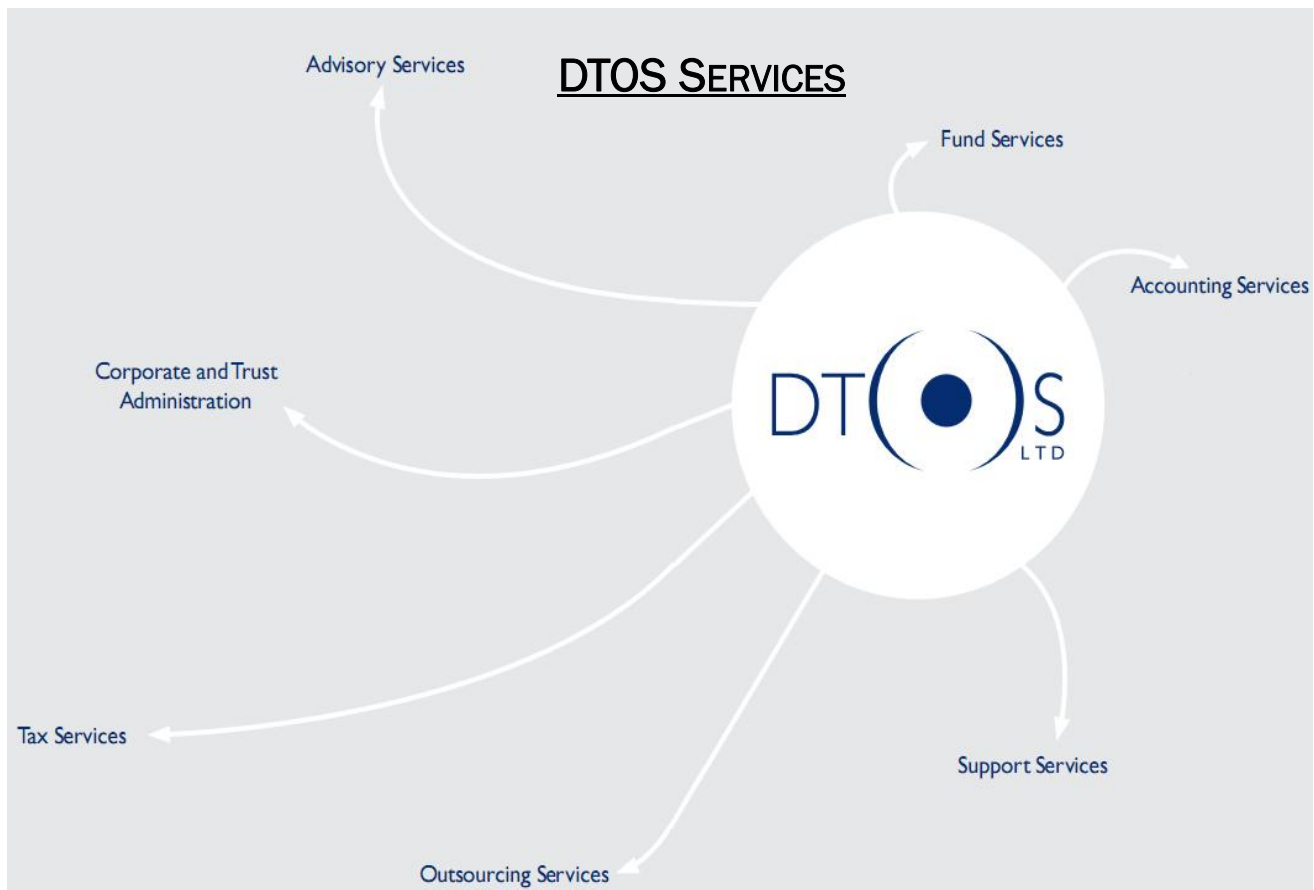
| Sector | Present Policy | Approved Policy |
|--|--|---|
| Civil Aviation - Air Transport Services | FDI up to 49% and NRI investment up to 100% is permitted on the automatic route subject to no direct or indirect participation by foreign airlines. | <p>Air Transport services being Sub-Divided into schedule domestic airlines and Non-scheduled domestic airlines etc. as below;</p> <p>No change in the equity cap of 49% in scheduled domestic Airlines with NRI 100% and no participation by foreign airlines.</p> <p>To allow FDI up to 74% on the automatic routes for non-scheduled airlines, Chartered airline and Cargo airlines (exclude Helicopter services / seaplane services.)</p> <p>No direct or indirect participation by Foreign airlines in non-scheduled airlines and Chartered airlines.</p> <p>Cargo airlines has no restriction on participation by foreign airlines.</p> <p>NRI investment would be allow up to 100% on the automatic route in all the above mention categories.</p> <p>To allow FDI up to 74% on the automatic route for ground handling services subject to sectoral regulation and security clearance. NRI investment would be allowed up to 100% on the automatic routes.</p> <p>iv)To allow FDI up to 100% on the automatic route for maintenance and repair organization; technical training institutions; and helicopter services / seaplane services in the aviation sector requiring DGCA approval.</p> |
| Petroleum & Natural Gas-Actual trading and marketing of petroleum product. | FDI up to 100% on the automatic route but is subject to the condition of divestment of 26% equity in favour of Indian Partner / Public within 5 years. | Delete the condition of compulsory divestment of up to 26% equity within 5 years for actual trading and marketing of petroleum products. |

| Sector | Present Policy | Approved Policy |
|------------------------------|--|---|
| Petroleum refining | FDI up to 100% on the automatic route is permitted in private companies. Public sector undertaking engaged in petroleum refining are permitted to have FDI only up to 26% and with prior approval of the FIPB. | Increase in equity cap from 26% to 49% with prior approval of FIPB in petroleum refining by public sector undertakings. |
| Commodity Exchanges | The present policy has neither specifically prohibited FDI in commodity exchanges nor included it in the sector specific policy. Therefore, the present position as per the prevalent policy is that FDI up to 100% is deemed permitted on the automatic route in commodity Exchanges. | To allow a composite ceiling i.e. FDI + FII of 49% with FII investment limited to 23% & FDI limited to 26%. FDI will be allowed with prior approval of FIPB. FII purchase shall be restricted to secondary market only. No single entity will hold more than 5% of equity in these companies. |
| Credit Information Companies | <p>Foreign investment in the credit information companies is subject to the Credit Information Companies (regulation) act, 2005.</p> <p>Foreign Investment i.e. Foreign direct Investment (FDI) under the FDI scheme incorporated as schedule 1 under regulation 5(1) of the Foreign Exchanged Management (Transfer of Issue of security by a person residence outside India) regulations,2000 (FEMA regulations) + Investment by registered Foreign Institutional Investors (FII) under the portfolio Investment scheme incorporated as schedule 2 under regulation 5(2) of FEMA regulations, is allowed up to 49% with prior approval of the Government and regulatory clearance from RBI.</p> <p>Investment by a registered FII under the Portfolio Investment Scheme would be permitted up to 24% only in the CICs listed at the Stock Exchange, within the overall limit of 49% for Foreign Investment.</p> <p>Such FII investment would be permitted subject to conditions that;</p> <p>a)No single entity should directly or indirectly hold more than 10% equity.</p> <p>b)Any acquisition in excess of 1% will have to be reported to RBI as a reporting requirement; and</p> <p>c)FIIs investing in CICs shall not seek a representation on the Board of Directors based upon their shareholding.</p> | <p>In pursuance of the existing policy, Government of India has decided to delete 'Credit Reference Agencies' from the list of NBFC activities in col. 20 of the annex to press Note 4 (2006) dated 10-2-2006.</p> <p>FDI policy announced <i>Vide</i> annex to press Note 4 (2006) dated February 10, 2006 stands modified to the above extent.</p> |

| Sector | Present Policy | Approved Policy |
|------------------|---|---|
| Industrial Parks | <p>FDI up to 100% was permitted under the automatic route in Industrial Parks <i>Vide</i> Government of India Press Note 2 (2000)</p> <p>In 2005, <i>Vide</i> Press Note 2 (2005), the Government of India permitted FDI up to 100% on the automatic route in construction development projects, etc. prescribing therein, <i>inter alia</i>, the conditions for minimum capitalization, minimum area requirement and lock-in of original investment.</p> <p>The Government has considered the issue of whether the conditions prescribed for construction development projects <i>Vide</i> Press Note 2 (2005) should apply to Industrial Parks where FDI up to 100% was permitted since 2000.</p> | <p>Government of India has now decided to issue the following guidelines to clarify that FDI up to 100% under the automatic route would be allowed both in setting up and in established industrial parks and would not be subject to the conditionalities spelt out in Press Note 2 (2005) provided the industrial Parks meet with the under - mentioned conditions ;</p> <p>A) It would comprise of a minimum of 10 units and no single units shall occupy more than 50% of the allocable area.</p> <p>B) The Minimum Percentage of the area to be allocated for industrial activity shall not be less than 66% of the total allocable area</p> |

Source: SEBI AND CORPORATE LAWS
RBI NOTIFICATIONS

(The author is a corporate advisor & can be reached via rlkabra@rkabra.net)



China Enterprise Tax Reform—An Update

Tax Incentive Developments

Guidance in this Chinese post-tax reform period has been coming in pieces. Many developments have depicted good news for many investors. Key clarifications are:

1. Exemption from 10% dividend withholding tax when pre-2008 earnings are distributed.
2. Refunds for reinvestment of profits.

Withholding tax

China's new 10% withholding tax on dividends would not be imposed in certain situations. In brief, where a Foreign Invested Enterprise (FIE) pays a dividend from pre-2008 earnings to any non-resident shareholder, that dividend is exempt from Chinese withholding tax. However concerns remain on the ways to identify pre-2008 earnings as that remains unexplained so far.

Since China-Mauritius DTAA exempts withholding tax when a FIE is resident of Mauritius we are witnessing activity on transfer of residency from VI etc. to Mauritius for the foreign investments. For further details please refer to our previous newsletter:

Refunds for reinvestment of Profits

An important feature of the pre-tax reform tax incentives was the ability of foreign investors to receive refunds of taxes paid by the companies in which they invested by reinvesting the profits either in those companies paying the dividends or in other companies.

In brief foreign investors that have completed their reinvestment transactions and relevant registration procedures with the State Administration for Industry and Commerce prior to the end of 2007 may apply for their tax refund in accordance with the old tax law. Interestingly, this circular makes clear that no tax refund will be granted for any reinvestment that is made from a 2007 interim dividend.

Security Investment Fund Incentives

The Government has chosen to encourage the continued growth of Chinese Security Investment funds. As a result, Caishui (2008) No. 1 includes "temporary exemptions from EIT for security investment funds and their investors.

In China, in addition to pure domestic security investment funds, there are also several special categories which include:

1. Qualified foreign institutional investors (QFII) Mechanism for foreign investors to invest in the Chinese domestic markets.
2. Qualified domestic institutional investors (QDII) Mechanism for Chinese investors to access foreign securities markets.

US And Mauritius Meet To Discuss TIFA Implementation

US and Mauritian officials met this week to discuss implementation of the United States-Mauritius Trade and Investment Framework Agreement (TIFA).

The meeting, which was co-chaired by Assistant US Trade Representative for Africa, Florizelle Liser and Mauritian Secretary for Foreign Affairs, Anand Neewoor, was the second held under the TIFA's bilateral Council on Trade and Investment, which monitors trade and investment relations, identifies opportunities for expanding trade and investment, and provides a forum for addressing challenges in the two countries' trade ties.

The TIFA Council was set up to facilitate a dialogue and help to increase commercial and investment opportunities, by identifying and working to remove impediments to trade and investment flows between the United States and Mauritius.

"The TIFA Council reviewed a common work plan that the United States and Mauritius are jointly undertaking to implement the TIFA, including a wide-range of programs and activities to support, facilitate, and ensure progress and success in strengthening the US-Mauritian trade and investment relationship," explained Ms Liser.

The meeting provided the opportunity to review progress, identify challenges, and chart the way forward for future work under the TIFA, according to a statement from the Office of the US Trade Representative.

During the TIFA Council meeting, officials from the United States and Mauritius explored common objectives – including cooperation in the World Trade Organization, implementation of the African Growth and Opportunity Act, trade capacity building and technical assistance, intellectual property protection, export diversification, trade promotion, and development – and examined opportunities for a more comprehensive trade and investment relationship

Government Of Mauritius Responds To Third Trade Policy Review By WTO

The Government of Mauritius recently responded to the 3rd Trade Policy Review by the World Trade Organisation (WTO), which was published last week.

In a statement Ambassador A. P. Neewoor, Secretary for Foreign Affairs of the Ministry of Foreign Affairs, International Trade and Cooperation revealed that the major policy drive of Mauritius has been to establish conditions for economic stability, sustainable growth and further integration into the international trading system, in the face of domestic, regional and global economic developments.

For the past seven years, Mauritius has continued to

implement policies aimed at creating a more efficient, vibrant and outward looking economy, he recalled.

With regard to the economic transformation of Mauritius, Ambassador Neewoor stated that the strategy is based on preferential trade with a view to the creation of growth and employment through labour-intensive, export-oriented manufacturing, while maintaining an elaborate social welfare system.

He also made reference to the new and daunting challenges which Mauritius, as a Small Island Developing State and Net Food Importing Developing Country, is facing:

"Like many countries, Mauritius is now facing a changing global trade environment, which is set against a backdrop of soaring oil prices, continuing human and supply-side capacity constraints, and public debt as well as a relatively high unemployment rate," Neewoor stated.

Ambassador Neewoor added that in spite of the challenges confronting Mauritius in this aspect, the long-term prospects for the country look good.

The Trade Policy Review is a mandatory exercise to encourage members of the World Trade Organisation to be transparent in the formulation and implementation of trade policies, and to ensure that they are in compliance with their obligations to the WTO.

The Trade Policy Review was based on the following two reports: a country report prepared by the Government of Mauritius, and a report on Mauritius prepared by the WTO Secretariat.

Mauritius FSC Chief Stresses Importance of Synergy:

Mr Meetarban highlighted the collaborative approach of the Association with the FSC in the development of the insurance sector, and pointed to one of the major aims of the Financial Services Act 2007, which is to ensure a common licensing regime for all financial service providers regulated by the FSC.

Along with its regulatory function, the Commission is also keen to fulfill its developmental role, he further added. This aims to allow the FSC to adopt an even more "business-friendly" approach, which will, in turn, help to safeguard the integrity of the financial sector.

The FSC Chief Executive also informed members of the Insurer's Association about the coming into operation of the new Financial Services (Consolidated Licensing and Fees) Rules 2008 on the 22nd of March.

Moreover, he revealed that the Commission is working on an Occupational Pensions Bill that will be submitted to the Ministry of Finance and Economic Development. This piece of legislation will include provisions relating to the licensing of pension managers and pension schemes for employees.

THIRD PARTY FUND ADMINISTRATION

DTOS Ltd has extensive experience in the administration of different types of funds that covers the traditional one tiered structure funds, master feeder funds, private equity funds, hedge funds. It offers an array of services to funds located in other jurisdictions. The services encompass the following areas:

- Fund accounting (NAV)
- Financial accounting
- Compliance
- Registrar and transfer agency
- Reporting and client services

With the proven capability to deliver high quality services for any size of fund, we offer a truly integrated service that can vary from fund accounting and administration amongst others. Our team services a vast client base including large pension funds, mutual funds, reputable international banks, Fortune 500 companies, institutional investors and their investment managers throughout the world

Microgen 4 Series Powers DTOS Funds Services



DTOS Fund Services provides a complete and comprehensive range of services regarding set up and administration of funds. Accounting and fund valuation services are provided for funds located in Mauritius and other jurisdictions.

DTOS Ltd is a leading service provider in the global financial services centre of Mauritius. It is a management company duly licensed by the Financial Services Commission (FSC) to provide inter alia, corporate, trustee and fund administration services.

DTOS Trustees Ltd is a wholly owned subsidiary of DTOS Ltd and licensed by the FSC to act as qualified trustee and to provide trust related services.

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