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Professional, Confidential, Trustworthy and Friendly  
 GCSL - We are here to CONSULT and Serve You!


**JACK'S CORNER**

Over the next few months I plan to discuss briefly some of my "pet peeves" regarding our industry.

**"Nominee" Director:** The concept of a nominee director is, of course, a nonsense. If you are a director of a company or, as a shareholder, you have appointed a company to take the office of a director of your company, then the simple reality is you or the corporate director (eventually we will find a natural person director) have taken on the responsibilities imposed upon all directors. I, too often, hear people in the industry proclaiming "I am a nominee director" or "our corporate nominee director is XYZ Nominees Limited". Using the term "nominee" in the name of the corporate director or trying to make the argument that you were "acting as a nominee" subject to the control of a third party is an attempt to delegate to someone else that which is sacred to the office of a director, i.e. your trustee-like duty to act in the best interests of the company. The service provider may be trying to assist you in achieving your legitimate objective of some degree of confidentiality in the public record. However, the service provider is fooling himself/itself and giving you a false sense of having a puppet at your beck 'n call. Sorry, folks, but a director is a director is a director...

**Nominee shareholder:** You will notice I did not use " " in this heading as I have no problem with the time-honored concept of a nominee shareholder. The nominee shareholder, be it a natural person or company, is holding the share (s) for the benefit of a third party. A declaration of trust, with varying degrees of detail, is put in place to protect the third party's interests. The separation of "legal" and "beneficial" ownership is well-accepted in the common law (sorry fellow civil law practitioners), and in many instances this arrangement is perfectly legitimate to achieve confidentiality for a business purpose. Having said that, the third party, usually the client, should be aware that answering "no" in a deposition where the question is "do you own this company" is, well, probably taking a walk down the path to that very serious little legal term called perjury. Yes, I know many people think a famous president of a certain country appeared to have effectively taken the teeth out of the charge of perjury. However, I am fairly confident most of my readers are not and likely never will be "a famous president of a certain country". Please remember, you are the beneficial owner of the share(s)...in any event, you can rest assured your details as beneficial owner of the shares/company are nicely filed, both in hard copies and electronically, with the company's friendly local bank!

Off to "school" (what I call work). Thanks for taking the time to read my thoughts for the month.

Onwards and upwards...


**WINE, FOOD AND SONG...GCSL'S FIRST OFFICE COCKTAIL PARTY**

We were pleased to have approximately 30 people pop over for a drink, some good tapas from Ole and excellent music from our Bose sound system on Friday, 28th July. Since "a picture says a thousand words", we leave you with four thousand words for your viewing pleasure!


**GCSL NEWS**

**GCSL IS EXPANDING!**

**Global Consultants and Services (Belize) Limited and Global Trustees Limited** were setup and licensed as registered agent and trust company, respectively, in early August 2006. Our good friend, Mr. Carlo Mason, is managing director of both companies. Carlo is a qualified lawyer in Belize and Jamaica with more than seven years of government work and now nearly one year in the international business arena. We are pleased that Carlo decided to join us as Jack thinks the world of his skills and can confirm Carlo is a man of exquisite taste...just meet the engaging Mrs. Mason, better known as Kerry Ann, and you will quickly be a "believer" 😊

**ASIA OFFSHORE ASSOCIATION BANGKOK ASIA WELCOMES THE WORLD CONFERENCE  
27TH TO 29TH SEPTEMBER 2006**

As you know, GCSL recently took over the management of the Asia Offshore Association. Our first AOA conference - Asia Welcomes the World - will be held at The Oriental Hotel, Bangkok from 27th to 29th September 2006. The conference promises to be an excellent event in terms of speakers from around the world and Asia as well as all the great fun one can have in "The Big Mango" also known as Bangkok. Please click [here](#) to get more information or contact Ms. Sonia Yiu at [sonia@asiaoffshore.org](mailto:sonia@asiaoffshore.org).

**USA UPDATE****AMERICAN JOBS CREATION ACT OF 2004 (the "Act")**

Though primarily designed to regulate income tax, this Act does have some impact on estate taxes for "long term U.S. residents", defined as one who is or was a U.S. resident for 8 out of the previous 15 years, and who has a net worth of at least US\$2 million, and/or average income tax liability of US\$124,000 (adjusted for inflation) for the previous 5 years of \$1 million. Should a Resident Alien meet these criteria, the forfeiture of a Green Card and expatriation will not avoid a forward 10 year income and estate tax obligation. Of course, it may be possible to reduce one's assets through gifts or other estate planning arrangements, to avoid the 10 year tax regime on expatriation. Even after expatriation, subject to the alternative tax regime, the expatriate faces the draconian penalty of being "pulled back" into the U.S. tax system by spending 30 days or more in the U.S. in any year during the ten-year tax regime. This rule is no doubt intended to discourage expatriation by requiring the expatriate to "stay out", and expatriation should therefore be considered only if one is prepared to stay out of the U.S. for at least 10 years. The only exception to the 30-day rule is a limited 30-day work exception for an unrelated employer.

Failure to comply with all reporting rules will cancel the expatriation. Reporting is required to Homeland Security and to the Internal Revenue Service for each of the 10 years during the alternative tax regime, including the filing of annual income and balance sheet statements with tax returns. The reporting rules will be rigidly enforced, and failure to timely report also carries a minimum US\$10,000 penalty. The expatriate must still take an "Oath of Renunciation" and complete other technical requirements to expatriate. The 10 year alternative tax regime imposes tax on transactions that are generally tax-free to non-residents. For example, sale of stock in U.S. corporations during the ten year tax regime will be taxable, although a non-resident alien is generally not subject to capital gains tax except on real estate transactions; dividends are taxed at the highest rate, not just the usual 30% withholding or less by treaty. The alternative tax regime also "looks through" offshore trusts for estate tax and income tax purposes. Gifts of U.S. sited assets by a non-resident alien are not usually subject to tax, but the alternative tax regime does impose tax on such gifts by expatriates. The regime generally disallows capital losses, and is in many other respects more restrictive and severe.

Contributed by Stephen A. Malley, a practicing attorney in Los Angeles, California, specializing in international tax and finance, international estate and asset protection planning, treaty applications for business, IP licensing and offshore insurance structures. Please visit [www.malleyglobal.com](http://www.malleyglobal.com) or contact Steve at [samalley@earthlink.net](mailto:samalley@earthlink.net).

**THAILAND UPDATE****The Guide to Doing Business in Thailand**

Michael Doyle is a Friend of Jack and GCSL, exceptional lawyer (yes, he is the second one to be born in Arkansas...can you name the other?), able to speak, read and write Thai (no easy task), partner of the prestigious Thailand law firm of Seri Manop & Doyle ([www.serimanop.com](http://www.serimanop.com)) and great all around guy who has lived in Thailand for more than ten years and has learned how to get things done the legal and practical way in the Land of Smiles. His book entitled Doyle's Practical Guide to Thailand Business Law has won rave reviews from many a CEO of large multinationals and small businesses alike.

GCSL has been offered, and has happily accepted, the opportunity to include an excerpt of Michael's book each month in our newsletter. If you would like to purchase the book, communicate with Michael about doing business in Thailand or just listen to Michael's yarns about his interesting life in Thailand over the last decade, please contact him at [michael@serimanop.com](mailto:michael@serimanop.com).

**Does My Company Qualify for Incentives as a Regional Operation Headquarters?**

In 2002 the Thai government announced a plan designed to promote specific types of business activities in Thailand. These are referred to as 'Regional Operating Headquarter' activities or ROH activities. In this plan the government encourages multinationals to engage in ROH activities by granting tax incentives.

Note that Regional Operating Headquarters is a completely different concept than the Regional Office structure examined in Chapter 1. Regional Office is a distinct classification for a business operating in Thailand. Regional Operating Headquarters, by contrast, is only a Board of Investment (BOI) promotion category and a tax classification. A branch, company limited, partnership, and other types of legal classification of a business could all potentially qualify for tax incentives as an ROH.

Since ROH's introduction, many multinationals have been interested in finding ways to take advantage of this new policy; however, to date it has not been widely utilized. Part of the reason for this is that the ROH structure (in its current state) is simply not suitable for many multinationals. Also, many multinationals do not utilize the scheme simply because they do not fully understand the tax incentives available, associated requirements, and registration options. This chapter addresses those topics.

- i. Tax incentives available;
- ii. Requirements to qualify as an ROH; and
- iii. Registration options.

**CHINA UPDATE**

## THE LAND OF RESOURCES AND OPPORTUNITY TO SELL EVEN MORE - CHINA

China is rich in mineral resources, and all of the world's known minerals can be found here. To date, geologists have confirmed reserves of 158 different minerals. These include 10 energy-related minerals, including oil, natural gas, coal, and uranium; 54 metallic minerals, including iron, manganese, copper, aluminum, lead and zinc; 91 non-metallic minerals, including graphite, phosphorus, sulfur and sylvite. The reserves of the major mineral resources, such as coal, iron, copper, aluminum, stibium, molybdenum, manganese, tin, lead, zinc and mercury, are in the world's front rank. China's basic coal reserves total 331.76 billion tons, mainly distributed in northeast China and north China, with Xinjiang Uygur Autonomous Region, Shanxi Province and the Inner Mongolia Autonomous Region taking the lead. China's 21.36 billion tons of the basic reserves of iron ore are mainly distributed in northeast, north and southwest China. The country also abounds in petroleum, natural gas, oil shale, phosphorus and sulphur. Petroleum reserves are mainly found in the northwest, northeast and north China, as well as in the continental shelves of east China. The natural reserves of rare earth metals far exceed the combined total for the rest of the world.

However, in line with China's accession to the WTO, open door policy and break-neck growth and infrastructure development, the one commodity that is in the spot light is iron ore, the basic material of steel. Steel means building, and there is a lot of that going on in China. Yet even with such vast reserves, China cannot keep up with demand, and must import vast amounts of iron ore to feed the ever expanding steel industry. Even in the face of government regulation, steel production is at an all-time high.

Obviously Steel is not the only material required by China, and anyone able to find reliable offshore supplies of Copper, Zinc, Urea, Tantalite and, for example, Scrap Metal to feed China's insatiable demand can do very well financially. The key word here, however, is "reliability". The days of mutual distrust between Chinese buyers and overseas suppliers is drawing to an end as China's purchasing power becomes felt on the international stage, and its banking sector becomes more sophisticated. China also supplies raw materials to other parts of the booming world, namely the Middle East. At the top of that list is Cement, and Clinker, which is shipped from North Chinese ports to far-reaching destinations like The D.R. of Congo, South Africa, Dubai, Iran and Egypt.

Face to face relationships are very important in China, as most everyone knows, so it is essential to have people on the ground who can take care of one's interests. The need for reliability goes both ways.

China has a long way to go before its internal demand for raw minerals and metals abates since its infrastructure keeps expanding and being developed. By some estimates, 300 million people will migrate from the countryside to China's second and third-tier cities by 2020. And that will push along a construction industry that is already the strongest in the world. The need for iron ore and other mineral imports will not go away for years to come.

*Contributed by Anthony Robinson, Managing Director, BiField Business Resources, Ltd., Shanghai. BiField provides market overview and market entry strategy services to an international clientele from its Shanghai base, as well as identifying reliable offshore suppliers of minerals and metals for China's industrial consumption - we both trade and source. Please visit [www.bifield.com](http://www.bifield.com) for more information.*

### Restrictions on Foreign Investment in China's Real Estate Market

On July 11, 2006, six Chinese Ministries jointly issued a regulation restricting the entry of foreign investment in China, which is a clear signal of the Government's resolve to cool down the overheated real estate market. The summary of the regulation is as follows:

1. The registered capital of a foreign funded real estate company in China shall be no less than 50% of its total investment provided the total investment equals or is more than US\$10million.
2. If a foreign investor acquires a domestic real estate company through equity transfer, it must pay the purchase price at the time of transfer with its own capital.
3. If any overseas institutions or foreign individuals purchase real estate for their own use, the institution must have a representative office or branch office in China, and the foreign individual must be a person who has worked or studied in China for more than one year.

*Contributed by Ms. Hao Wang, RayYin & Partners. Please visit [www.rayyinlawyer.com](http://www.rayyinlawyer.com)*

### Gambling remains a leading industry

The Peking University's China Centre for Lottery Studies recently announced that RMB700 billion (approximately US\$87 billion) of mainlanders' money was gambled overseas in 2005. This figure almost equaled the revenue generated by tourism in China. At the same time, a former chief of a township in Guangdong Province was charged with gambling RMB90 million (approximately US\$11 million) of public money in Macau.

### Miscellaneous

Bank of Communication and China Construction Bank are approved for QDII qualification for USD1.5 billion and USD 2 billion respectively.

La Compagnie Financiere Edmond de Rothschild Banque is granted for QFII qualification for USD 100 million and can set up RMB special purpose bank account with Bank of China.

Foreign investment in Logistics industry in China has been slightly amended. The minimum registered capital requirement and central government approval are no longer required. Other requirements, such as compliance with regulations regarding air-logistic, marine-logistic, and road-logistic have remained the same.



## HONG KONG UPDATE

### First half of 2006 continues strong growth of foreign investment in Hong Kong

As at the end of June, Invest Hong Kong had assisted 156 companies to invest or expand in Hong Kong, achieving more than half its annual target of 240 and representing an 8.3% increase from the same period last year. These projects will create more than 4,285 jobs for Hong Kong. The investors reported that their investments led to the immediate creation of more than 1,699 jobs, and would create at least 2,586 additional jobs in the next two years. Initial investment by these companies investment topped \$6.82 billion. The flow of Mainland investments in Hong Kong remained strong making up 13.5% of the department's completed projects in the first six months. The traditional source markets of investment projects in Europe, Asia-Pacific, and North America, and continue to be key contributors to Hong Kong's economy, representing 35%, 26% and 22%, respectively, of the total number of projects completed in the first six months. Latest figures show that Hong Kong remains the preferred destination for foreign direct investment (FDI) in Asia. During the first quarter this year, the FDI inflows to Hong Kong reached HK\$102.6 billion (approximately US\$13.16 billion).

*Contributed by Invest HK, a government agency which promotes the many advantages of Hong Kong to the international community business. Please visit [www.investHK.gov.hk](http://www.investHK.gov.hk)*

### Mutual funds on the rise!!!

Year end 2005, Hong Kong had 1,964 authorized unit trusts and mutual funds (not including REITs) in Hong Kong, with a net asset value of around HK\$5.21 trillion (US\$668 billion), which was an increase of 21% from 2004.

### Goods and Services Tax consultation

The Hong Kong Government announced a nine month consultation period beginning July 2006 to consider introducing a goods and services tax in Hong Kong. The proposal has attracted a fair amount of criticism from unlikely bed fellows including so called "pro-business" and "pro-labor" groups. Given Hong Kong's narrow tax base, it is generally agreed that something must change. Watch this space!K

#### Mutual recognition and enforcement of judgments with China

On July 14, 2006, Hong Kong and the People's Republic of China signed an arrangement for mutual recognition and enforcement of each other's judgments. The Arrangement will cover final judgments in civil and commercial matters (not including employment or personal contracts and family disputes) and for monetary damages only, including costs and interest. The Arrangement will come into effect once both China's Supreme People's Court has promulgated judicial interpretation and the relevant Hong Kong legislation is passed. Watch this space...



### SINGAPORE UPDATE

#### Private Trust Company exemption

New rules regarding the regulation of trust companies became effective on February 1, 2006. An exemption to the new licensing regime is that private trust companies are not required to be licensed. A private trust company is a company formed to act as trustee only to a trust where (a) every settlor is a "connected person" with respect to any other settlor of any other trust administered by the private trust company, and (b) every beneficiary of a trust is a "connected person" with respect to the settlor of that trust. Despite this exemption, a private trust company must still outsource its anti-money laundering requirements to a licensed trust company.



### OFFSHORE UPDATE

#### Belize International Business Companies (IBC) - Update

The good man Carlo Mason of GCSL Belize ([www.gcsli.info](http://www.gcsli.info)) confirms the total number of Belize IBCs as at 25th July was 53,829 with 4,763 incorporated in the first half of 2006.

#### Anguilla International Business Companies (IBC) - Update

Arguably the most fun Registrar of Companies, Mr. T. Lanston Connor of Anguilla ([www.anguillafsc.com](http://www.anguillafsc.com)) confirms the total number of Anguilla IBCs as at end 2005 was 8,200 with 1,158 incorporated in the first half of 2006.

#### Seychelles International Business Companies (IBC) - Update

The good people at SIBA ([www.siba.net](http://www.siba.net)) tell us the Seychelles IBC Registrar recorded its highest number of companies incorporated in any given year with 7,097 companies incorporated in 2005 representing a growth of nearly 30%. As of June 2006, the registrar holds a total of 28,949 companies altogether on its register.

#### St. Vincent International Business Companies (IBC) - Update

THE man of Liechtenstein, Alex Jeeves, ([www.jeeves-group.com](http://www.jeeves-group.com)) confirms the total number of St. Vincent IBCs is 7,162 with 1,399 formed in 2005 and 692 formed in the first half of 2006.

#### St. Lucia International Business Companies (IBC) - Update

The ever-interesting Anthony Bristol ([www.pinnaclestlucia.com](http://www.pinnaclestlucia.com)) informs us that 500 St. Lucia IBCs were formed in 2005 and 300 have been formed in the first half of 2006.



### TIDBITS

The things that make us smile, frown and generally make life interesting...

#### OUR MONTHLY QUOTE THAT MADE US SMILE

"Nothing is as obnoxious as other people's luck." F. Scott Fitzgerald

#### PROOF READERS WANTED...NAH, LET'S KEEP THE STATUS QUO...MORE FUN 😊

We enjoyed a good read the other day while flipping through magazines in the "reading room" of a nice hotel. Below you will find some of those ads that make us smile...

- Dog for sale: Eats anything and is fond of children
- Free puppies: 1/2 Cocker Spaniel, 1/2 sneaky neighbor's dog
- Joining nudist colony! Must sell washer & dryer
- Our sofa seats the whole mob! And its made of 100% Italian leather
- Nice parachute. Never opened - Used Once. Slightly stained.

#### WE HAD OUR MONEY ON THE LOCAL PHILOSOPHER

We were slightly confused as to whether we should turn left or right at a large inter-section in Shanghai to our client's office when we thought the "local philosopher" (aka newstand guy) might enlighten us. So we asked...at the same time, the "local scooter traffic cop" had signaled a halt to a dozen or so of Shanghai's favorite drivers. The "local philosopher" started to speak when "local scooter guy 1" offered his unsolicited viewpoint. The "local philosopher" said "bu shi" ("no"). Then "local scooter guy 2" chimed in with his viewpoint followed closely by the retort from "local scooter guy 1" and commentary from "local scooter guy 3". As we hurried away following our own advise to turn left (we were correct) and avoiding an international incident, the commentary reached a loud screaming match between "local scooter guy 1" through "local scooter guy 12", the "local scooter cop" and, of course, the "local philosopher". We passed by the scene after our meeting, saw no evidence of physical violence and smiled knowingly at the "local philosopher"...we always had our money on him 😊

#### **OUCH...GIVE THE GUY A BREAK...**

We read, with a certain discomfort below the waste, about the exhumation of the world's most famous castrato singer (for the un-initiated that means they lopped off his lil fella). Some geniuses now want to measure his bones and test DNA samples to determine how the high pitch voice with the power of a man's lungs came to be. Bad enough the good people of his day decided to deprive him of, among other things, peeing standing up. Now, we have people digging him up from his hundred odd year old tomb. C'mon...now can you imagine some bored guy on a plane writing about it for a newsletter...what has the world come to...oops, that would be us at 30,000 feet

#### **...AND THEN SOME GUYS DO IT FOR A COUPLE GRAND**

We know guys do stupid things when they are drunk...believe us, we know, but slicing off your lil friend for a couple grand, nay, for any price...just to win a bet!? Yes, apparently a Latvian lad did just that. To make matters worse, no one is sure he collected his winnings...ouch!!!

#### **BEEF, CHICKEN OR BACON?**

We read without surprise about the latest pampering of "man's best friend". That's right, some clever Aussie (yes, our British readers must now believe there are a few) came up with the idea of flavored water for our "kids". At AUD3 (appx USD2.4) per bottle, the beef, chicken and bacon aqua is flowing off the shelves and into the doggies' bowls. Our Aussie friends say it was really designed for the Kiwis, but we know better 😊

#### **THE "PARTY" BY THE NUMBERS**

We noticed some interesting statistics the other day regarding the growth, exclusivity, cleansing and tiny relative numbers of the "Party" in China as at 2005. Here ya go:

- " GROWTH: 2.47 million new members
- " EXCLUSIVITY: 17.67 million applicants with only 2.47 million accepted (appx 14% successful applicants)
- " CLEANSING: 44,738 expelled for failing to carry out the duties of members
- " TINY RELATIVE NUMBERS: 70 million members (appx 5% of the population)

#### **ONE PENNY FOR USD0.014...ONLY IN THE USA**

We read with a knowing smile of the legislative battle brewing in the USA regarding the move to end production and circulation of the penny. The most persuasive argument for de-circulating the penny is it costs more than one penny to produce (USD0.014). That's right, it cost more to make it than it is worth. The interesting argument is that you can't buy anything any longer with a penny so what good is it. Hmmmm...funny that, you can't buy anything anymore with a nickel, but that long-time coin seems to be safe. Perhaps it has something to do with the USD3.3 billion earned by the State of Arizona from the production of copper, which is the primary metal in the nickel...and the promoter of the bill to pull the penny is none other than a congressman from Arizona...really funny that!

#### **LOVIN' IT? ARE WE THE ONLY SUSPICIOUS PEOPLE?**

We started wondering about a possible undisclosed deal when reading about the couple in Cardiff who won ?1.3 million in the lottery, but plan to continue flipping burgers at MickeyD's Lounge. They apparently celebrated with a Big Mac while proudly saying the slogan "We're Loving It". Hmmmm...free Big Macs for the crazy couple and Happy Meals for their liluputn forever...must be a deal somewhere!

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