

Invest TEDA

Vol.128, Monthly Issue, November 2012

Entrepreneur: Administrative Commission of Tianjin
Economic-Technological Development Area
(TEDA)

Assisted by: Deloitte Touche Tohmatsu CPA Ltd, Tianjin
Branch (Business Adviser of TEDA
Administrative Commission)

Edited by: Investment Promotion Bureau of TEDA

TEDA AND ICBC FINANCIAL LEASING SEALING MOU ON COOPERATION

TEDA Administrative Commission and ICBC Financial Leasing Co. Ltd. signed an MOU on Cooperation recently at Renaissance Tianjin Lakeview Hotel recently, when ICBC Financial Leasing witnessed her 5th anniversary.

ICBC Financial Leasing is China's first bank-operated financial leasing company, and also the largest and best one in China.

ICBC Financial Leasing has positioned herself as the industry leader by reinvesting 3 billion yuan. After reinvestment, the registered capital has hit 8 billion yuan. The MOU between TEDA and ICBC Financial Leasing will further enhance the strategic partnership and boost the local economy in a better and stronger approach. (Tr. by Ma Yu)

**ROYAL LEHONG BUILDING SYSTEMS (TIANJIN) CO., LTD. CHOSING
TEDA INDUSTRIAL PARK (HANGU)**

Recently Royal Lehong Building Systems (Tianjin) Co., Ltd. was officially registered in TEDA Industrial Park (Hangu). Co-founded by Tianjin Royal Lehong Window System Limited and a Canadian investor, the company was engaged in the R&D and production of new building materials, colored plastic profiles, etc. With registered capital of 340 million yuan and a total investment of one billion yuan, the company will occupy a site of nearly 200,000 square meters.

The main investment of Royal Lehong Building Systems (Tianjin) Co., Ltd. came from Jinpeng Group, an enterprise group whose scope of business involves PVC profiles, prestressed pipe piles, polymer science and technology, tubes and pipes, and international trade. Mainly specializing in plastic profile manufacture with an annual production capacity of 430,000 tons, the group harvested an output value of over 3.6 billion yuan in 2011. It has built up nationwide sales network and exported products to the U.S., Canada, Russia, Central Asia, etc. TEDA Jinpeng Plastics Profile Manufacture Co., Ltd. of Jinpeng Group was relocated in TEDA Industrial Park (Hangu) in 2009, with a total investment of nearly two billion yuan and occupying a land of 400,000 square meters. The company's output value reached nearly 750 million yuan in 2011. (Tr. by Chen Yu)

TEDA EMBRACING JINGDAO MICRO-ELECTRONICS CO., LTD.

Tianjin Jingdao Micro-electronics Co., Ltd. recently wrapped up registration and officially became a member of TEDA Microelectronics Industrial Park (TEDA MIP).

With 60 million yuan of registered capital, Jingdao is expected to invest in an efficient and advanced production line for surface-mounted devices (SMD). With the production line as a platform, the company will make full use of the self-innovative GPP, TVS and stabilivolt chips and achieve unparalleled competitiveness in mass production of SMDs.

The project will improve the electronics industrial chain in TEDA MIP, and highlight the feature of electronic component cluster in local area. (Tr. by Ma Yu)

KINNOVATA JOINING TEDA, ADDING MORE FUEL TO LOCAL PHARMACEUTICAL INDUSTRY

With a joint investment of 150 million yuan by Tianjin KingYork Group Co., Ltd. (50%) and Innovata HK Limited (50%), Tianjin Kinnovata Pharmaceutical Company Limited was recently registered in TEDA with a registered capital of 60 million yuan. The project will cover 15,000 square meters of land, focusing on powder inhalation drugs. The company plans to invest totally 1.2 billion yuan to build the project into the biggest asthma medication production base in China.

The Chinese investor, Tianjin KingYork Group Co., Ltd., was founded in November, 2001 as a major large-scale company with key support from the Tianjin municipal government. It is also the biggest R&Der, producer and exporter of cortical hormone in Asia and possesses three listed subsidiaries (Tianjin Tianyao Pharmaceutical, Zhonghuan Semiconductor and Lier Chemical) and over 40 shareholding subsidiaries with a total asset of 16 billion yuan. The foreign investor, Innovata HK Limited is a Hong Kong-based joint venture between Vectura Group from UK and Zendex Bio Strategy Incorporated from Hong Kong. Vectura, a listed hi-tech company with its own IPR and core technologies and dedicated to the R&D

and production of dry powder inhalation delivery devices, is among the world's only three independent producers and suppliers of powder inhalation devices. It is a recognized world leader in multi-dose powder inhalation device and formula R&D for asthma and chronic obstructive pulmonary disease (COPD). (Zhang Shanshan)

TEDA AND TEAMSUN BUILDING IT CLOUD PLATFORM FOR SMES



A signing ceremony of strategic cooperation agreement between TEDA Administrative Commission and Beijing Teamsun Technology Co., Ltd. was held in TEDA Investment Service Center recently. Teamsun

will launch China's first IT cloud operation and maintenance service platform based on SAAS model in TEDA to provide efficient IT service to SMEs nationwide.

Teamsun's project, SME Cloud, will serve as China's first IT cloud operation and maintenance service platform based on SAAS model to provide efficient IT service to SMEs nationwide. The solutions include cloud monitoring platform, remote security processing, and the management and display of cloud operation and maintenance platform, all of which are based on public cloud platform on the internet. As China's leading integrated IT service provider, Beijing Teamsun Technology Co., Ltd is the first domestic localized IT service provider with its service network across Greater China and part of Southeast Asia. It owns two listed companies and 40 subsidiaries globally. Since it was listed in 2004, the CAGR has been up to over 30%, and the turnover in 2011 has hit 5.08 billion yuan.

The cloud computing industrial base of Tianjin Binhai New Area is located in TEDA East Zone, covering 890,000 m². With a number of giants joining TEDA, such as National Supercomputer Center, HP, Tencent and Teamsun, a cloud computing chain based on three service models, namely SaaS, PaaS and IaaS, has taken shape. New models and industry forms have gradually evolved, industry scale keeps expanding, and the advantage of industrial cluster is getting prominent. Thanks to the integrated plan and unique power and optical fiber supply, the cloud computing industrial base in Tianjin Binhai New Area has turned into the most competitive and important cloud service cluster in China. (Tr. by Ma Yu)

**TIANJIN SMART TECHNOLOGY COMMUNICATION CO., LTD.
REGISTERED IN TEDA**

Tianjin Smart Technology Communication Co., Ltd. has completed registration in TEDA recently. The new company was co-founded by Tianjin Satcom IOT Application Technology Reserch Institute (SATOM ITS) and OYO Corporation of Japan with a total investment of 40 million yuan and registered capital of 20 million yuan. Aimed at advancing the projects for geological disaster monitoring and introducing overseas cutting-edge technology and resources, the company is engaged in the production and sale of geological monitoring and measuring instruments as well as the R&D and promotion of the IOT-related sensing technology.

Its Chinese investor, SATOM ITS, which was established by Brief Institute of Satom IOT Group of Beijing, focuses on such aspects as urban smart tranport, monitoring and prevention of geological hazards, remote sensing hydraulic technology, etc. The remote sensing monitoring system for geological hazards developed by SATOM ITS has been widely applied to monitoring projects for high

slopes and mudslides in many cities and provinces, such as Beijing, Sichuan Province, Fujian Province, etc. The overseas investor of the new company, OYO Corporation, which was founded in 1957, is a world's prestigious company in geological survey and exploration as well as the related measuring instruments and enjoys high reputation in civil engineering, environment, protection against geological hazards and development of natural resources. (Tr. by Chen Yu)

Sponsor: Investment Promotion Bureau, Administrative Commission of Tianjin Economic-Technological Development Area (TEDA)

Translators: Department of Translation and Interpretation, Administrative Commission of Tianjin Economic-Technological Development Area (TEDA)

Translation Reviser: Liu Xiaojing, Department of Translation and Interpretation, Administrative Commission of Tianjin Economic-Technological Development Area (TEDA)

For more information, please contact:

Investment Promotion Bureau, Administrative Commission of Tianjin Economic-Technological Development Area (TEDA)

Deloitte Tax Update

MOFCOM issues new rules on equity contributions

China's Ministry of Commerce (MOFCOM) released new rules on 24 October 2012 aimed at facilitating and promoting foreign investment in the country by allowing domestic and overseas investors to use the equity in Chinese companies as capital for foreign-invested enterprises (FIEs) (Provisional Rules Concerning an Equity Interest Contribution to Foreign-Invested Enterprises (MOFCOM Order [2012] No. 8 ("Order No. 8"))). Order No. 8, which applies as from 22 October 2012, contains detailed rules on the types of transactions covered, requirements for

contributing equity, the valuation and pricing of equity and limits. The order is based on draft rules issued on 4 May 2011.

Transactions covered by Order No.8

Order No.8 applies to two types of transactions:

- 1) A contribution by a Chinese or foreign investor of its equity interest in a Chinese domestic company to:
 - Establish a new FIE;
 - Increase the capital of a non-FIE in order to convert that entity to an FIE; or
 - Increase the capital of an FIE to change the shareholding of the company.
- 2) The acquisition by a foreign investor, in exchange for its equity interest in a Chinese company, of an equity interest of another investor in a Chinese company, i.e. a share swap. Order No.8 provides that a share swap transaction will be governed by the rules concerning the conditions on an equity interest contribution and valuation, etc. provided in Order No.8.

Equity interests not allowed for contribution

Order No.8 provides that an equity interest cannot be used for a capital contribution in the following circumstances:

- The registered capital of an enterprise has not been paid in full;
- The equity has been pledged;
- The equity is frozen under a court order;
- The equity cannot be transferred according to the Articles of Association of the enterprise;
- The enterprise fails to pass the annual joint inspection required for FIEs;
- The equity interest is in a real estate enterprise, foreign-invested investment enterprise or foreign-invested venture capital (or equity investment) enterprise; and
- Any other circumstances in which equity may not be transferred according to law.

Definitions of equity interest price and equity contribution and limits

According to Order No.8, the equity interest price refers to the value of an equity

TEDA

interest contribution jointly agreed by the investor that contributes the equity interest and the shareholders or other investors of the enterprise that receives the equity interest contribution ("Invested Enterprise"). An equity contribution is the amount accounted for in the registered capital of the Invested Enterprise.

Order No.8 also provides that both the equity interest price and the contribution can be negotiated based on the valuation of the equity interest contribution.

The equity interest contribution, together with any other non-monetary contributions of other investors, may not exceed 70% of the total registered capital of the company.

An enterprise whose equity interest has been contributed, the Invested Enterprise and their shareholding in other enterprises must comply with the Chinese regulations on foreign investment. If there would be any non-compliance after the equity interest contribution, restructuring on relevant assets, business or shareholding must be undertaken before applying for the equity interest contribution.

Deloitte Tax Q & A

Q1: Based in Binhai New Area, Our Company provides freight forwarding services to the clients in Tianjin. What is the threshold for the collection of value-added tax for taxable services since the launch of VAT reform pilot program?

A1: According to *Announcement of the Tianjin Provincial Office of the State Administration of Taxation on the Threshold for the Collection of Value-Added Tax for Taxable Services*, thresholds for the collection of value-added tax for sales of taxable services in Tianjin are as follows:

1. For the payment of tax according to the payment period, the threshold shall be the monthly taxable sales amount of 20,000yuan (the number is included).
2. For the payment of tax according to the number of sales times, the threshold shall be the sales amount of 500yuan (the number is included) each time (each day).

Please note that the above regulation shall come into effect on December 1, 2012.

Q2: As a processing trade company based in Binhai New Area, shall we apply to

collective taxation procedure? If we could, how should we apply to Customs for it?

A2:According to *Announcement of Tianjin Customs [2012] No.13*, collective taxation procedure for domestic sale of processing trade products(hereinafter referred to as "collective taxation") is a model that allowsthe processing trade enterprises to start off with domestic sales of the processing trade productsbefore going through collective declaration and taxationprocedures to the local competent Customs (hereinafter referred to as "competent Customs") within the scope of "*Approval Certificate for Domestic Sales of Bonded Imported Materials,Components and Parts for Processing Trade*" issued by the competent authority of commerce."Collective taxation" model shall be applied to all enterprises of and above Category B(hereinafter referred to as "enterprises") that have good credit ratingand are free of any record of certificate and tax related smuggling within one year.

When applying for "collective taxation",the enterprises should submit the following documents to the competent Customs:

1. *Application Form for "Collective Taxation" of Processing Trade Products*(see Appendix 1, hereinafter referred to as "Application Form") in triplicate, enclose the Domestic SalesProductList;
2. Copy of receipts of collecting depositissued by Customs (submit the originalsat the same time for verification purpose) or Bank Guarantee;
3. In the event that the products in the Domestic SalesList fall under the import restrictions as imposed by the State, the enterprises should submit relevant import license to the Customs.

After providing the above documents, asking for the application and obtaining approvalfrom the competent Customs, the enterprises should provide guaranteesto meet the following requirements before applyingthe "collective taxation" model:

1. Deposit amount of "collective taxation" model of processing trade productsis calculated according tothe following formula:
Amount of deposit= amount of domestic sales monthly planned by the enterprise × exchange rate × composite tax rate (22%) × 50%.
The amount of domestic sales monthly planned by the enterprise= ∑ the quantity of materials (finished products) for domestic sales planned by the enterprise ×recorded unit price of contractmaterials (finished products).
2. For the enterprises that already paid the deposit in the filing procedure, double payment is unnecessary.