



HUA-ANDER

CERTIFIED PUBLIC
ACCOUNTANTS



Member of Russell
Bedford International

COST-EFFECTIVE SOLUTIONS FOR GROWING BUSINESS



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INTRODUCTION

When you look for an accounting firm in China, it is usually not hard to find one. From small local firms to the "Big Four", all are available. However, in today's competitive and ever changing business environment, what you need but hard to find, is ingenuity, versatility, and creativity. That is the difference between ordinary accountants and entrepreneurial professionals. Hua-Ander CPAs are a team of such professionals and we are ready to serve you.

Hua-Ander is one of the first partnership accounting firms approved by the Ministry of Finance of the People's Republic of China. It has now grown into a prominent national firm driven by its commitment to clients' interest and satisfaction. As a member of Russell Bedford International, Hua-Ander is internationally recognized for its technical proficiency and high standards of quality. The membership enables Hua-Ander to better service multinational clients using the network's vast international resources.



Hua-Ander is a full service accounting firm providing diversified services from accounting, audit, and taxation to more multidisciplinary advisory and transaction services. Our international expertise and experience, facilitated by our strong English communication ability, give us advantages in servicing foreign entities in China. The knowledge and insight into the practice of local tax and other regulatory requirements enable us to provide practical solutions. High quality of services, and personal attention to each client and issue, plus reasonable fee, make Hua-Ander a best cost-effective alternative to the 'Big Four' in China.





ABOUT US

In 1997, a group of colleagues working at one of the 'Big Four', well-trained in professional practice with valuable experiences but resentful against the constrained creativity, somewhat bureaucratic management, and clients' complaint about high cost, decided to set up Hua-Ander accounting firm, a firm where both our dream client services and individual values can be realized.

It has been and will always be our mission to turn our expertise and experience into value for the benefit of our clients and our people, aiming to provide our clients with alternative cost-effective solutions. Looking back to the past decade, we are proud to see that Hua-Ander has grown into a prominent firm offering a variety of professional services, with a number of satisfied and loyal clients and much enlarged group of people of high integrity and capability.

Since the first day of Hua-Ander, we have established our core values and are constantly guided by them. Two Chinese characters 德 (virtue or integrity) and 技 (expertise or professional competence) set the core of our values. In everything we do, we are honest and act with integrity, both as an organization and as individuals. To provide high quality services, we strive to uphold the highest professional standards by developing unremittingly personal knowledge, skills, experience, and perspectives and sharing them with other members of the firm. Our business tenet is

*To win the trust with our honesty
and to serve clients with our
expertise*





OUR INTERNATIONAL CONNECTIONS

In July 2009, Hua-Ander joined Russell Bedford International, a global network of independent accountancy firms, business consultants and specialist legal advisers.

Ranked as one of the world's top 15 accounting networks*, Russell Bedford International is represented by some 460 partners, 5000 staff and 200 offices in more than 70 countries in Europe, the Americas, Middle East, Africa, Indian Sub-Continent and Asia-Pacific.

So wherever you are, and wherever you want to go, we are there to help you.

With Russell Bedford, you will have:

- ◆ access to a worldwide network of professional services firms with a wealth of practical commercial experience
- ◆ access to experts with the right skills, in the right place
- ◆ an understanding of the big picture and detailed local knowledge
- ◆ the rapid exchange of information
- ◆ access to specialists in your own sector of activity
- ◆ professional, personal service based on strong and established relationships

Russell Bedford International:
<http://www.russellbedford.com>

In the tax area, Hua-Ander also works closely with True Partners Consulting International (China), which is a member of True Partners Consulting International Network, a network of dynamic and fast-growing tax and business advisory firms with offices in the US, Europe, and Asia.

True Partners Consulting:
<http://www.TPCtax.com>

OUR PEOPLE

Hua-Ander recognizes that the ability to provide top-quality services depends on the dedication, professionalism, and expertise of its people. Many Hua-Ander professionals have years of experience working with the 'Big Four', and are experienced in serving the multinational organizations in the areas of audit, accounting, tax, and advisory.

Our values enable us to create a unique organizational culture, which is characterized as follows:

- ✧ *Always be honest and trustworthy* - to clients and to each other
- ✧ *Dedication to work* - doing things in professional way and manner, elimination of office politics
- ✧ *Constant self-development* - being enterprising and seeking higher technical competence through

self-study, training, and sharing knowledge and experience

- ✧ *Initiative and creativeness* - bringing everyone's potentials into play
- ✧ *Personal care* - creating an open, friendly, and relaxing atmosphere within the firm and close relationship with members of our clients
- ✧ *Teamwork* - bringing out the best in each other and creating strong and successful working relationships



OUR EXPERTISE

Hua-Ander is a full service accounting firm providing diversified services from accounting, audit, and taxation to more multidisciplinary advisory and transaction services.

In the 'traditional' service areas of accounting and tax, we have specialized teams dealing with daily routines and reporting requirements for small and mid-size WFOEs (wholly foreign owned enterprises), Sino-foreign joint ventures, and representative offices of foreign companies.

In the audit area, we are experienced in annual statutory audit, IFRS/US GAAP audit, participating in group audit, tax audit and foreign exchange review; Conducting dual audits that meet both Chinese statutory and the group's reporting requirements has been one of our cost-effective solutions to those multinational companies.

In the area of internal control design and implementation, a couple of big engagements starting from 1998 have rewarded us valuable experience and reputation among large international companies in China.

Since 2000, we have been actively involved in transaction services and financial advisory, as a result of more and more M&A operations. We have conducted successful financial and tax due diligence investigations for venture capitals, investment banks, and foreign companies seeking partners in China. In recent years, we have also provided pre-deal assistance and advisory to a number of local companies in their activities in the capital markets.



Statutory Audit

The Chinese laws require that all foreign investment companies and local limited liability companies to be audited annually by CPAs. The main purpose of the statutory audit, with the exception of meeting needs of investors, is to facilitate the annual examination with various governmental departments. The filing deadlines set by the departments vary from April 30 to June 30. Normally April 30 is regarded as the deadline for the statutory audit, which means that all statutory audits have to be performed during the four months from January to April.

When performing an audit, the CPA shall observe the Chinese Independent Auditing Standards (CIAS) promulgated by the Chinese Institute of Certified Public Accountants (CICPA). The objective of statutory audit is for the CPAs to express an opinion whether the financial statements present fairly, in all material respects, the company's financial position as at year end, the results of its operations and its cash flows for the year, in accordance with the requirements of both the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises.

Hua-Ander provides statutory audit service to foreign investment enterprises (FIEs, including joint ventures and WOFEs) and local limited liability companies all over China. In particular, we are experienced in auditing foreign investment companies and many of us have over ten years' experience serving FIEs. Our statutory audit service is featured with the following points:

- ✓ While targeting to meet the requirements of the government, we regard it a priority to meet the investors' needs of understanding the company's true financial situation, operational results, and cash flows
- ✓ We see the audit as a good opportunity of assisting the company in management improvements. Issuing a management letter is one of our communication vehicles with the management when we identify material weaknesses in internal controls and other financial and tax issues
- ✓ To facilitate foreign investors' reading of the audit report, we provide English version of the report if required



IFRS / US GAAP Audit

IFRS – International Financial Reporting Standards are becoming a single set of high quality, understandable and enforceable global standards. The adoption of IFRS in the EU, Australia, and many other countries from 2005 follows the global trend for enterprises to report under IFRS. In China, although IFRS are not officially adopted as the national accounting standards, the new Accounting Standards for Business Enterprises (ASBE) published in 2006 by the Ministry of Finance, PRC marked a significant step for Chinese accounting standards to move towards IFRS. The new Chinese Accounting Standards' scope includes all IFRS principles. There are, however, a small number of differences between them and IFRS to reflect unique circumstances in China, largely reflecting relationships between the state and corporate entities.

Hua-Ander provides ASBE-IFRS conversion service and IFRS audit to those foreign investment enterprises in China for group consolidation purpose or for ease of understanding of their foreign investors. For the group consolidation, Hua-Ander follows the audit instructions from the group auditor and prepares the report

package in accordance with pre-defined format. For stand-alone IFRS audit, we use the standard IFRS format in preparing the report package. Our IFRS audits are performed in accordance with the International Auditing Standards.

To those enterprises with origin of the countries that have not yet adopted IFRS, we provide ASBE-national GAAP Reporting Services. For example, many USA invested companies need our conversion and audit services along with the Chinese statutory audit.



Special Purpose Audit

Special purpose audits refer to those circumstances in which the auditor is required to report on specific financial information for specific purposes to specific users, in comparison with the general audit of financial statements. Special purpose audit engagements, according to the International Standard On Auditing, include audits of:

- A complete set of financial statements prepared in accordance with a an other comprehensive basis of accounting;
- A component of a complete set of general purpose or special purpose financial statements, such as a single financial statement, specified accounts, elements of accounts, or items in a financial statement;
- Compliance with contractual agreements; and
- Summarized financial statements.

Typical special purpose audit services we provide include the following non-standard audits:

- Tax audit
Examples include annual enterprise income tax audit for companies, annual tax audit for

representative offices of foreign companies, and specific-item tax report (e.g. disposal of assets)

As a member of the Chinese Certified Tax Agents Association (CCTAA), Hua-Ander CPAs is one of the few accounting firms authorized by the tax authorities to conduct full scope tax audit services, providing a cost-saving and efficient solution that integrates financial audit and tax audit.

- Review of foreign exchange transactions
- Audit of contract or agreement compliance
- Audit of project funded by a non-profit or non-government organization
- Audit of a segment or department
- Responsibility or performance audit
- Leaving-post audit
- Liquidation audit
- Internal audit
- Audit for loan purpose



Capital Verification

According to Chinese Laws, paid-in capital of all companies including foreign investment entities shall be verified by CPAs, who issue capital verification reports upon completion of all verification procedures. This applies to circumstances of initial establishment, increasing or decreasing registered capital, change of investors (shareholders), and merger and acquisition. The capital verification report serves as an important document in registration with government, annual examination, and issuing capital contribution certificates to investors or shareholders.

A representative office of a foreign company does not need capital verification as no registered capital is required for setup of the office.

Hua-Ander provides fast and cost-effective capital verification service to all companies registered in mainland China. The capital contributions can be in form of cash, physical assets, intangible assets, or profit from related party under same control of a holding entity. Confirmations with the bank (cash injection) and the State Foreign Exchange Administration are required in the case of foreign investment.



Financial Review

In most cases, a financial review refers to a review of financial statements. According to the International Standard on Review Engagements, the objective of a review of financial statements is to enable a CPA to state whether, on the basis of procedures which do not provide all the evidence that would be required in an audit, anything has come to the CPA's attention that causes the CPA to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework (negative assurance). Procedures for conducting a review of financial statements generally are limited to analytical procedures and inquiries. A review can therefore be regarded as a limited scope of audit with limited procedures and assurance.

A review of financial statements can serve a number of purposes, either to the entity itself or the third party. When a full-scope audit is not necessary, a review provides a cost-effective alternative; when an audit is difficult to perform or the CPA cannot express an audit opinion, a review can provide a basic understanding of the financial information.

Our financial review service can be more flexible in scope and objectives and be tailored to specific requirements of the client. In addition to review of financial statements, a financial review can be extended to related areas such as systems and controls, specific financial issues that the client concerns, and to tax issues. Such a review report can be used as an alternative to financial due diligence report.



Due Diligence

Due diligence plays a very important role in Merger and Acquisition (M&A) transactions. It helps acquiring or investing organization understand everything possible about the target company. It is a critical step in determining whether a deal or project is worth doing. A due diligence investigation is also helpful in some other circumstances such as when a company is interested in finding out more before entering into business partnership with another company or when a manufacturer looks for an ideal OEM who can meet as many his requirements as possible.

A comprehensive due diligence normally includes legal, financial, and operational aspects, conducted separately by lawyers, accountants, and industrial experts. Financial due diligence analyzes, qualitatively and quantitatively, how the target has performed financially to get a sense of earnings on a normalized basis. Of course, it is more important to assess whether or not the target company's projections or anticipated performance is reasonable, objective, and achievable by looking at and analyzing its past.

In addition, financial due diligence analyzes the assets and liabilities to be acquired. For example, is the pricing for raw materials on par with market value? Are there finished goods in stock that are unlikely to be sold within the next three to six months? Regarding liabilities, it's important to acquire only the liabilities

that have been incurred for purchases of inventory or services that occurred prior to the closing date.

Finally, financial due diligence will look at whether taxes have been filed appropriately by the target company. Does it have any potential or hidden tax or social insurance liabilities? It's important to ensure the target company has complied with all tax requirements.

As accountants specializing in financial and tax areas, Hua-Ander conducts financial due diligence individually or cooperatively with lawyers and other experts. In either case, we do not deem financial and tax aspects isolated. Instead, while focusing on the key financial and tax figures and issues, we consider wider scope of the target company from its strategic aspects to internal controls. Quite often, operational, organizational, and environmental considerations contribute a lot in assessing the financial and tax performance, both in the past and for the near future.

When the target company is a local growing company, we will pay special attention to those 'typical' practices and issues that often appear in such companies. Examples include hidden books and fake employees list arising from the consideration of tax and social insurance burdens.



Pre-deal Assistance

While due diligence is the most important part of pre-deal activities, we also offer other assistance related to M&A transactions and those transactions involving IPO and strategic investments. Contract assistance, transaction structuring, and integration/separation assistance are examples of the services.

One of the areas we are most experienced in is assisting the target company in streamlining the accounting report system and improving the internal control system before the transaction. The propose is to clean up its accounting system to meet the basic

requirements of applicable accounting standards and to enable the auditor or reporting accountant to perform his/her tasks smoothly and in a cost-effective way. Our accountants can also serve as a bridge between the company and the auditor/reporting accountant to make the communications between them more efficient and professional.



Accounting and Reporting

From the very beginning of Hua-Ander, accounting services have been one of its core businesses and now we have a full range of services for your choice, from simple but sensitive work such as the cashier function to high-level sophisticated controller function.

- Cash and bank custodianship: receipts and payments, bank reconciliation, cash report
- Expenses handling and reporting (for rep offices)
- Complete bookkeeping and reporting (for companies): ledgers, vouchers, journal entry, reconciliation, accounts closing, statutory reporting, group reporting in English language and in pre-defined format/GAAP
- Statutory filing of financial report with governmental agencies
- Payroll service (see [payroll](#))
- Accounting system design (see [accounting system](#))
- Management accounting (see [management accounting](#))

Other outsourcing services we provide to large companies can be tailored to the client's specific needs and requirements, examples include data entry, receivables and payables, staff expenses, inventory count, fixed assets management, segment reporting, and accounting software initialization.

Teamwork and review system are one of the most important advantages you can get from accounting outsourcing to Hua-Ander. This system maximizes the level of productivity, knowledge and experience that the client can get and minimize the risk of errors and frauds.

Hua-Ander accounting services teams regard them not only professionals who perform routine functions, meet deadlines, and answer questions from authorities and clients, but an integral part of the client company/office. Our approach is to think from the client's view-point and to act for the client's benefits.

Offering comprehensive, confidential, and high-quality professional services at reasonable and affordable fee is always our understanding of good services. In this regard, our service level plus very attractive fee will save not only you cost but also your time of choosing the right accounting firm for your needs.



Compilation Service

Compiling financial statements represents the most basic level of service CPAs provide with respect to financial statements. In a compilation, the CPA must comply with certain basic requirements of professional standards, such as having a knowledge of the client's industry and applicable accounting principles, having a general understanding of the nature of the client's business transactions, the nature and extent of accounting records maintained, the qualifications of the accounting personnel responsible for the accounting process, and the accounting basis on which the financial statements are to be presented, as well as the form and content of the financial statements. The CPA must carefully read the financial statements to determine whether there are any obvious departures from applicable accounting standards or generally accepted accounting principles. It may be necessary for the CPA to perform "other accounting services" - such as creating your general ledger, or assisting you with adjusting entries for your books - before the financial statements can be prepared.

Upon completion, a report on the financial statements is issued that states a compilation was performed in accordance with professional standards, but no assurance is expressed that the statements are in conformity with applicable accounting standards or generally accepted accounting principles. This is

known as the expression of "no assurance", compared to the "positive assurance" by an audit or the "limited (negative) assurance" by a review. A compilation service is required where small businesses wish to have the CPA prepare the financial statements in a professional way or the users do not need higher level of any assurance on the reliability of the financial statements.

Hua-Ander provides the compilation service to companies of any size or type. The compilation can be performed in accordance with any comprehensive basis of accounting, be it the International Financial Reporting Standards, the Chinese Accounting Standards for Business Enterprises, or US GAAP. Our compilation service provides the clients with a low-cost option when a full audit or review is not required. In addition, when a client needs the compilation on a regular basis, our accounting service team offers more attractive service packages; when a set of clean financial statements are needed for audit in M&A transactions, our pre-deal accounting assistance provides a one-stop solution from account-level review to final preparation of financial statements.



Payroll and Benefits

Payroll & benefits processing outsourcing becomes more and more popular nowadays. Payroll, payroll record keeping, payroll tax reporting has become both complex and full of traps for the unwary or uneducated. The process can be very time consuming and expensive. By outsourcing your payroll processing organizations are avoiding risks and taking advantage of all the advances in technology to save time and money.

Chinese tax laws and regulations are complicated and ever changing; the social and labor insurances are becoming forceful and more related legal responsibilities of both organizations and individuals need to fulfill and undertake. To correctly and accurately process payroll-related routines can be challenging. Our service is your best guarantee of getting these responsibilities undertaken with minimum cost and time. At Hua-Ander, we have professionals specializing in payroll processing, social insurance contributions, individual income tax (IIT), and e-banking. For rep offices, we work closely with organizations such as FESCO to optimize the payroll and benefit profile of both expatriates and local staff. For companies, we work jointly with the HR department and do all the routines correctly. What a staff member of the client gets will be the net pay in his/her personal bank account, a detailed pay slip, the completed IIT return from the tax bureau, confirmed

correct numbers of social insurance contributions from government entities, and peace of mind.

Our Services include (but are not limited to) such work as

- preparation of employee monthly payroll details, including calculations of IIT and social and labor insurance contributions payable
- payroll slips
- payroll ledger
- payment of net pay electronically
- registration and de-registration of expatriates
- reporting of newly hired and resigning employees to the various agencies as stipulated by legislation in China
- arranging payment of IIT
- arranging payment of social and labor insurance contributions
- consultation on labor contract, payroll and benefits profile, and labor dispute



Accounting System

Every business needs information from its accounting system. To produce reliable, accurate, relevant, and easy-to-use information for management and external users, the accounting system itself must be well-designed and well-organized in accordance with generally accepted accounting principles or accounting standards. A good accounting system is fundamental to the generation of reliable and accurate financial information, since the system is a set of methods, concepts, structure and procedures, in which financial information is gathered, processed, and summarized into financial statements and reports.

Once you have realized the importance of the accounting system, you would wonder how your business can have a good accounting system and what we can do for you. Hua-Ander can provide assistance in setting up or designing a new system for new businesses and in reviewing and restructuring the existing system for those entities already in operation. Typically, our focus will be put on the following main components of the accounting system:

- Accounting and financial rules and policies
- Structure and duty assignment of accounting department
- Main accounting treatments and procedures
- Chart of accounts
- Ledgers

- Structure of financial statements

A good accounting system is not a copy of general accounting standards or regulations. In designing the system, we consider many factors: the size, type, and structure of the entity, the industry in which the entity operates, the Group/parent company/investing party's specific accounting policies and requirements for special reporting purposes such as consolidation or segment reporting, the requirements of internal control, compliance with applicable accounting standards or GAAP, and tax considerations.

When the client opts for a computerized or automated accounting system, we can help choosing or recommend a software package suitable to the client's needs and environment. Based on the setup of the above-mentioned main components, we can assist in initializing the software system by properly setting up the accounts, ledgers, and statements configurations, having test-run of the system and data entry of beginning balances. If a manual system was used before, a conversion service is also available from Hua-Ander.



Management Accounting

One of the major uses of accounting information is assist management making decisions and managerial control functions. Management accounting, or managerial accounting, provides information mainly to management of an entity, analyzing individual and specific problems for decision making in various departments of a business. Management of a company, whether large or small, welcomes accounting information that is succinct, relevant, and helpful to their control of business and understanding of the performance and issues of the company, especially where information is presented as ratios or graphs and accompanied with an appropriate narrative interpretation.

While many companies outsource their financial accounting functions, more and more companies are realizing the need and benefits of outsourcing management accounting functions as one of the more effective management tools.

At Hua-Ander, we have experts in the area of management accounting available to contribute their expertise and experience to your control of business and management decision-making. We can work independently or jointly with your own people. We can act as your financial controller, management accountant, or financial analyst to provide on-going advisory, assistance, and management information; we can produce management accounts in a format

that suits your business needs; we can also undertake one-off assignments with the following examples:

- profit and loss analysis - margins, cost and expenses change and proportions, for the business or analyzed by department
- balance sheet item analysis - ratios, aging analysis, etc.
- cash flows analysis
- budgeting and budget analysis
- cost variance analysis
- credit control
- inventory/fixed assets management
- personnel cost (payroll and benefits) analysis
- preparation/ review of business plans
- project appraisals
- product pricing analysis
- performance evaluation of business units or departments
- management accounting system setup
- internal control system and monitoring (see also 'internal control')



OUR SERVICES

Tax Services

Tax Compliance Services

Chinese tax laws and regulations have been undergoing on-going changes in the last two decades. As the laws and regulations become more mature and contain less loopholes and conflicts, business entities in China are facing with a strict taxation regime requiring them to carefully manage their tax compliance obligations. These obligations can represent not only a substantial outflow of funds from a business, but also certain tax risks because of increased reporting requirements, a more proactive and investigative approach by the tax authorities and harsher penalties for compliance failure.

Major taxes in China

- Enterprise income tax, applicable to all foreign investment enterprises (FIEs) and local Chinese companies, and to non-resident foreign companies where a payment of interest, rental, royalty and other income is made
- Individual income tax, applicable to all expatriates working in China and local Chinese employees (different tariffs)
- Business tax, applicable to businesses which have relevant transactions such as services
- Value-added tax, applicable to businesses which have sales transactions
- Consumption tax
- Stamp tax
- Urban real estate tax
- Customs duties

Representative offices

Different tax reporting methods are being used to representative offices of foreign companies in China, depending on the relationship between the office and its parent company and its business scope and activities. With exception of tax exemption, offices with other tax reporting methods are required to file business tax and income tax quarterly. For example, when the cost (expenses)-plus method is applicable, the office shall file business tax return based on the deemed revenue at tax rate of 5% and income tax return based on the deemed income at tax rate of 33%. All personal income of employees of the office is subject to individual income tax, regardless of the office's tax reporting method.

How Hua-Ander can help

As a member of the Chinese Certified Tax Agents Association (CCTAA), Hua-Ander is authorized by tax authorities to undertake all tax-related assignments. Based on our tax expertise and experience and our good relationship with tax authorities, we can deliver cost-efficient tax compliance services to FIEs, representative offices, and their employees. Our regular services include preparation and filing of the following tax returns:

- Enterprise income tax returns, including the year-end clearance filing
- Business tax, value-added tax, and consumption tax returns
- Stamp duty returns
- Individual income tax returns, including the year-end self-reporting
- Withholding tax returns in respect of payments made overseas
- Export duty returns
- VAT refunds for export



Tax Planning and Advisory

Tax planning is a process of looking at various tax options in order to determine when, whether, and how to conduct business and personal transactions so that taxes are eliminated or reduced. As business management, and as an individual taxpayer, you will often have the option of completing a taxable transaction by more than one method. Choosing right tax planning strategies will reduce or avoid tax burden in the legal framework.

Hua-Ander tax experts can provide valuable tax planning and advices during different phases of your business in China:

- Establishment

As part of the policy of encouraging foreign investment in China, the government offers a variety of tax incentives to foreign investors. These incentives may change in the post-WTO era and when the new Law of Enterprise Income Tax becomes effective, it is likely that certain incentives will remain and new incentives will be introduced, especially to certain industries and special regions. We can help foreign investors to plan their location and type of new business and gain tax incentives when available, for example:

- Tax holidays for manufacturing enterprises, for export-oriented enterprises, and for hi-tech enterprises
- Tax incentives for companies located in special economic and technical development zones
- Tax incentives for purchasing locally-manufactured equipment
- Tax bonus for research and development activities
- Tax incentives for certified software companies

- During the normal operation

There are a number of tax regulations in respect to transactions of FIEs. The following are some of the circumstances in which FIEs need to carefully consider the tax implications and we can provide assistance and advice:

- Tax reductions/refund for re-investment and increasing registered capital using the retained earnings
- Distributing profit to overseas investors
- Paying royalties, management fee, loan interest, and service fees to overseas company



Tax Planning and Advisory (continued)

- Cost-sharing or revenue division with overseas company
- Corporate restructuring such as change of shares, merger and acquisition, equity transfer or asset transfer, buy-out of joint venture partners
- Designing the transfer pricing policy

- Exit

One of the most problematic issues one faces during the closure of a foreign investment enterprise or a representative office is tax clearance and de-registration with tax bureaus. We offer tax assistance in liquidation or closure of the enterprise or office:

- Advising on tax implications of different treatments of equity and assets
- Performing liquidation/closure tax audit
- Filing the tax clearance report to tax bureaus
- Performing de-registration procedures with tax bureaus

We can also assist FIEs in dealing with tax authorities in a number of tax issues, such as tax audit or inspection and penalties or/and surcharges due to tax non-compliance or tax evasion. We can provide daily on-going tax advice to enable clients to take advantages of any new tax laws and regulations and provisions and circulars from tax authorities and to avoid any tax risks during the daily operation of business.



OUR SERVICES

- Advisory Services

Business Advisory

China has been one of the most attractive areas for foreign investors, especially since the accession to WTO. As a result of the government effort to improve the investment environment, rules and procedures for setting up, maintaining, and closing a business in China have been significantly simplified. Yet, the practical procedures are still bureaucratic and sometimes burdensome and time-consuming. Our business service team at Hua-Ander is familiar with the procedures of setting up and maintaining businesses in China, whether the business is a representative office, a joint venture or a wholly foreign owned enterprise.

Business setup

- Preparing and filing documents for initial application for setup
- Applying for business license
- Opening bank accounts
- Performing capital verification (no need for rep offices)
- Registering with tax bureaus
- Assisting in tax assessment with tax bureaus (rep offices only)
- Registering with administration of foreign exchange
- Registering with other official departments
- Applying for work permit for expatriates
- Registering expatriates with local tax bureau

Change of business (increasing investment, changing shareholders, changing office location, or changing legal representatives)

- Preparing and filing documents for initial application for change(s)
- Renewing business license
- Re-registering with relevant bureaus

Annual examination

- Preparing and filing documents for annual examination with various bureaus (companies only)
- Performing year-end tax audit and tax clearance filing (rep offices only)
- Performing annual foreign exchange review (companies only)

Assistance in foreign exchange (FX) transactions

- Registering FX loans with the State Administration of Foreign Exchange (SAFE)
- Performing approval procedures for remittance of loan repayment, service fee, dividend, etc to overseas entities

Closure of business

- Standing in the liquidation committee
- Performing liquidation audits
- Advising on equity or asset transfer
- Assisting in the tax audit by the tax bureau
- Performing tax clearance procedures
- Closing bank accounts
- De-registering with relevant bureaus



Internal Control

It has been a common knowledge that good internal control is one of the most effective deterrent tools of fraud, a key factor in preventing financial misstatements, and overall, a means for improving decision making and driving competitive advantage. This point has been enhanced and focused by the Sarbanes-Oxley legislation in the U.S. in 2002, the resulting focus on internal controls is raising the bar for acceptable practices world-wide. Having effective and adequate internal controls is becoming a series of practices from something of urgency and top priority regarded by the CEO and the Board of Directors to the day to day tasks performed by employees company-wide. Similar to the U.S. situation, there is a clear trend toward requiring greater transparency in financial reporting and more accountability to investors in other parts of the world. The European Union's Company Law Directives and the Chinese Norms for Internal Accounting Control in Enterprises all clearly reflect the trend.

How we can be of assistance

It is important to understand that internal control is not just a requirement of the Sarbanes-Oxley legislation applies only to public companies in the US; it is a foundation for management in an organization of any size and any nature. Strengthening internal controls is

an area that a business at any stage can benefit from. In fact, even in a small business with simple management structure, there exist certain controls in place; a simple example is expenses approval procedure, which can be seen nearly in every organization.

It is quite often, however, controls within an organization would have been designed and implemented in an unstructured manner, as the need arises, upon identifying a particular risk that needs to be addressed. In such cases, both duplication of tasks and the performance of superfluous controls and control gap in overlapping or overlooked areas may exist, resulting in unnecessarily high control cost or/and problems in effectiveness and efficiency of controls.

Our Hua-Ander professionals have an in-depth understanding of companies' situation, problems, and needs with respect to internal control and have accumulated valuable related experiences from a dozen of major internal controls assignments and regular audit practice. In undertaking internal control assignments, our practical, proactive but joint-force approach has resulted in cost-effective and practical internal control systems or procedures for our clients.



Internal Control (continued)

To address different needs from clients, we offer a variety of services that are flexible to client requirements and specific situation.

- ✓ Systematical design/restructuring of internal control system: to new companies and those existing companies that need a new/restructured system. Our final delivery is a set of control documentation containing policies, procedures (including flowcharts), instructions, and if desirable, forms.
- ✓ Review /diagnosis of internal control: review of the key processes and controls of the main cycles of the client's business, or otherwise limited to only one or two specific areas of business. Our final delivery is a report containing issues and recommendations for improvement.
- ✓ Internal audit assistance: full/partial responsibilities of the internal audit function, advisory and technical assistance to the internal audit department or team of the client.
- ✓ Drafting of procedures: working together with people of the client to setup specific working process and procedures for a certain function(s) or business cycle(s).
- ✓ Assistance with Sarbanes-Oxley compliance: preparing/review of related documentation for those companies that are required to be audited in conformity with the Sarbanes-Oxley regulations.
- ✓ Management letter: as a result of our value-added audit service, a management letter is normally issued after a statutory or IFRS audit, addressing the major internal control weaknesses we find during the audit and our recommendations for improvement.



OUR SERVICES

Advisory Services

Financial Advisory

Enterprises face more and more financial challenges and opportunities from both inside and outside of businesses. Hua-Ander financial experts provide advisory and assistance to help enterprises solve their problems, improve their financial management, and reach their strategic objectives.

- Advising on capital raising options
- Assistance in mergers & acquisitions activities (see also financial due diligence)
- Capital structure analysis
- Financial projections and modeling
- Analysis of cash flow and liquidity
- Investigating in debtors

Advising on reorganization of company finance functions and improvement of financial management

Training

In addition to our main professional services, we also provide training sessions as a value-added service to our clients. The training courses can be organized in flexible way and to suit the client's specific need and learning method. Our training courses are typically

integrated as an add-in with our other main services, as a tool of formal communication with members of our clients. An example is that when we complete design of the internal control system, we normally conduct a training session to relevant staff of the client.

Our technical updating courses are organized on a regular basis, aiming at updating the participants with new developments and changes in professional standards of accounting and auditing and new tax laws, regulations, provisions, and circulars. These courses are open to our existing audit, accounting and tax clients and serve as a vehicle facilitating the technical exchange between our clients and our professionals.

We also deliver special 'in-house services' for companies wishing to have a custom-designed course, with specific contents and training methods.



OUR PARTNERS

Guoqi WANG

Managing Partner, PhD, CPA, CTA (Certified Tax Agent)

Guoqi Wang is the Managing Partner of Hua-Ander and based in Beijing. With rich knowledge of international accounting, finance, and auditing and extensive experience in serving multinational entities, Guoqi has led numerous engagements in areas of business services, IFRS audit and review, due diligence, financial and tax advisory, and management consultancy. He is a member of Chinese Institute of Certified Public Accountants (CICPA) and Chinese Certified Tax Agents Association (CCTAA).

Guoqi received his Bachelor's and Master's degrees in Accounting from Renmin (People's) University of China in Beijing. He also earned his PhD in Accounting and Finance at the London School of Economics and Political Science in early 1990's. Prior to establishing Hua-Ander CPAs in 1997, he worked at one of the "Big Four" in Beijing in areas of training, business services and business advisory.



Jianchun REN

Partner, CPA, CTA

Jianchun Ren has two-decade of experience in Chinese accounting and tax, and providing audit and consulting services to Chinese companies and foreign investment enterprises (FIEs). The range of her expertise includes business advisory, Chinese statutory audit, tax planning, compliance and advisory, and internal control system design and reconstruction. She is a member of Chinese Institute of Certified Public Accountants (CICPA) and Chinese Certified Tax Agents Association (CCTAA).

Ren Jianchun holds a degree in Accountancy from Renmin University of China and has postgraduate education background. Prior to founding the firm in 1997, she worked as the controller at a large state-owned enterprise and, from 1994 at one of the "Big Four" in Beijing providing audit and business services.



OUR PARTNERS

(continued)

James Chang

Partner, CPA (AICPA), CPA (CICPA)

Armed with unique accounting and tax practical experience in both the USA and China, James has led hundred assignments covering audit and review, business advisory, and international tax planning and compliance. James is a practicing member of Chinese Institute of Certified Public Accountants (CICPA) and American Institute of Certified Public Accountants (AICPA).

James received his Bachelor of Science from New York University and his CPA certificate from New York State Society of CPAs. James worked at several CPA firms in New York and Beijing prior to joining Hua-Ander as a partner in 1999. James is one of the first foreign citizens who were approved as Chinese practicing CPAs in 1998.



Romona ZHAO

Partner, CPA

Romona has an intimate knowledge of Chinese and international accounting and auditing. The range of her expertise includes business advisory, Chinese statutory audit and IFRS audit, due diligence, and financial advisory. She is a member of Chinese Institute of Certified Public Accountants (CICPA).

Romona got a diploma in Accountancy from Capital Technology University. Prior to founding the firm, she worked at one of the "Big Four" in Beijing providing audit and business services.

Theresa LIU

Partner, CPA

Theresa has rich experience in Chinese statutory audit and IFRS audit, due diligence, and management and tax consulting. She has led and participated in a number of audit and consulting assignments to FIEs, particularly in manufacturing and IT service industries. Theresa is a member of Chinese Institute of Certified Public Accountants (CICPA).

Theresa graduated from Renmin University of China. Prior to founding the firm in 1997, Theresa worked at one of the "Big Four" in Beijing providing training and business services.



CONTACT US

BEIJING



Address: 5th Floor, Tower A
Kunsha Centre, 16 Xinyuanli
Chaoyang District, Beijing 100027
People's Republic of China

Telephone: (8610) 8468 2688

Facsimile: (8610) 8468 2988

E-mail: info@huaander.com

SHANGHAI



Address: 6A, East Hope Plaza
1777 Century Avenue
Pudong New District, Shanghai 200122
People's Republic of China

Telephone: (8621) 5820 8055 5820 7012 5820 7022 5820 7032

Facsimile: (8621) 5820 8599

E-mail: James_Chang@huaander.com

Web: <http://www.huaander.com>