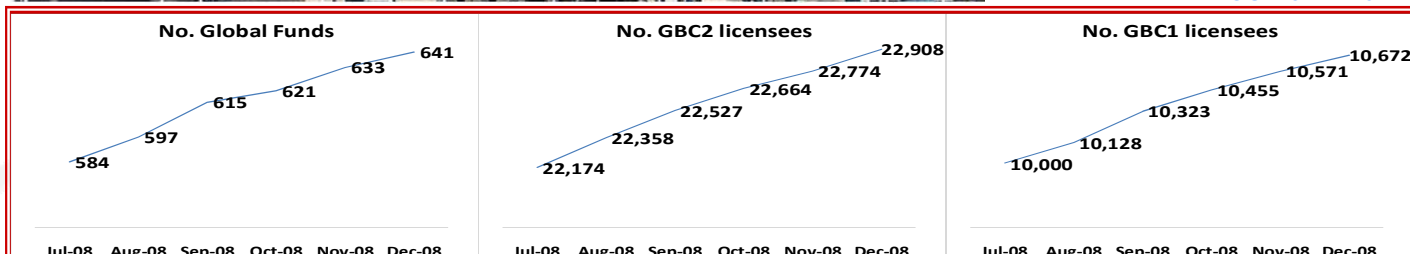




DEDICATED PROFESSIONALS AT YOUR SERVICE



Dear Readers

The State visit of the President of the People’s Republic of China, H.E. Mr Hu Jintao to Mauritius marks the start of a new era of cooperation and friendship between our two countries. This special relationship started officially nearly thirty seven years ago and has since then grown steadily in many economic and cultural fields. As the investors from the People’s Republic of China are looking very closely at investment opportunities in the African continent, they will find in the international financial services centre of Mauritius an ideal platform to structure their investments. Mauritius will undoubtedly be called up to act as a regional hub for Chinese investments in Africa. The MOU on Economic Cooperation between Mauritius and South Africa is further proof of the strengthening regional cooperation.

**Jimmy Wong**  
Managing Director

We would like to bring to the attention of our Global business customers that the summer time would end on 29th March 2009. Our standard time would be GMT +4 hours.

### MAURITIUS AND SOUTH AFRICA SIGN MOU ON ECONOMIC COOPERATION

Mauritius and South Africa have recently signed a Memorandum of Understanding (MoU) on economic cooperation. The agreement was signed in Cape Town by the Minister of Foreign Affairs, Regional Integration and International Trade, Dr. Arvin Boolell, and the Minister of Trade and Industry of South Africa, Mr Mandisi Mphahlele.

The MoU represents an important framework towards the strengthening of mutual economic ties and the promotion of investment opportunities as well as the enhancement of trade cooperation between the two countries. Potential investors will be offered opportunities on possibilities of the establishment, completion and/or rehabilitation of projects in various sectors as identified in the MoU. The agreement provides an important platform to strengthen ties both at the level of the government of Mauritius and South Africa and their respective private sectors.

“It is important for Mauritius to conclude this MoU which will enable a better cooperation in various fields”, Dr. Boolell said.

On this score, the two countries will try to develop industrial and technological cooperation between private sector organisations in fields that are relevant to their respective enterprises. These comprise possibilities of sensitizing potential investors, residents of South Africa, who are willing and capable of establishing projects in sectors such as energy, mining, transport and communication infrastructure, financial services, ICT, marine and seafood, health, fashion and textile and the manufacturing sector, amongst others.

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## RELAXATION IN FDI NORMS - INVESTING IN A 'STEP DOWN' SUBSIDIARY

Presently, if a foreign company invests into an Indian Company, and the Indian Company in turn makes a downstream investment in a step down subsidiary, then the shareholding of the foreign company in the step down subsidiary is deemed to be that which the foreign company holds in the first Indian company. The Government has now announced a relaxation which has bearing on investments in sectors where ceiling apply in respect of Foreign Direct Investment ('FDI') viz. retail, telecom, defence, banking, media, telecom, retailing etc.

To illustrate, we graphically present a few scenarios:

### Case I



Where the Foreign Company holds less than 50 per cent shares in the Indian Company A and the control vests with the Indian Shareholders and if Indian Company A makes a downstream investment, say 75 per cent, in Indian Company B even then FDI in Indian Company B would be deemed as NIL.

### Case II



Where the Foreign Company holds more than 50 per cent (say 51 per cent) shares in the Indian Company A and the control vests with the Foreign Company and if Indian Company A invests say 30 per cent in Indian Company B, then the entire downstream investment i.e. 30 per cent holding in Indian Company B is regarded as FDI.

### Case III



Where the Foreign Company holds say 51 per cent shares in the Indian Company A and /or control vests with the foreign company and if Indian Company A invests 100 per cent in Indian Company B, then FDI in Indian Company B would be deemed as 51 per cent.

Contact for Details ([sushil.chandra@asa.in](mailto:sushil.chandra@asa.in))

Delhi Office	Bangalore Office	Mumbai Office
KS HOUSE 118, SHAHPUR JAT NEW DELHI 110049, INDIA PHONE +91 11 4100 9999 FAX +91 11 4100 9990	AKRUTI ANTARA APARTMENTS FLAT 42, 11/1 HAUDIN ROAD BANGALORE 560 042, INDIA PHONE + 91 80 4151 0751 FAX + 91 80 4113 5109	B-2 MANOJ PREMISES G D AMBEKAR ROAD WADALA MUMBAI 400 031, INDIA PHONE + 91 22 2410 4000 FAX + 91 22 2410 6263

## SADC's review of Trade and Investment in Mauritius for the year 2007-2008

**A review by SADC (Southern African Development Community) shows that Sound macro-economic policies, backed by the stability provided by a democratic political system and a cohesive society have contributed to the strong economic performance in Mauritius.**

Agriculture, manufacturing, tourism and financial services constitute the main pillars of the economy. In fact, the share of agriculture in real GDP decreased, whilst the services sector, dominated by tourism and financial services, has emerged as the most important sector of the economy, accounting for around 51.7 percent of real GDP. Services exports generate more than one-third of total foreign exchange earnings, with tourism contributing the largest and increasing share.

The rapid growth of the manufacturing sector in Mauritius has depended mainly on exports of textile and clothing to its preferential markets like Europe, where the country has enjoyed duty and quota-free access under the Lomé Convention and the Cotonou Agreement. However, the dismantlement of the MultiFibre Agreement and trade liberalisation has been a severe setback. The export structure has recently registered some change as a result of the adoption and extension of the Africa Growth and Opportunity Act (AGOA) intended to increase exports to the United States.

However, the refusal of the United States to extend the third country fabric derogation to Mauritius is undermining the Mauritian textile and apparel sector. The dismantling of the Multi-fibre Agreement at the beginning of 2005 has already exposed the country's textile sector to the fierce competition emerging from big low-cost developing countries such as India, China, Thailand, etc. This has resulted in the closing down of factories and the resulting losses in employment and government revenue.

Mauritius is now poised to become a cyber-island and to serve as an info-communications hub in the region. In fact, it is the Government's declared policy to make ICT the fifth pillar of the economy alongside sugar, textiles, tourism and financial services and to transform Mauritius into an Information society. The ICT sector is viewed as an important engine of growth for wealth and job creation and Government has provided various incentives in view of developing Mauritius as an attractive investment location for ICT. Besides, following the Government's objective of developing Mauritius as a competitive outsourcing destination for ICT and BPO/ITES, the ICT industry has evolved towards exports-oriented services. An increasing number of foreign ICT companies have set up their development centres in Mauritius to conduct software development, multimedia, BPO and ITES activities for the export market.

Mauritius is also engaged in the creation of a sea food hub. The Mauritius Exclusive Economic Zone stretches more than 1.8 million sq. kms and abounds with opportunities for lagoon based intensive farming and high seas extensive farming using modern, high-tech floating cages technology. More importantly Port Louis is now ready to act as a platform for fish landing, processing and re-shipment. In this regard, the appropriate legal framework and infrastructural facilities are being put in place for the above activities, and for servicing of fishing vessels. Mauritius has also taken positive steps in promoting itself as a platform to deliver on emerging services. It has embarked on initiatives to position itself as a knowledge hub through the creation of centres of excellence. **In so doing, it is welcoming high-level institutions to establish presence on the island.** Moreover, the country also envisages exporting its services in this sector in the region under the terms and conditions of existing specific protocols.

In keeping with the philosophy of enlarging economic integration at continental level there would need to be convergence on the trade agenda among the different economic blocs in the region. This would facilitate the integration of our economies in an increasingly liberalised trading environment.

### Mauritius and China consolidate friendly ties

The President of the People's Republic of China, H.E. Mr. Hu Jintao, was on a State visit to Mauritius on 16 and 17 February 2009. The Chinese President had talks with the Prime Minister, Dr. Navinchandra Ramgoolam on the implementation of some major projects.

An Agreement on the funding of the SSR International Airport Terminal Extension Project and a General Grant Agreement was also signed. **H.E. Mr Hu Jintao and Mauritian prime minister Navinchandra Ramgoolam also signed an interest-free loan deal from China to Mauritius worth \$6.5m, and a \$5m grant to the island. China is also considering the creation of an industrial zone outside the capital, Port Louis, worth \$750m that could create 34 000 jobs.**

A State banquet hosted by the Prime Minister at the Swami Vivekananda International Convention Centre was given in honour of the Chinese President. Moreover, President Hu Jintao proceeded on the second day of his visit to a wreath-laying ceremony and tree planting ceremony at the Sir Seewoosagur Ramgoolam Botanical Garden in Pamplemousses. The presidential delegation also visited the China Cultural Centre, Bell Village.

The Republic of Mauritius and the People's Republic of China established diplomatic relations on 15 April, 1972 and since then, the relationship between the two countries has seen a favorable and steady development. The past years have been marked by the consolidation of Mauritius-China relations characterised by cooperation and mutual understanding.

### Mauritius's Vice Prime Minister Reassures OECD

During a recent visit to Europe, Mauritius's Vice Prime Minister and Finance Minister Rama Sithanen defended Mauritian businesses and Mauritius's position as a tenable offshore jurisdiction, and consequently reiterated to the Organisation for Economic Co-operation and Development that Mauritius is not a 'tax haven'.

Endeavouring to promote the image of Mauritius within the financial services sector, and keen to assuage OECD concerns, Sithanen reassured those present of the integrity of the Global Business Centre in Mauritius, emphasising that Mauritius has an "effective exchange of information mechanism", demonstrating its commitment to transparency, coupled with efficient legislation, regulated by the Financial Services Commission, and designed to combat money laundering and terrorist activities.

The Vice Prime Minister's comments come in the wake of proposals by leaders from the OECD member nations to implement a new crackdown on offshore financial centres, aimed at tighter regulation of the global financial system. The initiative, led by the governments of France and Ger-

many, could lead to the drawing up of a new 'black list' of offshore jurisdictions still deemed to be 'uncooperative' or with tight banking secrecy and confidentiality laws.

However, Mauritius has already made great strides in constantly upgrading its legislative and regulatory framework. It has also entered into a considerable number of double-tax treaties, based on the OECD model treaty, and containing exchange of information clauses.

### "Despite of the recessions, GDP growth is higher than most of other countries" affirms Hon Sithanen

The Finance Minister says that CSO figures for GDP growth are only slightly down by 0.2 percent for September and that 95% of the solution to the credit crunch and financial crisis rested on global response.

According to the Finance Minister, a range of measures that will be adopted by the new US administration and a meeting of the main economic powers in Washington will determine the direction of the current uncertainty reigning in the world economy.

"This uncertainty is also affecting forecasts by the IMF and the OECD with both organisations frequently updating estimates, so far with negative corrections. There is poor visibility beyond the next three months on how the situation will evolve and our own response to hold off the negative impact of the global economic downturn is to join the international movement and pursue expansionary macroeconomic policies," he said.

In spite of the global recessions, Minister Sithanen said that growth in Mauritius was higher than in most other countries and significantly more robust than in 2005 when the external environment was favourable to growth.

Our reforms have opened the economy making it more versatile and dynamic so that we have potential offsets to declines in traditional sectors and traditional partners," said Sithanen.

On the other hand, open economies like Mauritius, with most of its partners in recession, and relying on exports of textiles, sugar, and tourism as mainstays of the economy would face downside risks to its growth.

"Our favourite holding period is forever."

~ Warren Buffet - Long Term Investing

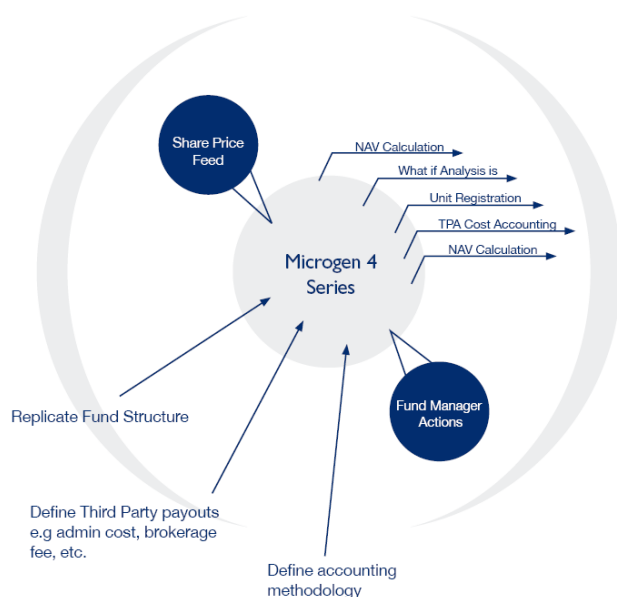
## THIRD PARTY FUND ADMINISTRATION

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

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

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

## Microgen 4 Series Powers DTOS Funds Services



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

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

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Amit Verma

Jimmy Wong, FCA, TEP  
Amit Verma

### DTOS Ltd

4th Floor, IBL House, Caudan  
Port Louis  
Republic of Mauritius  
Telephone: +230 203 2020  
Facsimile: +230 212 6149  
Email: info@dtos-mu.com  
bd@dtos-mu.com  
Website: http://www.dtos-mu.com

### Editorial Team

Jimmy Wong  
Amit Verma  
Kevin Allagapen  
Nikhilanand Gungah  
Andy Pun Sin

### Your Contacts

You may have specific business requirements, in which case you should contact:

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