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Comparative Analysis of Local Rules Regarding Formation of Private Equity and Venture Capital Funds and Management Companies in China

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Against the backdrop of a huge amount of domestic liquidity from both state-owned and non-state-owned enterprises, the launch of the long-awaited Growth Enterprise Market in Shenzhen at the end of 2009 and the continued growth of private equity investment activity in China, China is expected to witness an upsurge in private equity and venture capital activity. In addition to establishing domestic and foreign-invested venture capital investment enterprises (“VCIEs”) and venture capital investment management enterprises (“VCIMEs”), fund sponsors may also form domestic and foreign-invested equity investment fund enterprises (“EIFEs”) and equity investment management enterprises (“EIMEs”) in several of China’s major cities or regions, including Beijing, Shanghai, Shenzhen, Tianjin, Chongqing, Suzhou Industrial Park, Changsha, Xinjiang autonomous region, Chengdu, Guangzhou and Xiamen pursuant to local rules and incentive policies for the formation of EIFEs and EIMEs. This Han Kun Private Equity Commentary discusses national and local rules regarding and incentives for the formation of VCIEs, VCIMEs, EIFEs and EIMEs from a comparative perspective.

Venture Capital Enterprises

Forms of Private Fund. Foreign fund companies may form FIVCIEs and FIVCIMEs pursuant to the *Administrative Regulations on Foreign-Invested Venture Capital Investment Enterprises* as promulgated in 2003. Domestic entity may form domestic VCIE and domestic VCIME pursuant to the *Interim Measures on Administration of Venture Capital Investment Enterprises* as promulgated in 2005. VCIEs refer only to enterprises that make equity

investments in unlisted high or new technology enterprises (hereinafter “**investee enterprise**”) and provide corresponding venture capital management services for the purpose of achieving capital gains. VCIEs and VCIMEs may be established either in corporate form or non-legal-person form. The non-legal-person form mainly refers to Sino-foreign contractual joint venture and limited partnership. It was not until 2006 when the *Partnership Law of People’s Republic of China* was revamped that limited partnership enterprises came into being, and the regulations on the formation of foreign-invested partnerships (FIPs) did not come out until March 1, 2010.

Formation Requirements. The minimum capital requirement for a non-legal person FIVCIE is US\$10 million, and the minimum capital requirement for a corporate FIVCIE is US\$5 million. In addition to capital requirements, an FIVCIE is required to have a “requisite investor” with venture capital as its main line of business, which, similar to the general partner of a limited partnership, will assume joint and several liability for the debt of the FIVCIE. A requisite investor that is a foreign investor is required to have cumulative asset under management of no less than US\$100 million in the past three (3) years, at least US\$50 million of which shall have been used for venture capital investments. A requisite investor that is a Chinese investor is required to have cumulative asset under management of no less than RMB100 million in the past three (3) years, at least RMB50 million of which shall have been used for venture capital investments. The minimum capital requirement for a DVCIE shall fulfill minimum capital requirements from local governments for a domestic investment company (e.g., RMB 10 million if set up in Beijing).

Filing Requirements. A VCIE may apply to file with the National Development and Reform Commission (“NDRC”) and thereby become eligible for certain tax incentives and for investment by the Social Security Fund if its paid-in capital is no less than RMB30 million, or the first installment of its paid-in capital is no less than RMB10 million and all of its investors undertake to pay the unpaid registered capital within five (5) years after the registration so that the aggregate paid-in capital reaches RMB30 million. Since January 31, 2011, any EIFE that is registered with the AIC located in pilot areas for the filing management of EIFEs (updated from time to time, currently including Beijing, Tianjin, Shanghai, Chongqing, Jiangsu province, Zhejiang province, Hubei province and Henan province) with a total amount of investment exceeding RMB 500 million or equivalent foreign currency, should apply with NDRC for record-filing and be subject to the filing management of NDRC, unless such EIFE satisfies certain conditions for exemption from such record-filing requirements.

Formation of EIFEs and EIMEs

Permissible Entity Forms. The State Council explicitly expressed its encouragement to actively grow China’s equity investment fund industry in its Several Opinions of the State

Council on Promoting the Development of Small and Medium Sized Enterprises in 2009.¹ Although so far there is no national regulation on equity investment funds, many municipalities or regions, such as Beijing, Shanghai, Tianjin, Shenzhen, Chongqing, Suzhou Industrial Park, Changsha, Chengdu, Guangzhou, Xiamen and Xinjiang autonomous region, etc. have already promulgated local rules to regulate and promote the formation of equity investment funds. In the aforesaid eleven cities or regions, EIFEs and EIMEs may be established either in partnership or in corporate form, however special general partnership is not allowed in Chengdu, neither shall EIFEs be established in general partnership in Tianjin or Chongqing. Since March 2010, foreign fund sponsors may also set up RMB funds as FIPs pursuant to the *FIP Registration Rules issued by the State Administration of Industry and Commerce* (the “FIP Rules”). Carlyle and the Shanghai-based Fosun Group were the first to take advantage of the new FIP Rules to jointly establish a US\$100 million equivalent RMB fund in Shanghai in the form of a foreign-invested general partnership. Since January 24, 2011, Shanghai has launched a pilot program with respect to foreign-invested EIFEs and foreign-invested EIME, in which a foreign-invested EIMEs approved as a pilot enterprise is allowed to contribute to the foreign-invested EIFE set up by it in foreign currency (the amount of such capital contribution shall not exceed 5% of the total size of the foreign-invested EIFE). Furthermore, such foreign exchange capital contribution would not affect the nature of the foreign-invested EIME. And a foreign-invested EIFE approved as a pilot enterprise is allowed to make domestic equity investment with its capital in foreign currency. As of February 28, 2011, Beijing has also issued a circular² providing that a EIMEs approved as a pilot enterprise is allowed to contribute to the EIFE (foreign commitment of which shall not exceed 50%) set up by it in foreign currency (the amount of foreign capital contribution shall not exceed 5% of the actual paid-in capital of the EIFE), and a foreign-invested EIFE (the amount of foreign capital contribution shall not exceed 5% of the actual paid-in capital of the EIFE) approved as a pilot enterprise is allowed to make domestic equity investment with its capital in foreign currency. As of October 14, 2011, Tianjin has also issued a circular³ and an implementing rule⁴ providing that a EIMEs approved as a pilot enterprise is allowed to contribute to the EIFE (foreign commitment of which shall not exceed 50%) set up by it in foreign currency, and a foreign-invested EIFE approved as a pilot enterprise is allowed to make domestic equity investment with its capital in foreign currency.

It should be noted that EIFEs and EIMEs already established and put into operation are allowed to apply to the Administration for Industry and Commerce of Xinjiang Autonomous Region to be restructured into partnership form enterprises if relevant requirements of

¹ *Several Opinions of the State Council on Promoting the Development of Small and Medium Sized Enterprises*, II(7)

² *Circular on Carrying out Interim Measures in Relation to Foreign Investment Utilization Work for Equity Investment Fund and Relevant Management Company*

³ *Circular on Carrying out Interim Measures in Relation to Foreign Investment Utilization Work for Equity Investment Fund and Relevant Management Company*

⁴ *Implementing Rule on Circular on Carrying out Interim Measures in Relation to Foreign Investment Utilization Work for Equity Investment Fund and Relevant Management Company*

partnership are satisfied, and then apply for filing with the Financial Office of the Autonomous Region, which makes Xinjiang Autonomous Region the first where limited liability companies can be restructured into limited liability partnerships.⁵ The restructuring registration should be made according to law and should protect creditors' rights. The requirements for limited liability companies (except sole-shareholder limited liability companies or wholly state-owned companies) to be restructured into partnerships are as follows: (1) no objections from the creditors to the reform; (2) the company has established for more than two (2) years, and all the shareholders have fully paid in capital according to its bylaw or the resolution of shareholders' meeting; (3) having obtained approval from the state-owned assets supervision and administration commission for state shareholders as partners, or approval from the administration of industry and commerce for foreign-invested companies to be restructured into foreign-invested partnerships; (4) the number of partners shall be no less than two (2) but no more than fifty (50) with at least one (1) general partner; (5) other requirements for registration of partnerships.⁶ The enterprise applying for restructuring can apply for modifying the scope of business at the same time. Business not within the scope allowed shall be transferred to subsidiary companies, and income earned from such business shall not receive the benefits awarded by *Interim Measures on the Promotion of Development of Equity Investment Enterprises of Xinjiang Autonomous Region*.⁷ A company that is eligible for the 2-year exemption and 3-year half reduction tax preferential treatment may directly register to be restructured into a partnership when moving its jurisdiction of organization to the Autonomous Region; otherwise, it may be restructured according to relevant national regulations after completing all the relocating procedures.⁸

Capital Requirements. The eight cities or regions, excluding Suzhou Industrial Park, Guangzhou, Xinjiang Autonomous Region, set different minimum capital requirements for EIFEs and EIMEs. Shanghai, Shenzhen, Tianjin, Changsha and Chengdu require RMB100 million for EIFEs and Shanghai and Shenzhen further require at least RMB 5 million for each shareholder/partner while Tianjin requires at least RMB 10 million for each institutional investor and RMB 2 million for each natural person investor. In addition, Changsha, Shenzhen and Chongqing require the first installment of paid-in capital to be at least RMB50 million, Tianjin requires the first installment of paid-in capital of corporate form EIFEs to be at least RMB 20 million and that of partnership EIFEs to be at least RMB 10 million, and Chengdu requires the first installment of paid-in capital for corporate form EIFEs to be at least 20% of the registered capital and in no case lower than RMB 30 million. Xiamen requires RMB 30 million for EIFEs, first installment of paid-in capital for EIFEs to be at least RMB 10 million and at least RMB 1 million for each investor. While the Beijing municipal rules are silent on the minimum capital requirement, EIFEs formed in Haidian District are required to have a registered capital of at least RMB100 million or equivalent amount in foreign currency, if such EIFEs intend to apply for support according to the *Provisions for*

⁵ *Interim Measures on the Promotion of Development of Equity Investment Enterprises of Xinjiang Autonomous Region*, Article 12

⁶ *Guiding Opinion on Limited Liability Companies Reform into Partnership Enterprises of Xinjiang Autonomous Region Administration of Industry and Commerce*, Article 1

⁷ *Explanation Letter on Several Questions about Promoting the Governmental Service for Equity Investment Enterprises*, Article 3

⁸ *Notice on Encouraging Equity Investment Enterprises to Move into the Autonomous Region*, Article 4

Supporting the Development of the FIVCIEs in Haidian. The capital requirements for EIMEs are the highest in Haidian District of Beijing (at least RMB10 million or equivalent amount in foreign currency for an EIME of any type, if such EIMEs intend to apply for supports according to the *Provisions for Supporting the Development of the FIVCIEs in Haidian*), the second highest in Chengdu and Shenzhen (RMB 10 million for companies limited by shares, or CLBSs, and RMB5 million for limited liability companies, or LLCs) , with further requirement in Chengdu that the first installment of paid-in capital for corporate form EIMEs should be at least 20% of the registered capital, and the capital contributions for partnership form EIMEs should be at least RMB 5 million, the third in Tianjin (first installment of actual payment of RMB 2 million), and the fourth in Shanghai and Xiamen (RMB 5 million for CLBSs, RMB 1 million for LLCs and in Xiamen RMB 5 million for partnerships), Xiamen further requires that all EIMEs shall pay its capital in a one lump sum with at least RMB 1 million for each investor. The capital requirements are lowest in Chongqing and Changsha, which is set at RMB 1 million for EIMEs in either corporate or partnership form.⁹

It should be noted that the newly promulgated *Interim Measures of Tianjin Port Bonded Area for Administration on Strengthening the development and Supervision of Equity Investment Enterprises (“Administration Measures”)* has higher capital requirements for EIFEs set up in the Bonded Area. In accordance with *Administration Measures*, EIFEs formed in the Bonded Area are required to have a registered capital of at least RMB 200 million and the first installment of paid-in capital shall be at least RMB 100 million which has to be paid within 15 days. Further, the Bonded Area requires at least RMB 20 million for each institutional investor and the certificate of self-owned financial assets, that each natural person investor shall provide to the equity investment administration office and custodian bank, has increased from RMB 2 million to 10 million (although the minimum capital contribution for each natural person is still RMB 2 million). Except the foregoing capital requirements, *Administration Measures* further requires all EIFEs having registered capital between 200 million and 500 million (include the given figure) shall be filed with the Tianjin NDRC within 3 months of registration. In the event any EIFE fails to satisfy the filing requirement, the Administration of Industry and Commerce of the Bonded Area shall not carry out the procedures of annual inspection for it.

Name Requirements. The name requirements in the eleven cities or regions are also somewhat different. In Chengdu and Shenzhen, the fund names are allowed to contain “fund” (“基金”) or “investment fund” (“投资基金”). In Beijing and Xiamen, the EIFEs and EIMEs are permitted to include “fund” (“基金”) or “fund management” (“基金管理”) in their names if they satisfy certain conditions. In Chongqing, Suzhou Industrial Park, Changsha, Guangzhou and Xinjiang autonomous region, the fund names are allowed to contain “equity investment” (“股权投资”) without reference to “fund.” In Tianjin, Shanghai, the fund names

⁹ The Beijing rules do not expressly impose any minimum capital requirement for EIFEs or EIMEs but do require an actual paid-in capital of RMB500 million in order for an EIFE to become eligible for various tax incentives and rewards in Beijing. In addition, based on our informal discussion with Beijing Bureau of Financial Work, in practice, the registration of EIMEs with Beijing Bureau of Financial Work, which is a pre-condition for becoming eligible for the various incentive policies in Beijing, requires the EIME to have a minimum registered capital of RMB30 million.

are allowed to contain “equity investment funds” (“股权投资基金”) and “equity investment fund management” (“股权投资基金管理”) . In addition, in Shanghai the fund names are allowed to be suffixed with notes such as “Fund I” and “Fund II”.

Foreign-invested Fund Management Enterprises

It is important to note that the local rules in all eleven cities or regions, including the minimum capital requirements set forth above, generally apply to both purely domestic and foreign-invested EIFEs and EIMEs. However, Beijing and Shanghai have also issued a different set of trial rules for the formation of foreign-invested EIMEs in Zhongguancun District and Pudong District, respectively, both of which require a significantly higher minimum registered capital of US\$2 million for foreign-invested EIMEs. One significant distinction between the two sets of trial rules on foreign-invested EIMEs is that, under the Pudong trial rules, at least one shareholder of the foreign-invested EIME (or an affiliate thereof) is required to be engaged in equity investment or equity investment management business, whereas such a requirement does not exist in the Zhongguancun trial rules. Another distinction between the Pudong and Zhongguancun trial rules is that the cooperation joint venture form is available in Pudong but not in Beijing. While technically the Pudong trial rules on foreign-invested EIME were set to expire on June 30, 2010, based on our telephone inquiry on a no name basis, such rules shall remain in effect until other alternative provisions are published and come into effect. Based on our informal discussion with relevant regulators in Tianjin, while there is not an express separate capital requirement for foreign-invested EIMEs, there is a soft requirement in practice that they have a minimum registered capital of US\$1 million, although Tianjin appears to be willing to be quite flexible and may approve the formation of foreign-invested EIMEs with a registered capital as low as US\$100,000 - US\$150,000.

Tax Treatment of Partners in Partnership Funds

National Tax Provisions on the Partners of Partnership Funds. In China, partnerships are tax pass-through entities and the partners pay taxes on income allocated to them on an annual basis. According to Circular 159 of the State Taxation Administration issued in December 2008 and older tax regulations on sole proprietorships and partnership enterprises referenced therein, partners (limited partners and general partners) who are natural persons shall pay progressive income tax ranging from 5% to 35%, subject to certain deductions. The relevant tax rules in eight of the eleven cities or regions excluding Beijing, Shanghai and Guangzhou, however, provide differentiated tax treatment of partners depending on their status as limited partner (“LP”) or general partner (“GP”), which represents a deviation from Circular 159.

Local Tax Provisions on Individual LPs. In Beijing, Tianjin, Suzhou Industrial Park,

Shenzhen, Changsha, Xinjiang autonomous region, Chongqing, Chengdu and Xiamen, it is provided that individual LPs who do not execute the partnership affairs shall pay tax at a flat rate of 20% for the interests, dividend, and bonus distributed from the partnership enterprises. In Shanghai, ever since June 3, 2011 the partners of partnership funds (i.e. individual GPs and individual LPs) shall pay income tax for their operational income and other income in accordance with applicable tax regulations at the national level¹⁰ (i.e., individual income tax should be paid with a progressive rate ranging from 5% to 35%, after certain applicable deductions). Additionally, Suzhou Industrial Park, Tianjin, Xinjiang autonomous region, Beijing and Chengdu have specifically clarified that, income generated from transferring LP equity interests should be subject to a flat tax rate of 20%.

Local Tax Provisions on Individual GPs. Relevant tax local provisions in the eleven cities or regions are significantly different. In Shanghai, Changsha and Shenzhen, individual GPs, who are executive partners, shall pay progressive income tax ranging from 5% to 35% on income from the fund; in Suzhou Industrial Park, Chengdu and Xiamen, individual GPs, which not only execute the partnership affairs but also contribute to the EIFE, shall pay tax at a flat rate of 20% for their investment income or income generated from share transfer, and shall pay tax at a rate ranging from 5% to 35% for the income generated from business operation of the EIFE (if such income is distinguishable). In Beijing, Tianjin and Xinjiang autonomous region, individual GPs who execute the partnership affairs shall pay tax at a flat rate of 20% for their interest, dividend, bonus or income obtained from the transfer of their fund equities. In Chongqing, while the tax requirements on the individual GPs remain uncertain, it is provided that the operational income and other income obtained by EIFEs (in the form of a limited liability company or a joint stock company) is subject to a relatively lower tax enterprise income rate of 15% in accordance with the relevant regulations, if in line with the policy of Western China Development project.

Overview on Local Tax Provisions. In the eleven cities or regions, only the tax rules in Beijing, Shanghai, Chengdu and Guangzhou do not provide differentiated tax treatment for individual LPs or GPs. But different tax rates are applied in Beijing and Shanghai. In Beijing, both individual LPs and individual GPs, whether executive partners or not, pay tax at a flat 20% rate on all fund-related income (presumably including interest or dividend income or income from the disposition of equities in the fund). While in Shanghai, Circular 159 and other relevant national documents are directly applied to both individual LPs and GPs, who should pay tax for their operational income with a progressive rate ranging from 5% to 35%. Relevant regulations for Shanghai are the most consistent to Circular 159. As to Guangzhou, there are no relevant tax local provisions regarding tax treatment for individual partners. Based on our telephone inquiry on a no name basis, Guangzhou does not have differentiated tax treatment for individual LPs or GPs. They shall pay tax at a rate ranging from 5% to 35%. However, partners shall pay tax at a flat rate of 20% on their interest income, dividend, bonus or income obtained from the transfer of their fund equities in

¹⁰ Amended Version of Notice on AIC Registration for Equity Investment Enterprises in Shanghai issued by Shanghai Financial Service Office, etc., Article 5.

accordance with the provisions regarding income from transfer of property of *Law of the People's Republic of China on Individual Income Tax*. It is worth noting that while it can be argued that since individual income tax revenues belong to local governments as opposed to the central government, local governments have the authority to lower such tax in order to promote local private equity investment management business, the legality of such local rules is questionable because it involves the change of the type of the applicable tax rate (i.e., from a progressive rate of 5% to 25% to a flat 20% rate) rather than just lowering the tax rate.

Formation Rewards and Incentives for VCIEs

Preferential Policies for VCIEs

Only VCIEs that satisfy relevant requirements and are filed with the competent registration authority for VCIEs (i.e., development and reform commission) are eligible to receive incentives described below. The capital requirements for VCIEs are: (1) the paid-in capital of a VCIE shall be no less than RMB 30 million, or the first installment of paid-in capital is no less than RMB10 million and all the investors undertake to pay the unpaid registered capital within five (5) years of the registration so that the aggregate paid-in capital reaches RMB 30 million; (2) the contribution of any single investor shall be no less than RMB 1 million. In addition, Chengdu Development and Reform Commission accepts filing of VCIEs which do not satisfy relevant national requirements, but fall within the loosen requirements set by the city. The filing requirements for VCIEs in Chengdu are: (1) the VCIE should have been registered with Chengdu Administration for Industry and Commerce, and have been operated within the allowed scope of business; (2) the paid-in capital of a VCIE shall be no less than RMB 5 million, or the first installment of paid-in capital shall be no less than RMB 1 million for LLC or RMB 1.75 million for CLBS and all the investors undertake to pay the unpaid registered capital within five (5) years of the registration so that the aggregate paid-in capital reaches RMB 5 million; (3) the contribution of any single investor shall be no less than RMB 0.1 million; (4) the VCIE shall have at least three (3) senior managers, who will assume the responsibility of investment management, with no less than two (2) years' experience of or relating to the business. VCIEs filed pursuant to the requirements above in Chengdu are subject to the supervision of Chengdu Development and Reform Commission, and are eligible to receive incentives such as the Special Funds for Venture Capital Risk Subsidy in Chengdu, but not the national tax incentives.¹¹

Currently, incentive policies for VCIEs mainly include investment from government guiding fund of funds, risk subsidies and tax incentives. Different cities have adopted somewhat different incentives. What follows is a comparison of the incentives of nine major cities, Beijing, Shanghai, Shenzhen, Tianjin, Suzhou Industrial Park, Changsha, Chengdu, Guangzhou and Xinjiang autonomous region (there are currently no explicit incentives for VCIEs formed in Chongqing and Xiamen). Please note that, with respect to the eligibility requirements for incentives, only the measurable requirements and not soft requirements

¹¹ *Interim Measures of Chengdu for Filing Management of Venture Capital*, Article 6, 16, 17

(such as solid management team and good reputation) are listed in the chart below.

Han Kun Fund Formation & Management Group has first hand experience with representing our fund clients in QFLP applications in Shanghai, Beijing and Tianjin. Should you have any questions regarding the above, please do not hesitate to contact us.

Chart I Comparison on Local Incentive Policies for FIVCIEs

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
Government FOF for Venture Capital	<p>1. Eligibility Requirements:</p> <p>(1) The paid-in capital is no less than RMB50 million, and all investors contribute in the form of currency;</p> <p>(2) Having at least 3 successful exits of investments in small or medium-sized enterprises, i.e., the</p>	<p>1. Eligibility Requirements¹⁴</p> <p>(1) The asset under management (“AUM”) of any newly formed investee VCIE shall be no less than RMB200 million in principle (the AUM of any newly formed investee VICE focused on seed-stage</p>	<p>Shenzhen provides governmental subsidies to VCIEs:</p> <p>1. Eligibility Requirements¹⁶:</p> <p>(1) The investee VCIE shall be formed in Shenzhen and have passed the filing inspection by the VCIE filing authority.</p> <p>(2) The investee</p>	<p>1. Eligibility Requirements</p> <p>(1) The VCIE shall be formed in Binhai New District and mainly invest in Binhai New District.¹⁸</p> <p>(2) The investee VCIE shall mainly invest in new technological areas, such as information</p>	<p>1. Eligibility Requirements²³</p> <p>(1) The VCIE shall be formed within China and have completed all the filing procedures.</p> <p>(2) The paid-in capital is above RMB 50 million and contributed with currency.</p>	<p>1. Eligibility Requirements²⁴</p> <p>Requirements for Application of Government FOF</p> <p>(1) Applicants are required to be companies or partnerships mainly engaged in venture capital investment business and should, in principle, be filed with</p>	N/A	<p>1. Eligibility Requirements</p> <p>The requirements of applicants for government FOF²⁵</p> <p>The founders, who apply for government FOF to invest in an existing VCIE or set up a new VCIE, shall satisfy the requirements of <i>Interim Measures on</i></p>

¹⁴ *Interim Measures of Shanghai for Administrations of Fund of Venture Capital Funds*, Chapter IV

¹⁶ *Shenzhen Guidelines for Venture Capital Enterprises Support Scheme*, Article 4

¹⁸ *Interim Measures of Tianjin Binhai New Area for Administration of Fund of Venture Capital Funds*, Article 8

²³ *Notice on Measures of Hunan for Administration of Fund of Venture Capital Funds*, Article 15

²⁴ *Interim Measures of Suzhou Industrial Park for Administration of Fund of Venture Capital Funds*, Article 4

²⁵ *Implementation rules of Guangzhou Venture Capital Government Fund of Fund*, Article 4 (2)

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
	<p>average annual rate of return for the equity interest is no less than 20%, or the gain from the equity transfer is at least 20% over the original investment.¹²</p> <p>2. Limitations on Government FOF's Investment</p> <p>(1) The investment by Government FOF to the VCIE shall not exceed 30% of the</p>	<p>investments shall be no less than RMB100 million in principle), and all contributions must be paid up within 3 years, the first installment of which shall be no less than 30% of its subscribed contribution, and all investors shall make their contributions in the form of currency.</p> <p>(2) The investee VCIE shall have filed with and</p>	<p>VCIE shall invest in early stage enterprises with indigenous innovation.</p> <p>(3) The enterprise has completed the modification registration with administrations for industry and commerce, and its contribution has been fully paid in. The duration of all contributions shall be no less than 2 years.</p>	<p>technology, biological technology and modern pharmacy, new material, modern manufacturing, alternative energy, and environmental protection.¹⁹</p> <p>2. Scale of Government FOF and Contribution Limits</p> <p>(1) Government FOF in Tianjin is established in</p>	<p>(3) The VCIE shall have specific investment areas of focus.</p> <p>(4) The VCIE should have at least 3 full-time senior managers with no less than 5 years experience of or relating to venture capital investment and in which the managers have gained outstanding achievements.</p> <p>(5) The VCIE</p>	<p>national or provincial NDRC or with the relevant authority of the industrial park in accordance with</p> <p><i>Some Comments concerning Promotion and Development of Equity Investment Industry in Suzhou Industrial Park.</i></p> <p>(2) Applicants should be registered in the industrial park.</p> <p>(3) Applicants</p>		<p><i>Administration of Venture Capital Investment Enterprises</i> and conforms to the following conditions:</p> <p>(1) VCIEs or VCIMEs formed in Guangzhou in accordance with law</p> <p>(2) Paid-in capital shall be no less than 50,000,000, or the actual assets under management shall be no less than 2 billion (or equivalent foreign</p>

¹² *Interim Measures of Beijing on Implementation of Fund of Venture Capital Funds for Small and Medium Sized Enterprise*, Article 8

¹⁹ *Interim Measures of Tianjin Binhai New Area for Administration of Fund of Venture Capital Funds*, Article 9

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
	total paid-in capital to the VCIE, and Government FOF cannot be the largest shareholder. (2) The duration of the investee VCIE shall not exceed 10 years. ¹³	subjected itself to the supervision by VCIE filing authority. (3) The investee VCIE shall focus on investing in seed-stage enterprises or early to mid stage enterprises in industries supported or encouraged by government, and have a specific investment area of focus. (4) The investee	2. Governmental Subsidy¹⁷: (1). Governmental subsidy from the municipal technology and research fund equal to 15% of the actual investment by the VCIE. (2). In case it is the first time for the investee VCIE to receive investment, the percentage of subsidy may be increased to 20%.	corporate form, with a registered capital of RMB200 million contributed by Binhai New District Administrative Committee and National Development Bank. The duration of the Government FOF is 15 years. ²⁰ (2) The investment principle of FOF is that it shall not be the controlling shareholder in order	should have at least 3 successful exists of investments in small and medium-sized enterprises (i.e., the average annual rate of return for the equity interest is no less than 15%, or the gain from the equity transfer is at least 20 times the original investment.) (6) The VCIE should have standardized	should focusing on specific investment fields with investments mainly made in the industrial park. (4) Applicants should undertaking that the total amount of investment should be no less than 2 times the amount contributed by Government FOF. The total amount invested in the venture enterprises located in the		currency) (3) The chief manager shall have experience of venture capital investment, in which he have gained outstanding achievements (4) Shall have at least 3 full-time senior managers with no less than 5 years experience of or relating to venture capital investment

¹³ Interim Measures of Beijing on Implementation of Fund of Venture Capital Funds for Small and Medium Sized Enterprise, Article 10 and 11

¹⁷ Shenzhen Guidelines for Venture Capital Enterprises Support Scheme, Article 5

²⁰ Interim Measures of Tianjin Binhai New Area for Administration of Fund of Venture Capital Funds, Article 4

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
		<p>VCIE shall make investment in Shanghai on a preferred basis.</p> <p>2. Limitations on Government FOF's Investment¹⁵</p> <p>(1) Government FOF may not be the largest shareholder in the investee VCIE.</p>	<p>The amount of subsidy shall not exceed RMB500,000 each time, and the annual cumulative amount of subsidy granted to any VCIE shall not exceed RMB2 million.</p>	<p>to ensure the independence of the decisionmaking and operation of the investee VCIE and its commercial operation through a properly designed shareholding structure.²¹</p> <p>(3) Generally, the duration of the investee VCIE shall be no more than 10 years.²²</p>	<p>management and operation, adopt strict and reasonable procedures for determining investment and have risk control mechanism.</p> <p>(7) Founders should covenant that the VCIE will focus on investing in science and technology and innovation enterprises in small and medium size in</p>	<p>industrial park should be no less than 60% of the total amount of investment in the industrial park. Additionally, the amount invested in any single enterprise shall not exceed 20% of the total amount of the current VCIE.</p> <p>Requirements for Application for Co-investments</p> <p>(1) Applications should be</p>		<p>(5) Shall have at least 2 successful exists of investments in start-stage or growth-stage enterprises</p> <p>(6) Shall have scientific and reasonable standards for projects evaluation, effective procedures for determining investment as well as risk control mechanism, and well-established internal finance</p>

¹⁵ Interim Measures of Shanghai for Administrations of Fund of Venture Capital Funds, Article 7

²¹ Interim Measures of Tianjin Binhai New Area for Administration of Fund of Venture Capital Funds, Article 6

²² Interim Measures of Tianjin Binhai New Area for Administration of Fund of Venture Capital Funds, Article 10

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
					<p>their beginning or growing period compliant with the applicable industrial policies and industrial investment orientations.</p> <p>(8) The fund that invests in the VCIE shall be no less than RMB 150 million.</p> <p>2. Scale of Government FOF and Contribution Limits</p>	<p>companies or partnerships mainly engaged in venture capital investment business and should, in principle, be filed with national or provincial NDRC or with the relevant authority of the industrial park in accordance with</p> <p><i>Some Comments concerning Promotion and Development of Equity Investment Industry in Suzhou Industrial Park.</i></p>		<p>system</p> <p>The founders, who apply for cooperation with government FOF to set up a new VCIE, shall satisfy the following conditions:²⁶</p> <p>(1) VCIEs or VCIMEs formed and registered in Guangzhou in accordance with law</p> <p>(2) The paid-in capital of the VCIE shall be no less than 50,000,000, or the</p>

²⁶ Implementation rules of Guangzhou Venture Capital Government Fund of Fund, Article 4 (3)

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
					<p>(1) The amount of capital contributed to the Investee Enterprise by the Government FOF should be no more than 30% of the paid-in capital of the such enterprise. The Government FOF may not be the largest shareholder in the Investee Enterprise.</p> <p>(2) The Government FOF should exit from the Investee Enterprises upon the expiration of the</p>	<p>(2) Applicant should apply for co-investments when investing in the venture enterprises located in the industrial park.</p> <p>2. Scale of Government FOF and Contribution Limits</p> <p>Investments by the Government FOF</p> <p>(1) The investment amount contributed by the Government</p>		<p>promised raised capital of the domestic fund shall be no less than 2 billion</p> <p>(3) The chief manager shall have experience of venture capital investment, in which he have gained outstanding achievements</p> <p>(4) Shall have at least 3 full-time senior managers with no less than 5 years experience of or relating to venture</p>

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
					<p>agreed investment period which should be no more than 10 years.</p> <p>(3) The founders applying for Government FOF in Investee Enterprises shall not exit from the Investee Enterprises before the Government FOF.</p>	<p>FOF shall not exceed 25% of the registered capital or the subscription capital of the VCIE.</p> <p>The said maximum amount on investment may be raised within a reasonable range.</p> <p>However, in no condition shall the investment amount made by the Government FOF in any single investee fund exceed RMB 50 million. Further, the Government FOF may not be the</p>		<p>capital investment</p> <p>(5) Shall have scientific and reasonable standards for projects evaluation, effective procedures for determining investment as well as risk control mechanism, and well-established internal finance system</p> <p>The principles followed by the VCIE²⁷</p>

²⁷ Implementation rules of Guangzhou Venture Capital Government Fund of Fund, Article 4 (5)

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
						<p>largest shareholder of the Investee Enterprise.</p> <p>(2) The shareholders applying for Government FOF in the Investee Enterprises shall not exit from the investment before the Government FOF.</p> <p>Co-investments</p> <p>(1) In principle, a VCIE can only apply for co-investment fund once and the amount of the</p>		<p>(1) The asset under management of any newly formed investee VCIE shall be no less than RMB 250,000,000</p> <p>(2) The VCIE is encouraged to invest in venture enterprises set up and registered in Guangzhou and the amount invested in the local venture enterprises shall no less than 200% of the paid-in capital of the government FOF</p> <p>(3) The investment</p>

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
						<p>co-investment shall not exceed RMB 5 million.</p> <p>(2) The amount for co-investment provided by Government FOF should be no more than 30% of the investment amount of the VCIE in this series with an exception that in case of a seed fund, the maximum proportion of the co-investment can be raised to 100%. The investment is required to be</p>		<p>targets shall be limited to unlisted enterprises.</p> <p>However, after the listing of an unlisted enterprise in which it invests, the untransferred portion and the allotted portion of the shares held by the VCIE as well as any additional stock issue of a listing enterprise tailored for the VCIE, shall not be subject to this restriction.</p> <p>(4) The investment targets shall mainly be enterprises at the</p>

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
						<p>contributed with currency. The investment price should be the same as the one with which the applicant makes its own investment.</p> <p>(3) Any VCIE that applies for co-investment from Government FOF should not exit from the investment in an enterprise before the Government FOF does.</p> <p>3. Exit by Government FOF</p>		<p>start-up and growth stage</p> <p>(5) The cumulative amount of investment in each venture enterprise shall not exceed 20% of the VCIE's registered capital or promised asset under management, in order to ensure the liquidity of the VCIE's capital and spread the risks</p> <p>(6) Shall not invested in other VCIEs</p>

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
						(1) For any profits generated from the equity held by Government FOF in VCIEs, the Government FOF may give away 50% of such profits to the other shareholders of the VCIE existing at the time of the Government FOF's investment. Those who became the shareholders of the VCIE after the Government FOF's investment are not entitled to share the		(7) Shall not be the controlling shareholder of the invested enterprise in principle 2. Limitations on Government FOF's Investment²⁸ (1) The percentage of investment of government FOF in the invested enterprise shall not exceed 20%, and the government FOF shall not be the controlling

²⁸ Implementation rules of Guangzhou Venture Capital Government Fund of Fund, Article 3 (4)

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
						<p>said profits.</p> <p>(2) For any equity arising out of the Government FOF's co-investment, if the one that applies for the co-investment from the Government FOF purchases such equity within 3 years after the co-investment, the purchase price should be equal to the investment made by the Government FOF plus the interest calculated based on</p>		<p>shareholder or the actual controlling person. The capital raised from the society shall be larger than 60%</p>

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
						the standard bank loan interest rate in the same period of time; if such equity is purchased within 3 to 5 years after the co-investment, the purchase price should be determined based on market price, with 50% of the benefits received by the Government FOF transferred to the VCIE that applies for co-investment when the Government FOF exits; if such equity is purchased		

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
						<p>5 years after the co-investment, the purchase price should be determined based on the market price.</p> <p>(3) For any equity arising out of the Government FOF's co-investment, if the VCIE that applies for the co-investment from the Government FOF is deemed a seed fund, then if the VCIE purchases the said equity within 4 years after the co-investment,</p>		

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
						the purchase price should be equal to the investment made by the Government FOF plus the interest calculated based on the standard bank loan interest rate in the same period of time; if such equity is purchased 4 years after the co-investment, the purchase price should be determined based on market price, with 50% of the benefits received by the Government		

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
						FOF transferred to the seed fund when the Government FOF exits.		
Risk Subsidies	Following are the measures for administration of venture capital risk subsidies in Zhongguancun National Indigineous Innovation Exemplary Zone 1. Requirements ²⁹	Shanghai has established Special Fund for Venture Capital Risk Subsidy, to which VCIEs pay risk reserve funds voluntarily annually. In case of failure in investment, such VCIEs will receive certain compensation.	N/A	TEDA has established a Development Fund for Venture Capital (DCVC) of RMB50 million for co-investments and risk subsidies. ³⁵ 1. Requirements ³⁶ (1) Having a		1. Conditions: (1) The target enterprise that the VCIE invests in is located in the Suzhou Industrial Park and satisfies the conditions ³⁸ ; (2) The application for risk subsidies is raised within 3 months after the liquidation ends ³⁹ .	Chengdu has set Special Fund for Venture Capital Risk Subsidy (with character of local investment reward), to those VCIEs qualified to apply for the Special Fund and give them compensation when they fail in investment.	A VCIE can pay 10% of its total annual revenue as its risk reserve fund to compensate the investment losses of the current year and past years ⁴³

²⁹ Measures of Zhongguancun National Innovation Zone for Administration of Risk Subsidy for Venture Capitals, Chapter II

³⁵ Interim Measures of Tianjin Economic-Technology Development Area on Encouraging Venture Capital, Article 4

³⁶ Interim Measures of Tianjin Economic-Technology Development Area on Encouraging Venture Capital, Article 7

³⁸ Several Opinions on the Further Modification to the Scientific and Financial System of Suzhou Industrial Park, Section III

³⁹ Interim Measures for the Management of Venture Capital Investment Government FOF in Suzhou Industrial Park, Article 20

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
	<p>(1) The enterprise must be recognized as Venture Capital Partner of Zhongguancun (requiring the VCIE or VCME to have a registered capital of no less than RMB100 million or AUM of no less than RMB300 million) .</p> <p>(2) If the VCIE invests through a management</p>	<p>The arrangement is described as follows:</p> <p>(1) VCIEs filed with the competent authority that have passed the annual inspection of the competent authority may pay an amount of no more than 10% of its annual after-tax profits as risk reserve funds voluntarily; or pay an amount of no more than 5% of its</p>		<p>registered capital of no less than RMB30 million or AUM of no less than RMB100 million.</p> <p>(2) Having successful investment exits or investee enterprises are performing well.</p> <p>(3) Having filed with the competent authority.</p> <p>2. Amount of Subsidy³⁷</p>		<p>2. Subsidies Amount</p> <p>For those VCIEs which have invested in the venture enterprises located in the Suzhou Industrial Park, the Government FOF will subsidize the VCIEs with an amount equal to 10% of the actual investment losses suffered by the VCIEs after the unsuccessful projects are liquidated, with the maximum amount</p>	<p>1. Requirements⁴¹</p> <p>(1) Having registered in Chengdu Administration for Industry and Commerce,</p> <p>(2) Having filed with Chengdu Development and Reform Commission and registered with Chengdu Service Center for Venture Capital with whom a Venture Capital Risk</p>	

⁴³ Interim Measures of Guangdong Province on Encouraging Venture Capital development, Article 26

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
	<p>enterprise, the subsidies will be granted only to the management enterprise.</p> <p>(3) The VCIE shall invest only in unlisted hi-tech enterprises in Zhongguancun, and it should be no more than 5 years from the incorporation of the enterprise to the execution of the investment agreement entered</p>	<p>registered capital as risk reserve funds.³¹</p> <p>(2) The municipal government will pay an amount equal to the risk reserve funds paid by VCIEs, which will come out of the technology budget of the municipal.³²</p> <p>(3) VCIEs that satisfy certain conditions may receive compensation from</p>		<p>(1) With respect to the actual amount VCIEs invest in small or medium-sized technology enterprises, the cumulative amount of subsidy a VCIE may apply for with respect to its investment in any investee enterprise shall not exceed RMB1 million.</p>		<p>of subsidies for one project being RMB 1 million⁴⁰.</p>	<p>Subsidy and Revenue Sharing Agreement is entered into.</p> <p>(3) Having actually invested in medium, small or micro enterprises, with an annual amount of sales lower than RMB30 million or a net asset less than RMB20 million, which are incorporated in Chengdu and under the process of</p>	

³⁷ *Interim Measures of Tianjin Economic-Technology Development Area on Encouraging Venture Capital*, Article 23

⁴¹ *Interim Measures of Management of Chengdu Special Fund for Venture Capital Risk Subsidy*, Article 6, 7, 11

³¹ *Measures of Shanghai for Administration of Special Funds for Risk Subsidy for Venture Capital* · Section II(1).

³² *Measures of Shanghai for Administration of Special Funds for Risk Subsidy for Venture Capital* · Section II(2).

⁴⁰ *Interim Measures for the Management of Venture Capital Investment Government FOF in Suzhou Industrial Park*, Article 18

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
	<p>into by the investee enterprise and the VCIE.;</p> <p>(4) The investment has been completed, i.e., the investment capital has been paid to the investee enterprise in the Zone and the AIC modification registration has been completed.</p> <p>2. Amount of Subsidy³⁰</p>	<p>the Special Capital for Risk Subsidy for its losses arising out of liquidation due to investment failures or exits of venture capital projects for a loss.³³</p> <p>(4) VCIEs that become ineligible for filing due to cancellation of filing by the competent filing authority, business closure, liquidation or cessation of venture capital business for</p>					<p>founding or re-founding. Each single program shall be registered with Chengdu Service Centre for Venture Capital within one month from signing the Program Investment Agreement formally, and the investment should take place after Jan. 1, 2009 for more than one year.</p> <p>(4) Having been audited and delivered the Audit</p>	

³⁰ Measures of Zhongguancun National Innovation Zone for Administration of Risk Subsidy for Venture Capitals, Chapter III

³³ Measures of Shanghai for Administration of Special Funds for Risk Subsidy for Venture Capital · Section III

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
	<p>(1) The subsidy is granted in the form of currency for VCIE's actual investment in investee enterprises. The amount of subsidy is 10% of the actual investment in an investee enterprise, and any single subsidy may not exceed RMB1 million.</p> <p>(2) The cumulative amount of subsidy a VCIE may apply with</p>	<p>other reasons or decide not to pay risk reserve funds to the Special Capital for Risk Subsidy, may withdraw the capital already paid but not used, and automatically lose its eligibility for receiving subsidies from the Special Capital for Risk Subsidy.³⁴</p>					<p>Report by professional auditing institutions when withdrawing from or liquidating relevant venture capital program.</p> <p>Foreign VCIEs may also apply, referring to the requirements above, when investing medium, small or micro enterprises within Chengdu.</p> <p>Noted that VCIEs with any of the following conditions</p>	

³⁴ Measures of Shanghai for Administration of Special Funds for Risk Subsidy for Venture Capital, Section VIII

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
	<p>respect to its investment in any investee enterprise shall not exceed RMB1 million.</p> <p>(3) The subsidy granted to one VCIE shall not exceed RMB 3 million every year.</p>						<p>shall not apply for the Special Fund:</p> <p>(1) The failure of the investment is owing to the illegal operation of the invested enterprise.</p> <p>(2) Serious dereliction of duty of VCIEs and not taking effective measures to reduce the loss in time knowing that the invested program is loss-making, which results in the failure of the program.</p>	

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technol ogical Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
							<p>2. Amount of Subsidy⁴²</p> <p>(1) The subsidy for each single venture capital program shall not exceed 30% of the loss, and in no case more than RMB1 million. Each single VCIE may receive annual subsidy no more than RMB3 million. If the VCIE make profit when withdrawing from a program, it shall pay the program proceeds of 1% of the profit</p>	

⁴² *Interim Measures of Management of Chengdu Special Fund for Venture Capital Risk Subsidy*, Article 8, 9

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
							<p>(RMB0.5 million at most) within one month after the withdrawal to Chengdu Service Center for Venture Capital. Each single VCIE shall pay the annual proceeds to the Service Center no more than RMB1 million. Failing to pay the proceeds within the time limit shall disqualify the VCIE for the Special Fund at the discretion of the Service Center.</p> <p>(2) The VCIEs shall</p>	

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
							<p>apply for the Venture Capital Risk Subsidy in the next fiscal year for their actual loss of this fiscal year.</p> <p>The object of Risk Subsidy shall be the amount of the VCIEs' actual investment loss, which is the balance of the yield, including equity dividends, stock transfer income, proceeds of liquidation etc., made during investment period and the accumulative amount of capital</p>	

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
							invested into the enterprises before withdrawal or liquidation, caused by liquidation resulted from investment failure or devalued withdrawal in the fiscal year.	
Rewards	N/A	N/A	N/A	Applicable in TEDA only: (1) If the cumulative amount of the tax paid by the invested small or medium-sized technology enterprises reaches RMB2 million in 3 years after filing, the	N/A	N/A	N/A	Where the amount of investment invested by a VCIE in the projects in the scope of "The guide of important high-tech industrial areas whose development is given priority by Guangdong Province" exceeds

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
				<p>VCIE will be rewarded RMB 200,000.⁴⁴</p> <p>(2) If the invested small or medium-sized technology enterprises in the development zone successfully completes an initial public offering, the VCIE will be rewarded RMB1 million for each listed investee enterprise.⁴⁵</p>				70% of its total investment, after decided by the provincial NDRC and the department of technology administration, it is eligible for the preferential policies of high & new tech enterprise at the provincial level ⁴⁶

⁴⁴ Interim Measures of Tianjin Economic-Technology Development Area on Encouraging Venture Capital, Article 32

⁴⁵ Interim Measures of Tianjin Economic-Technology Development Area on Encouraging Venture Capital, Article 33

⁴⁶ Interim Measures of Guangdong Province on Encouraging Venture Capital development, Article 23

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technol ogical Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
Tax Incenti ves	<p>Where a VCIE invests in an unlisted small or medium-sized high & new tech enterprise by means of equity investment and holds the investment for a period of at least 2 years (24 months), and satisfies the following conditions, the income tax payable by such enterprise may be offset by 70% of the amount of investment in the small or medium-sized high & new tech enterprise in the current year when its ownership of the equity has reached 2 years; where the amount of investment is insufficient to offset its income tax in the current year, it may be carried forward to the following tax years:</p> <p>(1). The business scope of the enterprise conforms to the provisions of the Interim Measures for Administration of Venture Capital Investment Enterprises (“Interim Measures”) and its registration in administrations for industry and commerce is professional VCIE with legal person status such as a venture capital investment company limited or a venture capital investment company limited by shares;</p> <p>(2). The enterprise has submitted a record-filing in accordance with the requirements and procedures as set forth in the Interim Measures; and the investment of the enterprise is consistent with relevant provisions of the Interim Measures as verified by annual inspection of the competent record-filing authority;</p> <p>(3). The small and medium-sized high & new tech enterprises in which the VCIEs invest shall have no more than 500 employees, annual sales of no more than RMB200 million and total assets of no more than RMB200 million in addition to being recognized as a high & new tech enterprise in accordance with the provisions of the Circular on Printing and Distributing the Administrative Measures on Determining High & New Tech Enterprises (Guo Ke Fa Huo [2008] No. 172) promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation and the Circular on Printing and Circulating the Guideline of the Management Work Over Determining High & New Tech Enterprises (Guo Ke Fa Huo [2008] No. 362).</p>							

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
	N/A	N/A	N/A	<p>Special Tax Incentives</p> <p>(1) Within 5 years from the year the VCIE is certified, TEDA will refund 50% of the portion of business tax and enterprise income tax payable by VCIEs to TEDA.⁴⁷</p> <p>(2) Within 5 years from the VCIE is certified, with respect to the portion of income tax on individual partners' gains from</p>	N/A	N/A	N/A	<p>Special Tax Incentives</p> <p>(1) Where a VCIE, set up and operated in accordance with this regulation, invested in an enterprise which, in accordance with the national tax regulations, enjoys reduction or exemption of enterprise income tax, its investment income from that enterprise also enjoys reduction or exemption of</p>

⁴⁷ *Interim Measures of Tianjin Economic-Technology Development Area on Encouraging Venture Capital*, Article 30

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
				production and operation of the VCIE partnership in excess of 20%, TEDA will waive 100% of the portion retained by TEDA. ⁴⁸				enterprise income tax in accordance with the law ⁴⁹ (2) The annual operation profits of a VCIE can be used to compensate for the loss in the last three years. Where a VCIE invests in an high-tech investment project listed in “The guide of important high-tech industrial areas whose development is given priority by

⁴⁸ Interim Measures of Tianjin Economic-Technology Development Area on Encouraging Venture Capital, Article 31

⁴⁹ Interim Measures of Guangdong Province on Encouraging Venture Capital development, Article 25

	Beijing (Zhongguancun)	Shanghai (Pudong New District)	Shenzhen	Tianjin Economic-Technological Development Area (TEDA)	Changsha	Suzhou Industrial Park	Chengdu	Guangzhou
								Guandong Province”, The portion of the business tax, enterprise income tax and value-added tax paid to regional tax authorities in the first 5 years following the commencement of investment is fully refunded from the special fund arranged by the regional Ministry of Finance ⁵⁰

⁵⁰ *Interim Measures of Guangdong Province on Encouraging Venture Capital development, Article 27*

Rewards and Incentives for EIFEs and EIMES

Beijing, Shanghai, Shenzhen, Tianjin, Chongqing, Suzhou Industrial Park, Changsha, Xinjiang Autonomous Region, Chengdu, Guangzhou and Xiamen have promulgated various incentive policies and reward systems for locally formed EIFEs and EIMES as set forth in the chart below (in order to enjoy the incentive treatment below, enterprises have to meet set-up standards and be filed with in accordance with local policies, except for enterprises in Shenzhen). Please note that the adoption of further implementing rules may be required for some of these policies to be fully implemented. Below is a comparative analysis on the incentive policies of eleven cities.

Chart II Comparison on the Incentive Policies for EIFEs and EIMES

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
Formation Rewards for Fund	Applicable to enterprises that are formed in or moved to Haidian	Corporate form fund incorporated in Pudong District only (effective	Shenzhen sets a Development Fund for the Industry of Equity	N/A	N/A	N/A	N/A	N/A	N/A	(1) As the rewards policy of Guangzhou Economic Development	N/A

⁵¹ For enterprises to apply for incentives of Haidian District, some conditions should be satisfied in the first place. For EIFEs, following are the conditions on their scope of business and registered capital: invest in unlisted enterprises only and the amount of its investment in each enterprise shall not exceed 20% of the investee enterprise's total capital; the registered capital of the EIFE shall be no less than RMB 100 million or equivalent foreign currency; the first installment of no less than 20% of its registered capital shall be paid in before registration, and the balance shall be paid up within 5 year from the issuance of its business license; in case of foreign-invested EIFEs invested by foreign investors, the first installment of contribution shall be no less than 15% of their respective subscribed contribution, and must be paid up within 3 months from the issuance of the business license, with the balance paid up within 3 years from the issuance of the business license. For EIMES, following are the conditions on their scope of business and registered capital: invest in unlisted enterprises only and the amount of its investment in each enterprise shall not exceed 20% of the investee enterprise's total capital; the registered capital of the EIFE shall be no less than RMB10 million or equivalent foreign currency; the first installment of its contribution must be paid in before registration and its paid-in capital shall be no less than 20% of its registered capital, and the balance shall be paid up within 2 year from the issuance of its business license; in case of foreign-invested EIMES, the first installment of no less than 15% of their respective subscribed contribution shall be paid up within 3 months from the issuance of the business license, with the balance paid up within 3 years from the issuance of the business license.

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
	District after January 1st, 2007 only: 1. RMB 500,000 if the registered capital more than RMB 100 million but less than RMB 500 million and make the first investment in enterprises registered with Haidian administration for industry and commerce	through December 31, 2011): 1. RMB 5 million if the registered capital reaches RMB 500 million; 2. RMB 10 million if the registered capital reaches RMB 1.5 billion; 3. RMB 15 million if the registered capital	Investment. For corporate form fund only, and the fund shall not move away from Shenzhen within 5 years (effective through December 31, 2011): 1. RMB 5 million if the registered capital reaches RMB 500 million; 2. RMB 10							t Zone (“GEDZ”), an EIFE set up in GEDZ may be rewarded RMB 20,000,000 as the highest reward. ⁵⁵ (2) An EIFE or EIME, which is registered in the city and its paid-in capital or actual asset under management	

⁵⁵ Guangzhou Finance Office 《Encouraging Development of Equity Interest, Promoting Reform and Update of Economic》

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
	and tax authority. 2. RMB 800,000 if the registered capital reaches RMB 500 million and the first investment is made in an enterprise registered with Haidian administration s for industry and commerce and tax authority.	reaches 3 billion. ⁵³	million if the registered capital reaches RMB 1.5 billion; 3. RMB 15 million if the registered capital reaches 3 billion. ⁵⁴							exceeds RMB 500,000,000, is eligible for the applicable preferential policies which apply to financial institutions of the city. ⁵⁶	

⁵³ Shanghai: *Opinions and Implementation Measures on Promoting the Development of Equity Investment Enterprises and Equity Investment Management Enterprises in Pudong New District*, Article 3

⁵⁴ Shenzhen: *Several Rules on Promoting the Development of Equity Investment Funds*, Section IV(1)

⁵⁶ *Implementation rules of Guangzhou Venture Capital Government Fund of Fund*, Article 4 (1)

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
	<p>3. In case the first investment is made in a district other than Haidian, an subsidy amounting to 70% of the aforesaid reward amount shall be granted. In case the EIFE subsequently invests in an enterprise in Haidian, it may apply for the remaining 30% of the aforesaid</p>										

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
	rewards amount. ⁵²										
Formation Rewards for Management Enterprises	1. For management enterprises filed with Beijing Municipal Bureau of Financial Work with a registered capital no less than RMB 30 million; RMB 8 million if the cumulative paid-in capital under management reaches RMB 500 million;	For Partnership fund in Pudong District, the cash reward will be granted to its management enterprise only: RMB 5 million if the fund's annual actual raised capital reaches RMB 1 billion; RMB 10 million if the fund's	1. For Partnership fund, the cash reward will be granted to its management enterprise only, and the fund shall not move away from Shenzhen within 5 years (effective through December 31, 2011): RMB 5 million if the annual	N/A	N/A	N/A	N/A	N/A	N/A	An EIME of an industry-invested fund, which is set up by the EIME and registered in the city conforms to the applicable regulations at the national level, whose cumulative asset under management of which	N/A

⁵² Measures on Supporting the Development of Equity Investment Enterprises in Haidian District, Article 9

Type	Beijing ⁵⁷	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
	RMB 10 million if the cumulative paid-in capital under management reaches or exceeds RMB 1 billion. ⁵⁷ 2. EIMEs registered or moved into Haidian District after January 1, 2007 can also be rewarded as described above. ⁵⁸	raised capital reaches 3 billion; RMB 15 million if the fund's annual actual raised capital reaches 5 billion. The reward can be further raised if the fund significantly contributes to Pudong finance industry. ⁵⁹	actual raised capital reaches RMB 1 billion; RMB 10 million if the annual raised capital reaches RMB 3 billion; RMB 15 million if the annual actual raised capital reaches RMB 5 billion. ⁶⁰ Partnership form EIMEs applying for the Fund shall have a paid-in							exceeds 1 billion RMB and whose areas of investment conforms to the industrial policies of the country and the city, is eligible for the preferential policies applies to financial institutions in accordance with our city's	

⁵⁷ Beijing: *Opinions on Promoting the Development of Equity Investment Funds*, Article 9&10; *Implementation Rules on Promoting the Development of Financial Industry in the Capital*, VII

⁵⁸ *Measures on Supporting the Development of Equity Investment Enterprises in Haidian District*, Article 9 & 12

⁵⁹ Shanghai: *Opinions and Implementation Measures on Promoting the Development of Equity Investment Enterprises and Equity Investment Management Enterprises in Pudong New District*, Article 3

⁶⁰ Shenzhen: *Several Rules on Promoting the Development of Equity Investment Funds*, Section IV(1)

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
			capital no less than RMB5 million. ⁶¹ 2. Each EIME can apply for the reward for settlement in Shenzhen for 3 EIFEs managed by it. Any other EIFEs managed by the same EIME shall apply separately. ⁶²							applicable regulations supporting the development of the finance industry ⁶³	
Tax Incentives for Fund	N/A	Applicable only to Fusheng Economic	Full refund of the local retained part of the paid	N/A	1. Full refund of the business tax for the first	Applicable only to the EIFEs registered	(1) The portion of the business	Enterprises will enjoy the following	(1) The portion of the business	(1) An EIFE, which conforms to applicable	Applicable only to the EIFEs

⁶¹ Shenzhen: *Operating Rules for the Development Fund for the Industry of Equity Investment Funds*, Article 6

⁶² Shenzhen: *Operating Rules for the Development Fund for the Industry of Equity Investment Funds*, Article 10

⁶³ *Implementation rules of Guangzhou Venture Capital Government Fund of Fund*, Article 5 (2)

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
		<p>Development Zone of Chongming, Shanghai: For business tax, the amount of tax refund is equal to 40% of the tax paid. For enterprise income tax, the amount of tax refund is equal to 16% of the tax paid.</p> <p>Applicable only to</p>	<p>enterprise income tax in the first 2 years and half refund in following 3 years.⁶⁴</p>		<p>and second year by the financial department, and 50% refund from the 3rd year to the 5th year</p> <p>2. Full refund of the local retained part of the paid enterprise income tax, and half refund in the following 3 years.</p> <p>3. For EIFEs</p>	<p>and making record-filing in the Suzhou Industrial Park: 50% of the portion of business tax and enterprise income tax retained by the Industry Park will be refunded during the first six years following</p>	<p>tax to be paid to regional tax authorities in the first 3 years following the commencement of business is fully refunded as award by financial authorities in accordance with tax sharing policy of</p>	<p>incentives after being filed with the financial office of the autonomous region⁶⁷: EIFEs in form of companies can enjoy the incentives based on the Western Development project, tax paid to</p>	<p>tax to be paid to the city and the district (city) in the first 2 years following the commencement of business is fully refunded. Half of such tax to be paid in the subsequent 3 years will be refunded.</p>	<p>regulations regarding VCIE at the national level and has submitted a recording-filing in accordance with applicable regulations, can enjoy the tax incentive to set off its enterprise income tax by certain percentage of its amount</p>	<p>has made the record-filing to the local authority: (1) 50% of the portion of the income tax to be paid to regional tax authorities in the first 2 years</p>

⁶⁴ Shenzhen: *Several Rules on Promoting the Development of Equity Investment Funds*, Section IV(3)

⁶⁷ *Interim Measures on the Promotion of Development of Equity Investment Enterprises of Xinjiang Autonomous Region*, Article 21

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
		<p>Harbor Industrial Zone (Pudong): For individual income tax, the amount of tax refund is usually equal to 10% to 15% of the tax paid (20% at the most). For business tax, the amount of tax refund is equal to 30% to 40% of the</p>			that have difficulties paying taxes for newly bought or built offices, waiver of deed tax and property tax for 3 years. ⁶⁵	the commencement of business of the EIFEs. ⁶⁶	the city and the county (city). Half of such tax to be paid in the subsequent two years will be refunded. (2) From the year when the fund generates profits and during the	the autonomous region is allowed a 50% reduction. For those enterprises which do not enjoy the incentives based on the Western China Development project, 70% of the	(2) The portion of the income tax to be paid to the city and the district (city) in the first 2 years following the commencement of business is fully refunded. Half of such tax to	of investment in accordance with the law ⁷¹ (2) The gains from production and other income of partnership EIFEs or EIMEs conforms to the principle of "tax after	following the funds profits will be refunded and 25% of such tax to be paid to the regional tax authority in the subsequent 3 years will be

⁶⁵ Chongqing: *Opinions of People's Government of Chongqing on Encouraging the Development of Equity Investment Related Enterprises*, Section II

⁶⁶ *Several Opinions regarding the Promoting Development of the Equity Investment Funds in Suzhou Industry Park*, Article 15

⁷¹ *Implementation rules of Guangzhou Venture Capital Government Fund of Fund*, Article 4 (3)

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
		<p>tax paid.</p> <p>Applicable only to Wanxiang County (Pudong):</p> <p>For business tax, the amount of tax refund is equal to 45% of the tax paid. For enterprise income tax, the amount of tax refund is equal to 18% of the tax paid. For</p>					<p>existence of the fund, 70% of the enterprise income tax that is paid to regional tax authorities will be funded as award by the financial department of the city in accordance with the tax sharing policy of</p> <p>enterprise income tax paid to the autonomous region is waived.</p> <p>(2) For equity investment profits and equity transfer profits obtained by EIFEs, and for share transfer by the partner of an EIFE,</p>	<p>be paid in the subsequent 3 years will be refunded.⁷⁰</p>	<p>distribution of profits”, where the partners pay off their individual income tax or enterprise income tax, respectively⁷²</p>	<p>refunded.⁷³</p> <p>For the EIFEs registered in the Cross Strait Financial Center and making record-filing with local authority, 60% of</p>	

⁷⁰ Chengdu: *Opinion on Promoting the Development of Equity Investment Funds*, Section V(3), V(4)

⁷² *Implementation rules of Guangzhou Venture Capital Government Fund of Fund*, Article 4 (2)

⁷³ Xiamen: *Several Rules Regarding Promoting the Development of the Equity Investment Enterprises*, Article 16

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
		<p>individual income tax, the amount of tax refund is equal to 18% of the tax paid.</p> <p>In case the incentives offered by Pudong New District on the district level overlap with those offered by Harbor Industrial Zone and Wanxiang County, then enterprises registered in</p>					<p>the city, district and county (city).</p> <p>(3) Corporate-f orm or partnership EIFEs, which moved to the autonomou s region and conforms to the filing condition with the financial office of the autonomou</p>				<p>income tax to be paid to the regional tax authority will be refunded in the first 2 years and 30% will be refunded in the subsequ ent 3 years.⁷⁴</p>

⁷⁴ Xiamen: *Several Rules Regarding Promoting the Development of the Equity Investment Enterprises*, Article 21

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
		Harbor Industrial Zone and Wanxiang County are entitled to the nonoverlapping incentives and may also choose to apply either, but not both of the overlapping incentives.						s region, may enjoy the above-mentioned incentives from 2010 to 2020 ⁶⁸ (4) Corporate-form or partnership EIFEs, 70% of whose equity interest is held by individuals and the individuals			

⁶⁸ Notice on Encouraging Equity Investment Enterprises to Move into the Autonomous Region, Article 2

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
								<p>promise to choose the autonomous region as the place to pay individual income tax, may enjoy the preferential policy that the enterprise income tax in the first two years following the tax year in which the EIFE gets its first operation</p>			

Type	Beijing ⁵¹	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
								gains will be fully refunded. Such tax to be paid in the subsequent 3 years will be refunded. ⁶⁹			

Chart III Tax Incentives for Management Enterprises and General Partners

Type	Beijing ⁷⁵	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
Tax Incentives for Management Enterprises/G	1. For corporate PE management company	N/A	Within any single year, the same enterprise	For management companies filed with	1. Full refund of the business	Applicable only to the EIMEs registered	N/A	N/A	N/A	N/A	Applicable only to the EIMEs has made

⁶⁹ Notice on Encouraging Equity Investment Enterprises to Move into the Autonomous Region, Article 3

Type	Beijing ⁷⁵	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
P	managing a fund with more than RMB 500 million paid-in capital, full refund of the district/county local retained part of its paid enterprise income tax in the first 2 years and half refund in the next 3 years; ⁷⁶ 2. Business		shall not duplicatedly apply for the following incentives of enterprise income tax and business tax along with the reward for investing in Shenzhen and withdrawing from the program. ⁷⁸ 1. Full refund of the local retained part	Tianjin NDRC: 1. Full refund of the local retained part of the paid enterprise income tax in the first 2 years and half refund in the next 3years; 2. Full refund of the local retained part of the paid	tax for the first and second year by the financial department, and 50% refund from the 3rd year to the 5th year 2. Full refund of the local retained part of the paid enterprise income tax, and half	and making record-filing in the Suzhou Industrial Park: 50% of the portion of business tax and enterprise income tax retained by the Industry Park will be refunded during the first six years following the commencement of business of the EIMEs. ⁸⁵					record-filing with local authority: (1) The following reward will be granted for the first 5 years following the fund generates profits: (a) 20% of the income tax to be paid to the regional tax authority, if the aggregate amount of capital managed by the EMIE is

⁷⁶ Beijing: *Opinions on Promoting the Development of Equity Investment Funds*, Article 9&10

⁷⁸ Shenzhen: *Operating Rules for the Development Fund for the Industry of Equity Investment Funds*, Article 7

⁸⁵ *Several Opinions regarding the Promoting Development of the Equity Investment Funds in Suzhou Industry Park*, Article 15

Type	Beijing ⁷⁵	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
	tax exemption for the GP in partnership funds if it contributes intangible assets or real properties, participations in the profit allocation and jointly assume investment risks and upon the transfer of its equity in the fund. ⁷⁷		of the paid enterprise income tax in the first 2 years and half refund in the next 3 years; ⁷⁹ 2. Full refund of the local retained part of the paid business tax in the first 2 years and half refund in the next 3 years; ⁸⁰	business tax in the first 2 years and half refund in the next 3 years; 3. The office purchase or construction will be exempt from real estate tax for 3 years and from deed tax. ⁸³	refund in the following 3 years. ⁸⁴						between RMB 200 million to RMB 500 million; (2) 30% of such tax if the capital managed is between RMB 500 million and RMB 1 billion; (3) 50% of such tax if the capital managed exceeds RMB 1 billion. ⁸⁶ For the EIMEs registered in Cross Strait Financial Centre and making

⁷⁷ Beijing: *Opinions on Promoting the Development of Equity Investment Funds*, Article 6

⁷⁹ Shenzhen: *Notice on Further Supporting the Development of Equity Investment Funds*, Section II

⁸⁰ Shenzhen: *Notice on Further Supporting the Development of Equity Investment Funds*, Section I

Type	Beijing ⁷⁵	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
			3. Business tax exemption for the GP in partnership funds if it contributes intangible assets or real properties, participations in the profit allocation and jointly assume investment risks and upon the transfer of its equity in								record-filing, the aforementioned tax reward will be respectively increased to 30%, 40% and 60% of income tax to be paid to regional tax authority.

⁸³ Tianjin: *Measures on Promoting the Development of Equity Investment Funds*, VIII

⁸⁴ Chongqing: *Opinions of People's Government of Chongqing on Encouraging the Development of Equity Investment Related Enterprises*, Section II

⁸⁶ Xiamen: *Several Rules Regarding Promoting the Development of the Equity Investment Enterprises*, Article 17

Type	Beijing ⁷⁵	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
			the fund. ⁸¹ 4. A lump sum reward of 30% of local tax revenues derived from the income tax paid by the LPs of the EIFEs to the LPs, if the EIFEs invests in an disposition of portfolio companies or projects in Shenzhen. ⁸²								
Office Subsidy	For corporate PE	Pudong District only:	Only one party, either	1. A lump-sum	1. A lump sum	Applicable only in	For EIMEs that have	N/A	Within the Chengdu	N/A	Applicable only to the

⁸¹ Shenzhen: *Several Rules on Promoting the Development of Equity Investment Funds*, Section III(4)

⁸² Shenzhen: *Operating Rules for the Development Fund for the Industry of Equity Investment Fund*, Article 8

Type	Beijing ⁷⁵	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
	management company managing a fund with more than RMB 500 million paid-in capital (Jinrong Jie, Xicheng District, Beijing CBD and Chaoyang District only):	1. A subsidy of 1.5% of the purchase price if purchasing an office in Lujiazui or Zhangjiang; 2. A subsidy of RMB 500/m ² /year for office lease in Lujiazui or Zhangjiang. ⁸⁸	the EIFE or its EIME, may apply for the following office subsidies: ⁸⁹ 1. A subsidy of 1.5% of the purchase price up to RMB 5 million with a 10-year transfer lock-up upon office purchase in Shenzhen,	subsidy of RMB 1,000/m ² up to RMB 5 million with a 10-year transfer lock-up upon office purchase in Tianjin; 2. A subsidy of 30% of the lower of the actual office rental and the market rental for 3 years up to	subsidy of RMB 1000/m ² within a 5 year lease lock-up upon office purchased or established in the central commercial district or northern new district. The office	Suzhou Industrial Park: For EIFEs and EIMEs which are filed with the industrial park, in case such enterprises rent offices for their own use within the industrial park, a subsidy equal to 30% of the renting price will be awarded in the first 3 years, with the maximum	completed filing procedures, if such enterprises purchase offices within the city for its own use, a lump sum package of subsidies will be awarded to such enterprises. The amount of the subsidies is RMB 600/m ²		Commercial District for Financial Headquarters, a lump-sum subsidy of RMB 1000/m ² for office purchase; a subsidy of RMB20/m ² per month for 3 years for office lease; a subsidy of a transfer price at the removal cost of the land for office establishment		record-filing EIFEs with a registered capital more than RMB 1 billion: (1) if purchasing an office in Xiamen, a subsidy of 5% (up to RMB 800 per square meter) of the purchase price up to RMB 4 million will be granted. Such subsidy will be paid in five installment within 5 years.

⁸⁸ Shanghai: *Opinions and Implementation Measures on Promoting the Development of Equity Investment Enterprises and Equity Investment Management Enterprises in Pudong New District*, Article 6

⁸⁹ Shenzhen: *Operating Rules for the Development Fund for the Industry of Equity Investment Fund*, Article 9

Type	Beijing ⁷⁵	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
	1,000/m ² with a 5-year transfer lock-up upon an office purchase; 2. A lease subsidy of 50%, 30% and 10% of the fund's office rental in first 3 years, respectively ⁸⁷ Applicable in Haidian		which can be only applied for once; 2. A subsidy of 30% of the market rental for 3 years up to RMB 1 million for office lease in Shenzhen. ⁹⁰	1,000m ² and RMB 1 million for office lease in Tianjin. ⁹¹	can not be leased to any third party if such subsidy is granted, 2. A subsidy of 30% of the market rental for 3 years for office lease in Chongqing (the specific subsidy	subsidy being RMB 24/m ² per day. The said enterprises, when enjoying the subsidies, are not allowed to subrent the office to others.	with the total amount not exceeding RMB 200,000. Deed tax will be refunded by financial departments, to the extent that the office is within 300/m ² . Such enterprises may also apply for reduction or waiver of		. Each single EIFEs may receive the subsidy up to RMB5 million with a written promise not to move out of Chengdu in the following 5 years ⁹²		(2) if renting office in Xiamen, a subsidy of 20% of the renting price in the first 3 years up to RMB 0.8 million. (3) when enjoying the aforementioned renting subsidy, the EIFEs are not allowed to subrent the office to others. (4) A EIFE can choose to enjoy one of the aforementioned

⁸⁷ Implementation Rules on Promoting the Development of Financial Industry in the Capital, Section 8&9

⁹⁰ Shenzhen: Several Rules on Promoting the Development of Equity Investment Funds, Section IV (3), (4)

⁹¹ Tianjin: Measures on Promoting the Development of Equity Investment Funds, VIII(4)

⁹² Chengdu: Opinion on Promoting the Development of Equity Investment Funds, Section V(1); Several Opinions on Further Promoting the Development of Financial Industry, Section II(6)

Type	Beijing ⁷⁵	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
	District only: For EIFEs and headquarter EIMEs, a lease subsidy of 50%, 30 and 20% of the fund's office rental in the first 3 years, respectively.				standard shall be calculated based on the average rental in the same area.)		deed tax in accordance with law. Enterprises enjoying the foregoing subsidies or waiver of tax are not allowed to sell the real property (used as office) or contribute such real property to other enterprises. If the foregoing EIMEs rent				purchasing and renting subsidies, but cannot enjoy them both. For the EIMEs registered in Cross Strait Financial Centre and making record-filing, the Xiamen municipality will grant the further subsidies. ⁹³

⁹³ Xiamen: *Several Rules Regarding Promoting the Development of the Equity Investment Enterprises*, Article 15, 22

Type	Beijing ⁷⁵	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou Industrial Park	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
							office places for their own use, then 50% of the rent to be paid in the following 3 years will be awarded to such EIMEs as subsidies (the amount of subsidies will be determined based on the average renting price for offices of the same level within the same area.				

Chart IV Comparison on Local Investment Awards

Type	Beijing	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
Local Investment Rewards	N/A	Pudong District only: Cash reward of 50% of Pudong local retained tax from the fund's investment in portfolio companies organized in Pudong and engaged in an	Within each single year, the same enterprise shall not duplicatedly apply for the following local investment rewards along with the incentives for enterprise income tax and business tax. ⁹⁵	Cash reward of 60% of local retained tax revenues derived from investments in and disposition of portfolio companies or projects in Tianjin. ⁹⁷	N/A	Applicable only in Suzhou Industrial Park: (1) The industrial park will give a 50% award to the individual shareholders of VCIEs (in the form of partnership) for 6 years based on the increased local	If an enterprise that has completed the file procedures invests in the enterprises or projects in the city, the financial department of the city will award such enterprise income tax retained by	After an enterprise is filed with the financial office of the autonomous region, it will receive the following awards ⁹⁸ : (1) After the individual shareholders of enterprises (in the form of companies) pay off their individual income tax, the	(1) The Special Fund for Venture Capital Risk Subsidy in Chengdu has the character of local investment reward. (2) The EFIEs will be awarded RMB 0.1	N/A	For all EIFEs registered and has made the record-filing in Xiamen: (1)Cash reward of 5% of the portion of enterprise income tax to be paid to the local tax authority, if the EIFE invests in the enterprises or projects domiciled in

Type	Beijing	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
		encouraged industry. ⁹⁴	A lump sum cash reward of 30% of local tax revenues derived from investments in and disposition of portfolio companies or projects in Shenzhen, each up to RMB 3 million. ⁹⁶			finance. (2) Within 6 years after the commencement of business, a development award will be given to the enterprises equal to 50% of the amount of total increase of local finance as the result of the revenues and profits generated by such	the region after the enterprise exists or receives profits.	autonomous region will award to such shareholders 50% percent of their contribution to the local finance. (3) After the shareholders of VCIEs (in the form of partnership) pay off their income tax in accordance with the principle of “tax after	million for each single investment over RMB30 million into unlisted enterprises in Chengdu. ¹⁰⁰		Xiamen. For all EMIEs registered in the Cross-Strait Financial Center, the aforementioned cash reward will be 10% of the enterprise income tax retained by local tax authority. ¹⁰¹

⁹⁵ Shenzhen: *Operating Rules for the Development Fund for the Industry of Equity Investment Fund*, Article 7.

⁹⁷ Tianjin: *Measures on Promoting the Development of Equity Investment Funds*, VIII(6)

⁹⁸ *Interim Measures on the Promotion of Development of Equity Investment Enterprises of Xinjiang Autonomous Region*, Article 21

⁹⁴ Shanghai: *Opinions and Implementation Measures on Promoting the Development of Equity Investment Enterprises and Equity Investment Management Enterprises in Pudong New District*, Article 5

⁹⁶ Shenzhen: *Several Rules on Promoting the Development of Equity Investment Funds*, Section IV(2)

¹⁰⁰ Chengdu: *Opinions on Promoting the Development of Equity Investment Funds*, Section V(2)

¹⁰¹ Xiamen: *Several Rules Regarding Promoting the Development of the Equity Investment Enterprises*, Article 16, 21

Type	Beijing	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
						enterprises; and within 6 years after commencement of business, a development award will be given to the enterprises equal to 50% of the amount of total increase of local finance as the result of the earnings the employees in such enterprises (not exceeding 30% of the total employees)		distribution of profits”, the autonomous region will award to such shareholders 50% percent of their contribution to the local finance. (3) After VCIEs pay off their business tax for revenues generated from their provision of investment and financing management and consultation service, the autonomous region will award			

Type	Beijing	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
								<p>to such shareholders 50% percent of their contribution to the local finance.</p> <p>(4) Corporate-form or partnership EIFEs, which moved to the autonomous region and conforms to the filing condition with the financial office of the autonomous region, may enjoy the above-mentioned</p>			

Type	Beijing	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
								incentives from 2010 to 2020 ⁹⁹			
Rewards to Individuals	For corporate PE management company managing a fund with more than RMB 500 million paid-in capital: Cash refund up to RMB 300,000 from the local retained	Pudong District only: 1. For corporate fund and management companies, a 40% individual income tax refund to chairperson and vice chairperson of the board, general manager and deputy	Senior offices, satisfying certain conditions and verified by the human resources and insurance authorities, can benefit from talents introduction policies, get help with the settlement of their spouse,	Cash refund of local retained individual income tax to senior officers who have been in employ by the finance enterprise for more than 2 years, which may be used for the	Full refund of the local retained part of the paid individual income tax to senior offices for the first 3 years, and half refund for the following 2 years, to encourage and support their further	The senior officers of VCIEs and VCIMEs can enjoy preferential treatment such as subsidies for purchase of real properties, salary subsidies, post doctors' subsidies, rent discount, special subsidies, green light in Hukou	For senior officers who have been working for a VCME (which has completed procedures) for more than 2 years, their income tax paid for salaries will be completely refunded by the financial department annually in	N/A	Half of the portion of income tax, for salary and wage earned, actually paid to regional tax authorities of the year will be refunded. ¹⁰⁷	N/A	For the senior officers who have been working for a EIFE or EIME, from the second year to the fourth year, 40% of the individual income tax retained by local tax authority will be refunded. For the senior officers serve in the EIFEs or

⁹⁹ Notice on Encouraging Equity Investment Enterprises to Move into the Autonomous Region, Article 2

¹⁰⁷ Chengdu: Opinions on Promoting the Development of Equity Investment Funds, Section V(5)

Type	Beijing	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
	individual income tax revenue to senior officers who have been in employ by the finance enterprise for more than 2 years, which may be used for purchasing a residential property, an automobile and professional training in Beijing ¹⁰²	general manager and a 20% individual income tax refund to investment managers and core members of project management team; 2. RMB 200,000 housing subsidy for chairperson and vice chairperson of the board,	education of their children and medical insurances ¹⁰⁴	first-time purchase of a residential property, automobile or professional training in Tianjin for up to 5 years. ¹⁰⁵	education and training, purchase of real estate or so.	application, entrance to schools and cross-boarder travel, foreign exchange, logistics service, etc., in accordance with <i>Opinions on preferential Policy to Attract High-level talents and scarce talents of Suzhou Industrial Park, and Several Opinions on Implementation of "Golden Chicken Lake</i>	the amount equal to the portion retained by regional government.. The award period should last for no more than 5 years. International talents are entitled to enjoy the corresponding policy for talents of the city.				EIMEs registered in the Cross-strait Financial Center, the reward will be 50% of the individual income tax retained by local tax authority. ¹⁰⁸

¹⁰² *Implementation Rules on Promoting the Development of Financial Industry in the Capital*, Section 6

¹⁰⁴ Shenzhen: *Several Rules on Promoting the Development of Equity Investment Funds*, Section V(5).

¹⁰⁵ Tianjin: *Measures on Promoting the Development of Equity Investment Funds*, VIII(5)

Type	Beijing	Shanghai	Shenzhen	Tianjin	Chongqing	Suzhou	Changsha	Xinjiang	Chengdu	Guangzhou	Xiamen
		<p>general manager and deputy general managers if the registered capital of corporate fund reaches RMB 500 million or if the assets under management of management company reaches RMB 1 billion.¹⁰³</p>				<p><i>Double Hundreds Talents” program of Suzhou Industrial Park.¹⁰⁶</i></p>					

¹⁰⁸ Xiamen: *Several Rules Regarding Promoting the Development of the Equity Investment Enterprises*, Article 18, 23

¹⁰³ Shanghai: *Opinions and Implementation Measures on Promoting the Development of Equity Investment Enterprises and Equity Investment Management Enterprises in Pudong New District*, Article 4

¹⁰⁶ *Interim Measures for the Management of Venture Capital Investment Government FOF in Suzhou Industrial Park*, Article 17

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