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德勤

Research Report on the Investment
Environment of
Zhangjiang High-Tech Industrial Development
Zone, Qingpu District, Shanghai





Nanjing ○

Nantong ○

Qingpu District

Shanghai

Suzhou ○

Hongqiao International Airport



Pudong International Airport

Jiaxing ○

Hangzhou ○

Ningbo ○

Leveraging Dahongqiao's strengths

- Dahongqiao in western Shanghai is a hub for the Yangtze River Delta
- Well-developed domestic and international transportation networks
- Well-developed infrastructure
- Excellent support system for international business

Integration into Zhangjiang

- "Pilot Implementation Policy"
- Innovation driven
- Scientific research environment

Concentration of high-tech industries

- Advanced heavy equipment
- New materials
- Biomedicine

Desirable living environment

- Balanced integration of industrial and residential facilities
- Ecologically balanced, low-carbon, environmentally friendly
- Variety of resources for business and leisure

Preface

In the western suburbs of Shanghai, at the center of China's economically dynamic Yangtze River Delta region ("Yangtze River Delta"), Shanghai's Qingpu District ("Shanghai Qingpu" or "Qingpu") is located at the junction between the provinces of Jiangsu and Zhejiang and the city of Shanghai. With its well-developed ground and water transportation networks, Qingpu serves as a transportation hub leading into Zhejiang and Jiangsu, as well as Shanghai's western portal into the Mainland.

Zhangjiang Qingpu High-Tech Industrial Development Zone in Shanghai's Qingpu District ("Zhangjiang Qingpu High-Tech Park" or "Park") is located in the new town of Qingpu. The area has also been designated a state-level industrial development zone and is an important component of the Zhangjiang High-Tech Industrial Development Zone ("Zhangjiang High-Tech Zone").

In accordance with the 12th Five-Year Plan, Qingpu District is leveraging its geographical advantages and the well-developed business climate in both Shanghai and the Yangtze River Delta region to build a distinctive, modern district that uniquely combines green industry, modern businesses, leisure and tourism, and eco-living. Zhangjiang Qingpu High-Tech Park is also integrating the area as one of the country's model zones for innovation, and is working collaboratively to restructure Qingpu's industries to further promote the economic progress of Shanghai.

Deloitte Touche Tohmatsu CPA Ltd. ("Deloitte") has been commissioned by the Zhangjiang Qingpu High-Tech Park to analyze the investment environment of the Park. The information and views expressed in the report have been independently and objectively derived through professional research and analysis.

Deloitte's assessment of the Zhangjiang Qingpu High-Tech Park's investment environment was conducted utilizing independent research, quantitative and qualitative analysis, field studies, and interviews with local enterprises. The report focuses on key areas relating to the economic potential of the area. Topics addressed include Qingpu's overall investment environment, quality of life, and the investment potential of the Zhangjiang Qingpu High-Tech Park as reflected in the following five indicators:

- Government policy and services
- Business environment
- Human resources

- Park planning and infrastructure
- Living environment

Market research demonstrates that Zhangjiang Qingpu High-tech Park has gradually formed three major industry groups: biomedicine, new materials and advanced heavy equipment. In recent years, Zhangjiang Qingpu High-tech Park has displayed its strengths in the investment environment in the following:

- Efficient and transparent government services
- Unique geographical advantages
- Green living environment
- Increasingly sophisticated and collaborative business environment
- Localization of a deep human resource pool

As China's urbanization has proceeded, national consumption levels have risen steadily, along with concerns of the populace about their health and personal well-being. China's pharmaceutical market is projected to become the world's third largest market by 2013, and according to the 12th Five-Year Plan, several of China's new strategic industries also are developing at a rapid pace. These industries include biology, next-generation IT, advanced materials and high-end equipment manufacturing. Zhangjiang Qingpu High-Tech Park is utilizing its many advantages—and introducing new policies to further improve its overall investment environment—to attract enterprises in industries such as bio-medicine, advanced materials and equipment, technological, creative design and regional headquarters.

The Park is also becoming an international eco-business district and a preferred location for multinational enterprises to establish their regional headquarters, high-tech enterprises and R&D development centers. This transition has been helped by the development of the Dahongqiao business district and the near completion of a world-class international exhibition center.

Capitalizing on its excellent ecological surroundings and sustained economic prosperity, Zhangjiang Qingpu High-Tech Park is becoming a preferred investment destination for biomedicine, advanced manufacturing and modern service enterprises.

Table of Contents

1. Modern Qingpu	2
2. Investing in Zhangjiang Qingpu High-Tech Park	10
2.1 The Park at a glance	11
2.2 Government policy and services – Introduction	18
2.3 Business environment – Introduction	24
2.4 Human resources – Introduction	31
2.5 Infrastructure – Introduction	35
3. Living in Qingpu	42
Appendix	52



1. Modern Qingpu

-
- 1. Modern Qingpu
 - 1.1 Qingpu at a glance
 - 1.2 Location and transportation advantages
 - 1.3 Economic development
 - 1.4 Foreign investment
 - 1.5 “A City with Two Wings”

1. Modern Qingpu

Located in western Shanghai, Qingpu serves as an important transport hub that connects Shanghai with the Yangtze River Delta region. Qingpu District borders Jiangsu and Zhejiang provinces, surrounded by a number of world-class seaports and airports, and reaps the benefits from its exceptional geographical location.

“Within just a few years, we have witnessed dramatic changes in Qingpu. Compared to surrounding areas, Qingpu’s economic and industrial development has happened very quickly.”

——Invista Synthetic Fiber (Shanghai) Co., Ltd.

Invista Synthetic Fiber is the world's largest integrated producer of polymers and fibers, with its products mainly used in applications of nylon, spandex and polyester. Invista Synthetic Fiber operates in more than 20 countries in North America, South America, Europe and the Asia Pacific region.



1.1 Qingpu at a glance

Exceptional location

Qingpu District is at the epicenter of China's economically dynamic Yangtze River Delta region. It is located in western Shanghai, approximately 40 kilometers from Shanghai's People's Square. It is a two-hour drive from economically developed Hangzhou, Nanjing, Ningbo, Suzhou, Wuxi and other cities in the Yangtze River Delta.

Natural climate and geology

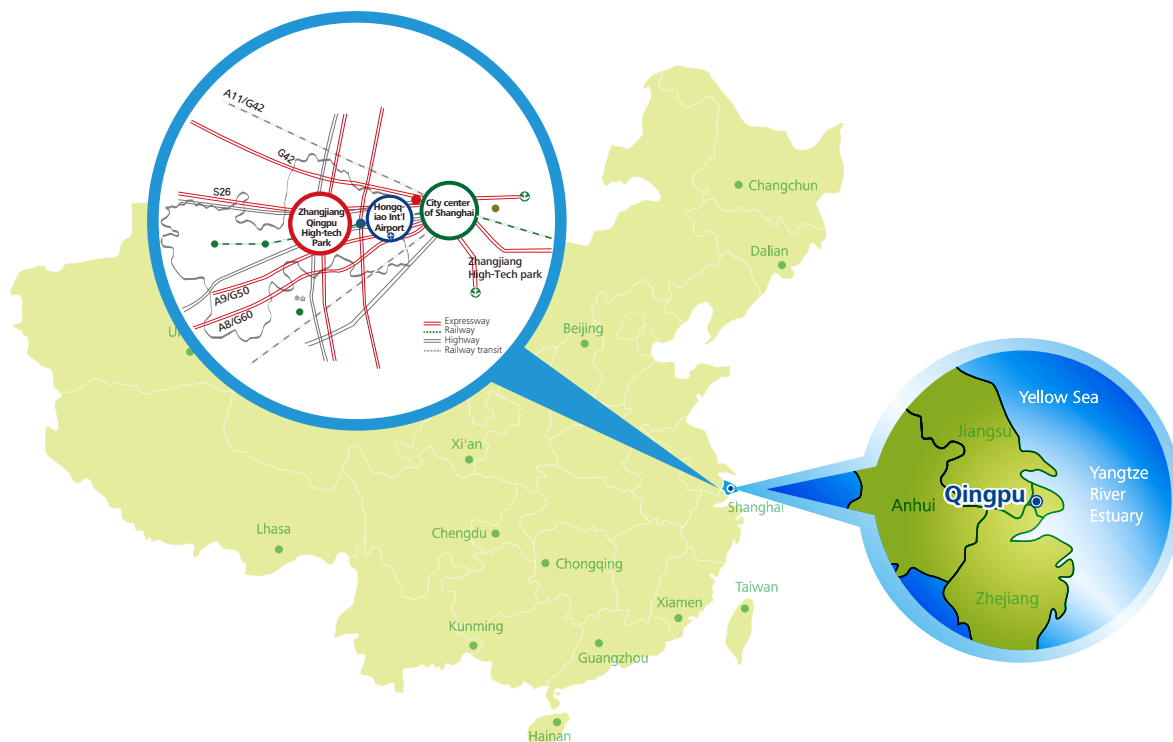
Qingpu District is situated within a subtropical monsoon maritime climate. While there are four distinct seasons, the climate is relatively mild. The annual average temperature is 16.2° C to 17.1° C.^② Geologically, Qingpu's land is made up of a relatively thick silty clay in its shallow foundations followed by sandy silty layer of medium density. Satisfying land-bearing capacity and subsidence requirements, such layer is considered pile bearing stratum for buildings and other structures. The area's natural land bearing capacity is approximately 9-11 metric tons per square meter.^①

Steady economic development^②

Qingpu is experiencing steady and relatively rapid economic development. From 2006 to 2010, the average annual GDP growth was 15%. In 2010, Qingpu achieved a total GDP of CNY 584 billion, a 12% increase from 2009.

Green environment^②

Qingpu is endowed with resources, is rich with tourist attractions and pleasant to live in. The District is home to the largest natural freshwater lake in Shanghai, Dianshan Lake. Qingpu's green space in 2010 totaled 62 million square meters, with green coverage and air quality rates reaching 42.9% and 90.4%, respectively.



Source:

① Information provided by Zhangjiang Qingpu High-Tech Park

② Shanghai Qingpu government website

1.2 Location and transportation advantages

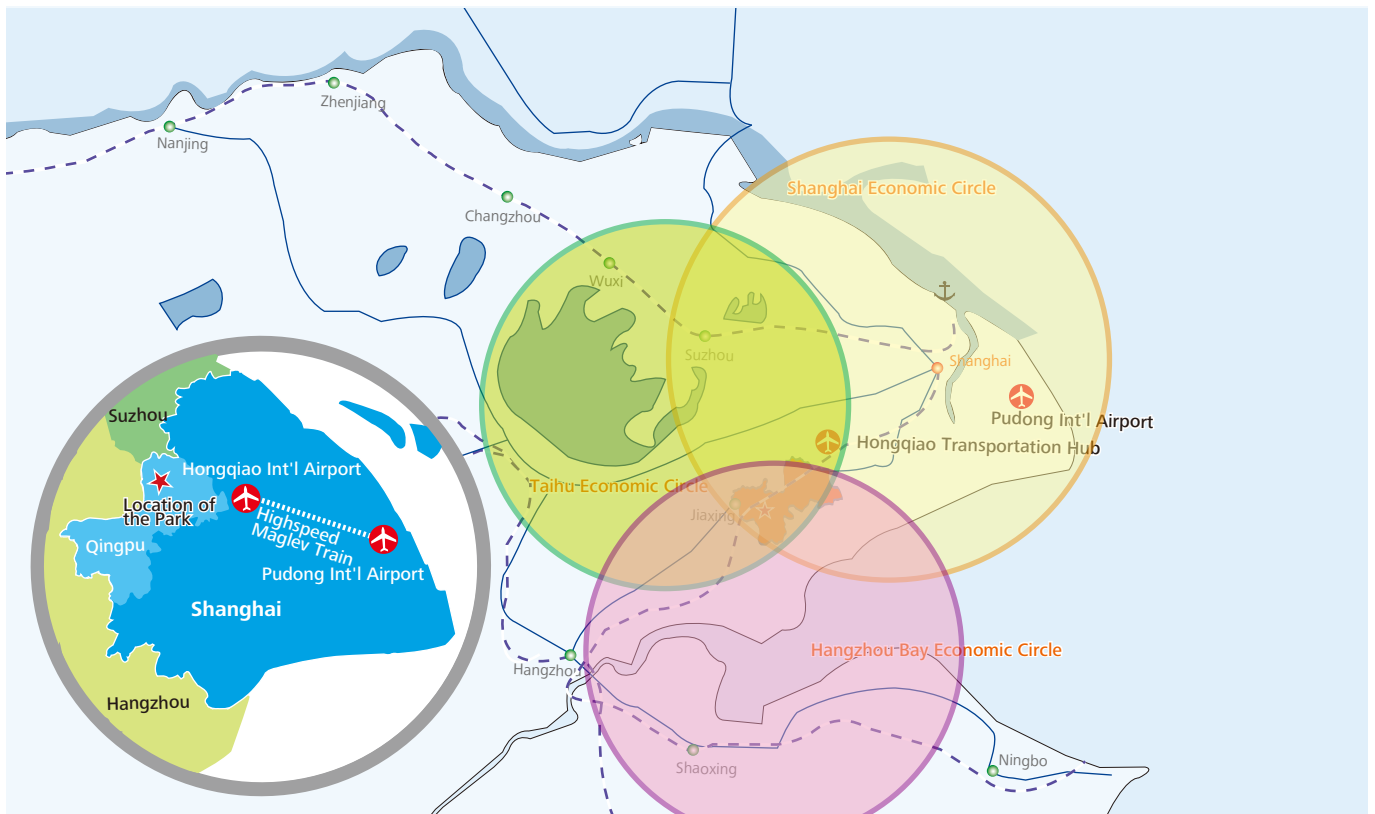
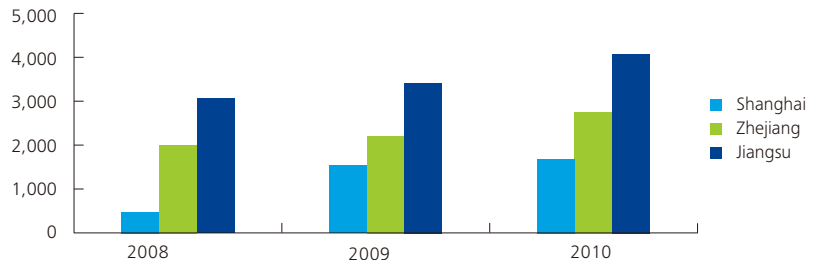
Geographical location^①

Zhangjiang Qingpu High-Tech Park is located at the junction of Jiangsu and Zhejiang provinces, in the center of Shanghai's Qingpu District. The Park's exceptional geographical location provides close connections to the most economically developed areas and cities in the Yangtze River Delta region, which includes Jiangsu Province, Zhejiang Province and the city of Shanghai. It is considered one of China's most dynamic regions because of the high level of urbanization, economic development and overall economic strength.

Major cities in the Yangtze River Delta region	Straight-line distance from Qingpu, Shanghai (Unit: kilometers)
Downtown Shanghai	42
Suzhou	91
Hangzhou	152
Nanjing	284

Annual GDP growth of the Yangtze River Delta region, 2008 - 2010

Unit: CNY 1 billion



Source:

① Information provided by Zhangjiang Qingpu High-Tech Park

② Statistical Yearbook and Almanac of China, Shanghai, Zhejiang and Jiangsu Province 2010

1.2 Location and transportation advantages

Three-dimensional transportation network

Zhangjiang Qingpu High-Tech Park is surrounded by a number of world-class transportation hubs and networks, enabling the Park to conveniently leverage the industrial infrastructure and business resources in the surrounding cities and areas to foster the development of the high-tech and modern services industry.

World-class ports

- Shanghai Hongqiao Integrated Transport Hub
- Pudong International Airport
- Hongqiao International Airport
- Yangshan Deep Water Port
- Waigaoqiao Terminal

Convenient road network

From North to South

- G15 Shenyang-Haikou Expressway (Shenyang-Haikou)
- G1501 Shanghai Ring Expressway

From Western to East

- G50 Shanghai-Chongqing Expressway (Shanghai-Chongqing)
- G42 Shanghai-Chengdu Expressway (Shanghai-Chengdu)
- G60 Shanghai-Kunming Expressway (Shanghai-Kunming)
- S32 Shanghai-Jiaxing-Huzhou Expressway (Shanghai-Jiaxing-Huzhou)
- S26 Shanghai-Changzhou Expressway (Shanghai-Changzhou)



Advanced railway network

- Shanghai-Hangzhou high speed railway
- Shanghai-Nanjing high speed railway
- Beijing-Shanghai high speed railway

Hongqiao Integrated Transport Hub - Large-scale comprehensive transport center

The Shanghai Hongqiao Integrated Transport Hub is a modern, comprehensive transport hub for air, high-speed rail, maglev rail, intercity rail, and urban rail and ground transportation. This world-class development conveniently connects Shanghai with the Yangtze River Delta, the rest of the country and the world.

Business travelers can reach any of China's major economic centers in as little as three hours via the Shanghai Hongqiao Integrated Transport Hub.

The completion of the Hongqiao Integrated Transport Hub will enable Shanghai to strengthen its ties with the Yangtze River Delta and other major economic centers around the world. Qingpu District will see greater cooperation between international and domestic enterprises and play an important role in the ongoing integration of the Yangtze River Delta region.

Qingpu Zhangjiang High-Tech Park is 15 kilometers from the Shanghai Hongqiao Integrated Transport Hub. The two locations will be interconnected by a low-speed maglev line, two highways, three direct routes and fixed-point shuttle buses.^①

Source:

① Information provided by Zhangjiang Qingpu High-Tech Park

1.3 Economic development

Steady GDP growth^①

Shanghai's GDP in 2010 reached CNY 1.7 trillion, marking a 9.9% increase over the total for 2009.^② Bolstered by the strength of Shanghai's overall economic development and by sustaining its own momentum, Qingpu's economic growth has maintained a strong upward trend. During the 11th Five-Year Plan, the growth of Qingpu District's average annual GDP reached 15%, a rate considerably higher than Shanghai's 11% average.^③ In 2010, Qingpu achieved a total GDP of CNY 58.4 billion, 12% more than its 2009 total.

Improving industrial structure with booming secondary industry^④

In 2010, Qingpu District's total GDP of primary, secondary and tertiary industries maintained an impressive upward trend, with the secondary industry showing rapid development:

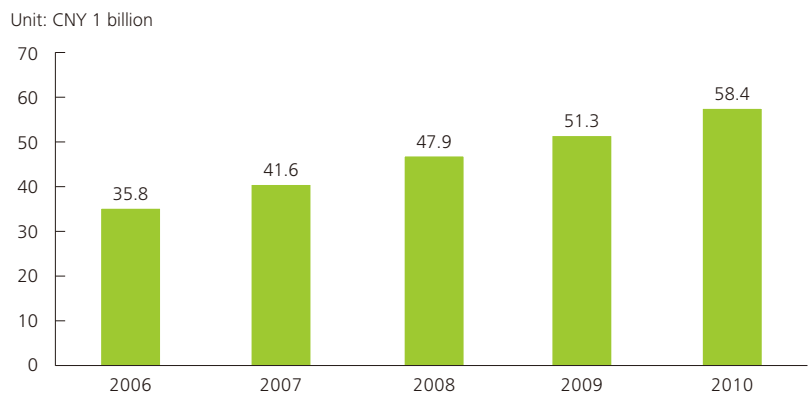
- GDP of the primary industry increased to CNY 900 million, 7% higher than the total in 2009;
- GDP of the secondary industry increased to CNY 35.3 billion, 16% higher than the total in 2009, of which the industrial sector reached GDP CNY 34.1 billion, up 15% over 2009;
- GDP of the tertiary industry increased to CNY 22.2 billion, 7% higher than the total in 2009.

Rapid growth of industrial output value^④

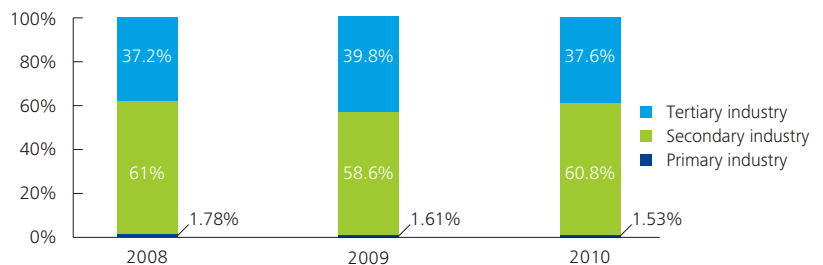
Qingpu's industrial economy showed sustained and rapid development during 2010. The annual industrial output was valued at CNY 16.3 billion, marking a 17% increase over the previous year. Qingpu's "One Town-Three Areas"^④ industrial layout accounted for CNY 7.3 billion of the annual total industrial output, 24% more than 2009.

In 2010, Zhangjiang Qingpu High-Tech Park contributed to an industrial output value of CNY 14.7 billion, marking an increase of 32%, a figure that nearly doubled Qingpu District's growth rate.

Qingpu GDP, Shanghai, 2006 - 2010^①



Three-sector analysis of Qingpu, Shanghai, 2008 - 2010



Source: 2010 Shanghai Statistics Yearbook

Remarks

According to the Classification of National Economy Industries issued by the National Bureau of Statistics in 2003, the three industries are classified as follows:

- **Primary industry:** agriculture, forestry, stock raising and fisheries
- **Secondary industry:** mining, manufacturing, electric undertaking, gas industry, water production and supply, and construction
- **Tertiary industry:** all other industries, and principally the service industry

Source:

① Shanghai Qingpu government website

② Shanghai Economic and Social Development Statistical Communiqué 2010

③ Information provided by Zhangjiang Qingpu High-Tech Park

④ "One Town-Three Areas," the original plan for Qingpu Industrial Park: Qingpu Industrial Zone, Qingpu Export Processing Zone and Zhangjiang High-Tech Park

1.4 Foreign investment

Qingpu District, Shanghai: Preferred investment venue^①

- Qingpu attracted USD 750 million in contractual foreign investment in 2010, an amount 44.9% higher than in 2009. The total amount of newly approved projects valued at USD 10 million or more was USD 440 million, accounting for 85.9% of newly approved foreign-funded projects.
- Of the 61 capital replenishment projects, six contractual foreign investment projects had raised capital of over USD 10 million.
- Foreign investment in Qingpu currently derives mainly from Asia, including Hong Kong and Japan, accounting for 24.2% and 15.2%, respectively. Other major sources of investment include Europe, the United States, Singapore and the British Virgin Islands (BVI). While the ultimate source of investment from areas such as the BVI may come from other countries and regions, these sources are not indicated in the data.

Qingpu District foreign investment—Mainly in secondary and tertiary industries^②

The total value of realized foreign investment in 2010 was USD 500 million, of which 90 foreign-funded enterprises were in the secondary industry. Available funds were valued at USD 172.9 million, accounting for 35.1% of realized foreign capital.

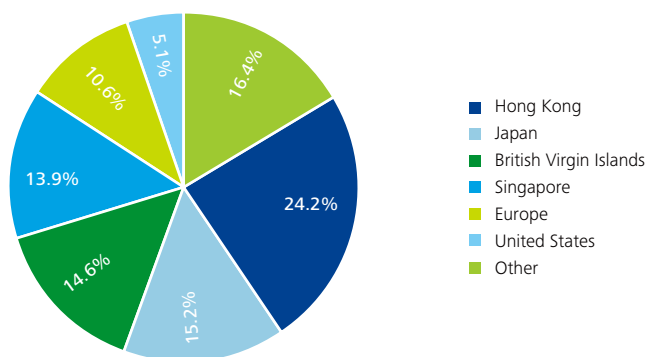
- 29 foreign-invested enterprises were in tertiary industries. Available funds amounted to USD 320.4 million, or 64.9% of realized foreign capital.

Significant import and export growth^②

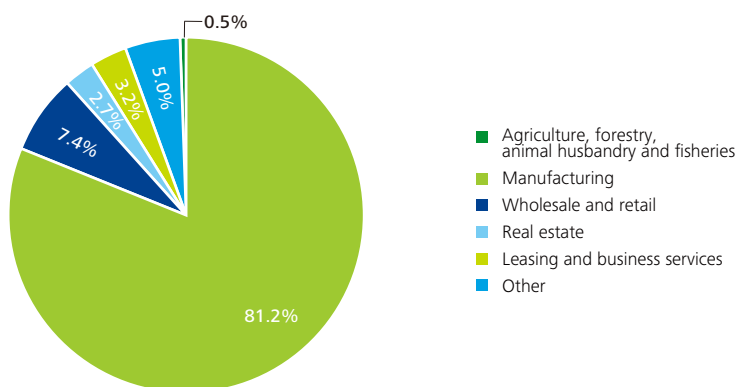
Qingpu District's total imports and exports in 2010 were valued at approximately USD 11.7 billion, up 20% over 2009, of which:

- Total exports were approximately USD 6.5 billion, up 17% over 2009
- Total imports were approximately USD 5.2 billion, up 25% over 2009

Countries representing foreign-funded enterprises in Qingpu District, Shanghai in 2010^②



Distribution of foreign-funded industries in Qingpu District, Shanghai in 2010^②



Source:

① Shanghai Qingpu government website

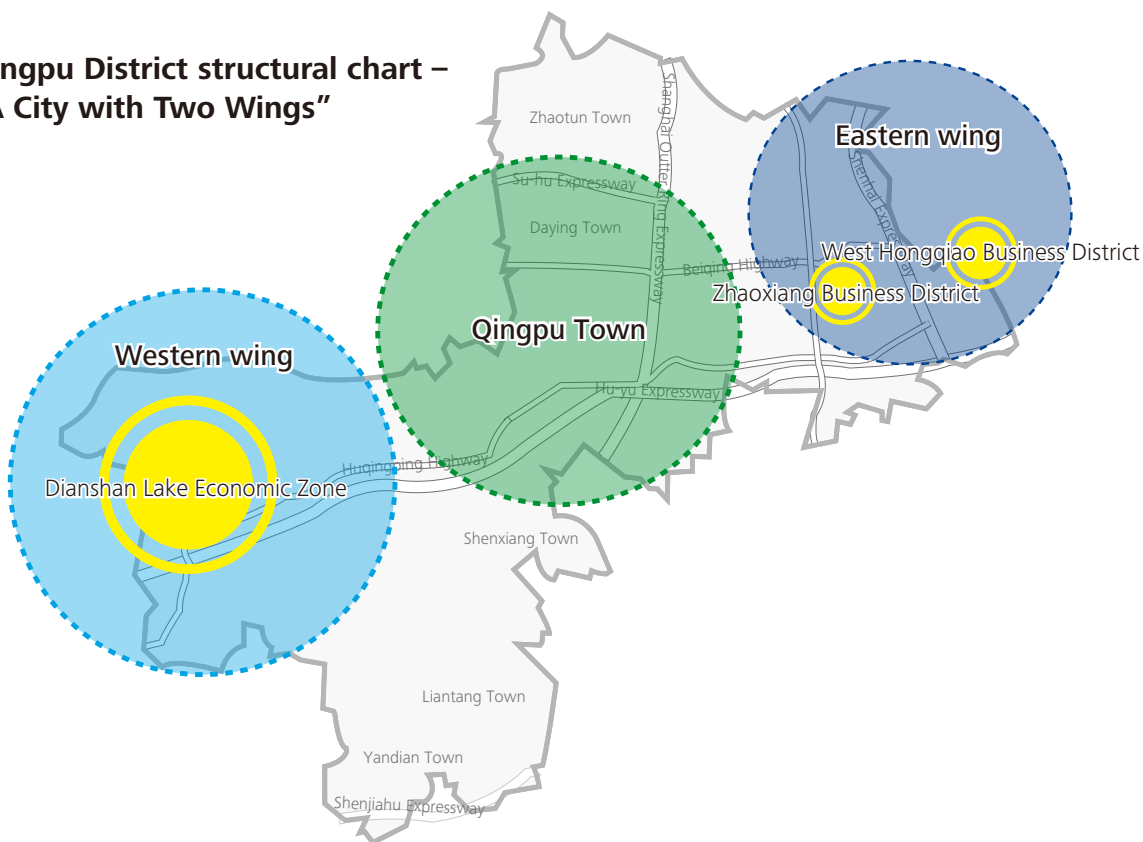
② Information provided by Zhangjiang Qingpu High-Tech Park

1.5 “A City with Two Wings”

Integrated town – Metro Dianshan Lake

- The total planned area is 106 square kilometers and a population of approximately 700,000
- Founded on the urban development concept of “Balanced Integration of Industry and Water”
 - “Integrated industry town” – Signifies the natural integration of residential and industry to create a vibrant modern town
 - “Balanced water town” – Symbolizes the integration of natural features of Dianshan Lake, highlighting the abundant water resources and the development of a high-quality balanced lake ecosystem

Qingpu District structural chart – “A City with Two Wings”



Western Wing – Dianshan Lake Economic Zone

- 21 natural freshwater lakes, including Dianshan Lake
- Natural lakes, historical significance and cultural resources are major drivers of development:
 - Recreation/tourism
 - Modern urban ecology/agriculture
 - High-end business services
 - Green living and associated industries

Eastern Wing – West Hongqiao Business District

- The project's 19 square kilometer area is incorporated into the 86 square kilometers of the Hongqiao Business District
- Leveraging downtown Shanghai to:
 - Emulate the service industry characteristics and concentration that has developed within the Yangtze River Delta Region
 - Create regional headquarter economic function zones
 - Develop Shanghai as an international trade center

Source:
Shanghai Qingpu government website, “The Development Planning of Qingpu District (2009-2020)”



2. Investing in Zhangjiang Qingpu High-Tech Park

2.1	The Park at a glance	2.3	Business environment – Introduction	2.5	Infrastructure – Introduction
2.1.1	Research summary – Investment environment	2.3.1	Research summary	2.5.1	Infrastructure – Research summary
2.1.2	Industrial base/Industrial plan	2.3.2	High technology	2.5.2	Air transportation
2.1.3	Industrial plan – Bio-medicine Industrial plan – Other focused industries	2.3.3	Research environment	2.5.3	World-class ports
2.1.4	Park planning – Northern area Park planning – Southern area	2.3.4	Financial institutions and services	2.5.4	Railways
		2.3.5	Hotel and convention facilities	2.5.5	Highways/Urban railways
		2.3.6	International integration	2.5.6	Infrastructure of the Zhangjiang Qingpu High-Tech Park
2.2	Government policy and services – Introduction	2.4	Human resources – Introduction		
2.2	Research summary	2.4.1	Research summary		
2.2.1	Government policy	2.4.2	Human resources – Supply		
2.2.2	Human resource policies	2.4.3	Human resources – Costs		
2.2.3	Government services				

2.1 The Park at a glance

Superior geographic location

With a planned area of approximately 250,000 square kilometers, Zhangjiang Qingpu High-Tech Park is situated near Dianshan Lake.

A sibling of Zhangjiang High-Tech Zone

Zhangjiang Qingpu High-Tech Park is one of eight high-tech branches governed by the Shanghai Zhangjiang High-Tech Park (Zhangjiang High-Tech Zone).^①

Drawing on the success of Zhangjiang High-Tech Park, Zhangjiang Qingpu High-Tech Park is developing into a major branch within the Zhangjiang National Model Zone. Its primary objective is to foster self-reliant innovation by promoting emerging industries, implementing national pilot policies, and attracting innovative enterprises and personnel.

Building on the solid foundation of a 17-year old national high-tech park

Zhangjiang Qingpu High-Tech Park was conceived on the foundations of the China Textile Technology City, a 17-year old high-tech park. In 2010, Zhangjiang Qingpu High-Tech Park applied to upgrade to a city-level high-tech park, while sharing of some of the first-class resources and areas of Qingpu Industrial Park.

Development objective - A leading international eco-business district in suburban Shanghai

Tapping into industrial Shanghai's foundation and commercial resources, Zhangjiang Qingpu High-Tech Park is striving to become a leading industrial park for modern services and "high volume and low cost" eco-businesses in suburban Shanghai. The Park is poised to create a first-rate international business environment that will attract high-tech companies and multinationals to establish their regional headquarters and R&D centers.

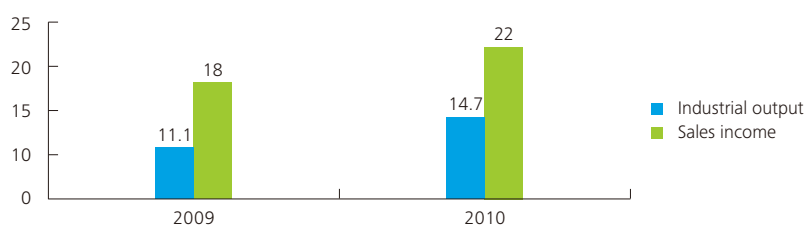
Steady economic growth^②

Since its establishment, Zhangjiang Qingpu High-Tech Park has experienced steady growth and a resilient expansionary trend:

- The gross industrial output for 2010 totaled CNY 14.7 billion, or an increase of 32% from 2009. The Park's results were considerably higher than the average increase of Shanghai's high-tech industry, which was 23%
- Sales income in 2010 totaled CNY 22 billion, up 22.3%

Zhangjiang Qingpu High-Tech Park gross industrial output and sales income, 2009 - 2010

Unit: CNY 1 billion



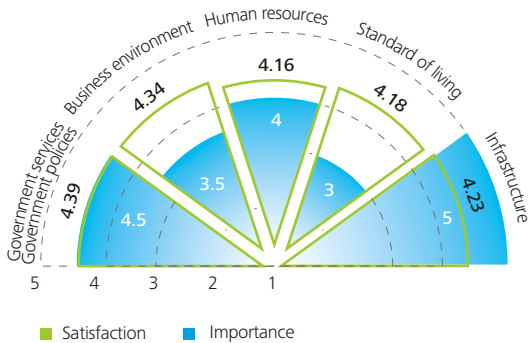
Source:

① One zone/eight parks: Shanghai High-Tech Industrial Park, after renaming itself Shanghai Zhangjiang Qingpu High-Tech Park, expanded to incorporate Zhangjiang Central Park, China Textile City, Caohejing Park, Jinqiao Park, Yangpu Park, Shangda Park, Jiading Park and Zizhu Park

② Shanghai Zhangjiang High-Tech Industrial Park Qingpu Park 12th Five-Year Development Plan

2.1.1 Research summary

— Investment environment



From a foreign investor's perspective and based on the results of the survey, the Report provides a summary of the most attractive aspects of Zhangjiang Qingpu High-Tech Park's business and investment environment.

Potential to become an economic powerhouse

By virtue of its strategic location and as an important transportation hub linking Shanghai and the rest of the Yangtze River Delta, Zhangjiang Qingpu High-Tech Park will continue to grow in prominence and value as the Hongqiao Business District matures. The economies of scale stemming from the nearby high-end business district and services sector will enable the Park to flourish during a new phase of development within the Yangtze River Delta.

Highly efficient government services and policies

With its *service oriented* approach, Shanghai Zhangjiang Qingpu High-Tech Park is committed to addressing the needs of enterprises, upgrading its policy initiatives, promoting efficiency and continually improving the investment environment.

Taking advantage of the Qingpu Administrative Service Center's efficient one-stop approval process and transparent government services, companies within the Park are entitled to "double" preferential policy benefits and services: benefits offered by both the Qingpu District government and the Zhangjiang Qingpu High-Tech Park.

Investment climate survey: Measure of satisfaction and importance

Among the five primary factors affecting the investment environment of Zhangjiang Qingpu High-Tech Park, the three areas with the highest satisfaction ratings by companies surveyed are:

- Government services and policies
- Business environment
- Infrastructure

The three factors considered most important by the companies surveyed are:

- Infrastructure
- Government services and policies
- Human resources

Maturing business environment

During the 12th Five-Year Plan, Zhangjiang Qingpu High-Tech Park will capitalize on its advantages in the Yangtze River Delta region and evolve into a vibrant city that will help to shape the future of an integrated Yangtze River Delta. Benefiting from Shanghai's economic rise and the development of the Hongqiao Business District, Zhangjiang Qingpu High-Tech Park is creating a robust international business environment.

Comprehensive infrastructure and public services

Built on the foundations of the China Textile Technology City 17 years ago, as a national high-tech park, Zhangjiang Qingpu High-Tech Park already has many valuable resources. A comprehensive network of roads and railways, easy access to the world-class transportation hubs and international airports provide an ideal setting for international business travelers and overseas companies to do business.

Availability of human resources

Qingpu has a deep, cost-effective pool of human resources. The proportion of the workforce between the ages of 16 and 59 accounts for 74.5% of the local population, ensuring that local enterprises have access to an abundant supply of manpower.

Quality living environment

Qingpu's superior living environment is due in large part to its natural scenery, unique ecosystem and lush water resources. In accordance with the green, low-carbon and environmentally friendly industrial development initiatives of the 12th Five-Year Plan, Qingpu's government is seeking to achieve an ideal blend of economic development, nature, and culture.

2.1.2 Industrial base/Industrial plan

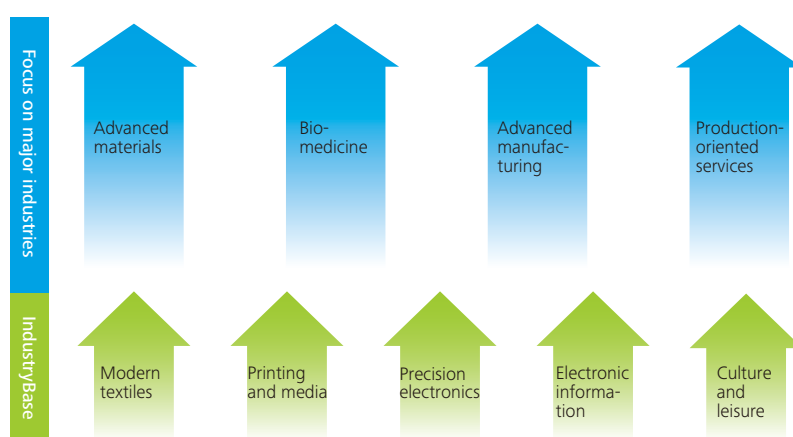
Three major industries – CNY 10 billion output in 2010

Leveraging the industrial roots within the Park and neighboring areas, Zhangjiang Qingpu High-Tech Park has developed a concentration of three industry clusters: heavy equipment, modern textiles and advanced materials, and bio-medicine. These industries combined to contribute to a gross industrial output of more than CNY 10 billion in 2010.

Focused industrial development plan – Strategic emerging industries, advanced manufacturing and modern services

During the 12th Five-Year Plan, Zhangjiang Qingpu High-Tech Park will transform itself into an area that prioritizes strategic emerging industries, such as bio-medicine, advanced materials and manufacturing. To bolster the concentration of modern service and advanced manufacturing enterprises, the Park aims to attract multinationals to set up their regional headquarters and production-oriented centers, such as technical R&D and creative design centers.

Heavy equipment, modern textiles and advanced materials, and bio-medicine, were the three major industries that together contributed CNY 10.7 billion in 2010, accounting for 83.9% of total output.^①



A selection of businesses in Qingpu District, Shanghai^②

Bio-medicine			
West Pharmaceutical Services	TIME medical equipment	Shanghai Kinetic Medical	Li Kangrui Biological Engineering
Shanghai Soho Yiming Pharmaceuticals	Serum China	Shanghai Baolong Pharmaceutical	Shanghai Dianhong Pharmaceutical
Advanced equipment		Automotive components	
Hitachi Elevator	Tyco U.S.	ZF Rubber-metal	Japan's Takata airbag
Heidelberg	Shanghai-Fanuc Robotics	ITW Automotive Fasteners Shanghai	Shanghai SAIC-METZELER Sealing Systems Co.
NEC Optoelectronics	Sumitomo Metal Mining Electronics	Mitsubishi Heavy Industries (MHI) Turbocharger	UFI Group
New materials		Production services	
Invista	Honeywell Specialty Materials	Pratt & Whitney aircraft engine maintenance	Sumisho Global Logistics (China)
Air Liquide Group	BASF Electronic Chemicals	Donnelley Printing USA	C&C Joint Printing Co.
Quaker Chemical	Sealed Air	Schlumberger Oilfield Services	China's State Nuclear Power Service

Source:

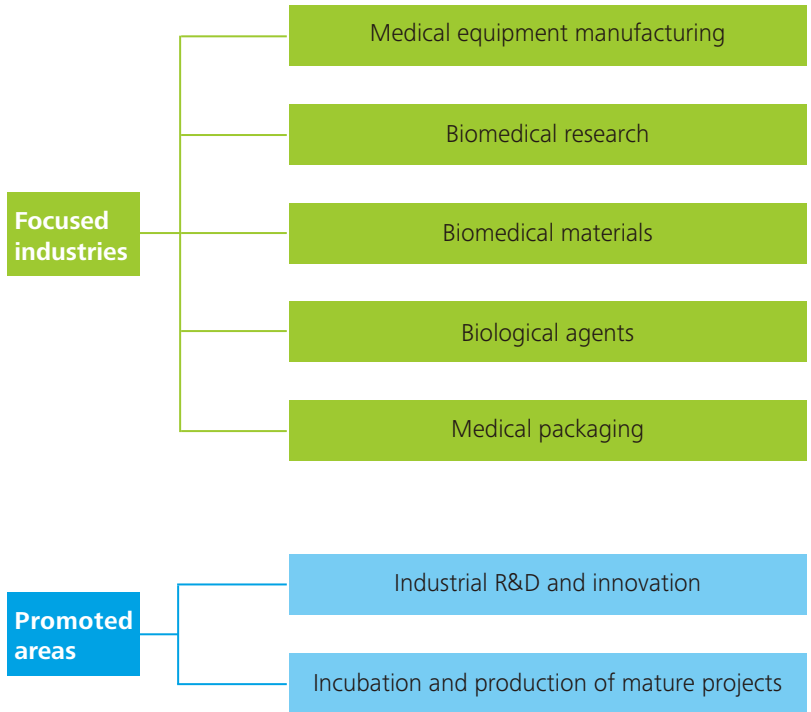
① 12th Five-Year Plan of Shanghai Zhangjiang High-Tech Industrial Development Zone Qingpu Park

② Information provided by Zhangjiang Qingpu High-Tech Park

2.1.3 Industrial plan — Bio-medicine

Health care reform in China commenced in 2009 with implementation of the government’s plan titled “CPC Central Committee and State Council’s Opinions on Reform of the Pharmaceutical and Health Care System”. During 2011, the Chinese government will invest a total of USD 125 billion in this significant reform effort, which aims to provide basic health care for the national population by 2020.

The bio-medicine industrial zone in the Park is one of the biomedical industrial bases founded with the approval of the Shanghai’s municipal government; it has gained great support from the municipal and district governments. Under the positive influence and support, Zhangjiang Qingpu High-Tech Park has developed a detailed plan for the bio-medicine industry.

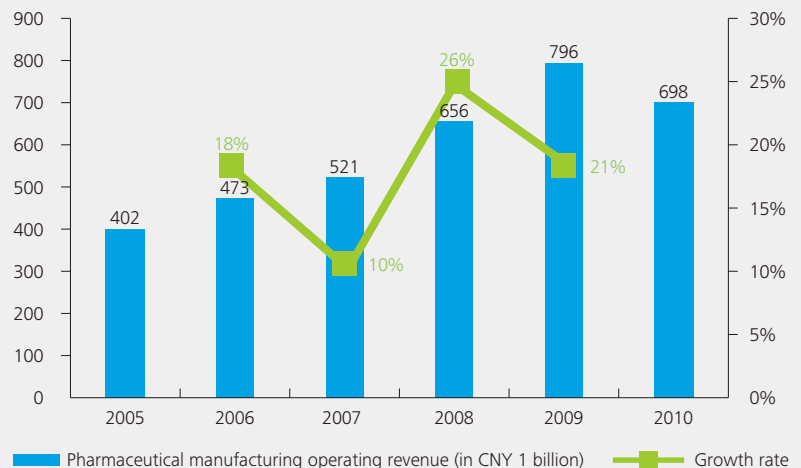


Deloitte Industry Research

According to a Deloitte research report on China’s pharmaceutical industry, there continue to be risks inherent in the global economic recovery and the country’s issues with inflation. However, the outlook for the pharmaceutical industry remains positive and there is a strong prospect for further government investment. Rising demand driven by changing demographics will lead to continued increases in market capacity, providing excellent conditions for foreign investors to enter the market.

—Deloitte Medical and Health Industrial Research Report

China’s pharmaceutical manufacturing maintains rapid operating revenue growth



Source:
12th Five-Year Plan of Shanghai Zhangjiang High-Tech Industrial Development Zone Qingpu Park

2.1.3 Industrial plan — Other focused industries



Advanced materials

- Focus on the production of new textile materials, environmentally friendly materials and fine new chemical materials
- Introduce advanced domestic and international technology, upgrades and reforms conventional technology, and promote industrial upgrades to increase product value and profitability



Economy based on modern services and multinationals

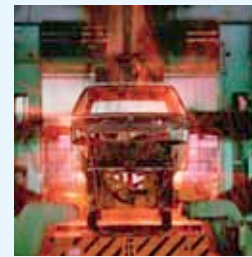
- Focus on technical research and innovative design
- Promote the establishment of regional headquarters of domestic and multinational companies, serve as a marketing and clearing center, and R&D center for professional institutions
- Encourage the development of R&D centers for various industries, professional financial services and supporting businesses



Advanced manufacturing

- Focus on power transmission and distribution, precision machinery, light-duty equipment, numerical control machines, smart-grid and micro-electronics
- Proactively develop ways to attract industry leaders

to the Park, and promote industrial restructuring and upgrades in the region



Automotive

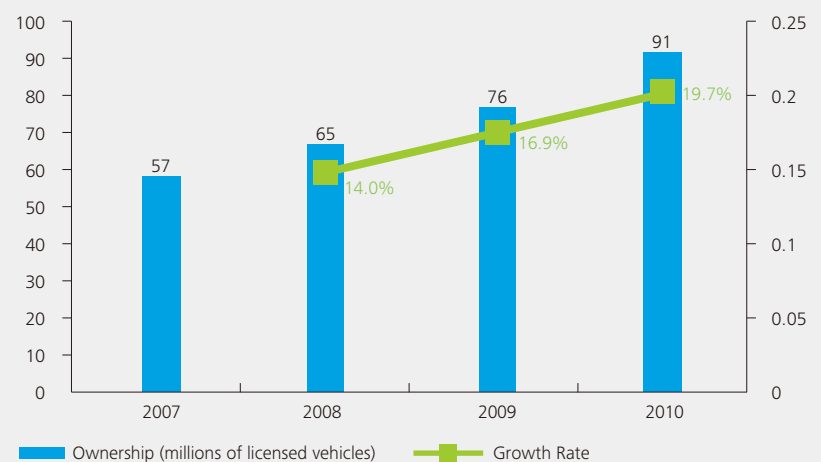
- Promote the establishment of domestic and international manufacturers and suppliers of key components
- Focus on alternative energy, auto components, safety equipment, control systems, auto electronics and precision rubber and metal products

Deloitte Industry Research

China's automotive industry holds enormous untapped potential. In 2010, China became the world's largest producer and consumer of automobiles and it maintained year-over-year growth in global market share for 10 years running. The expansion of the automotive value chain and rising competitiveness across the industry have been strong drivers of business and profits for major OEMs.

—Deloitte Automotive Industry Research Report
June 2011

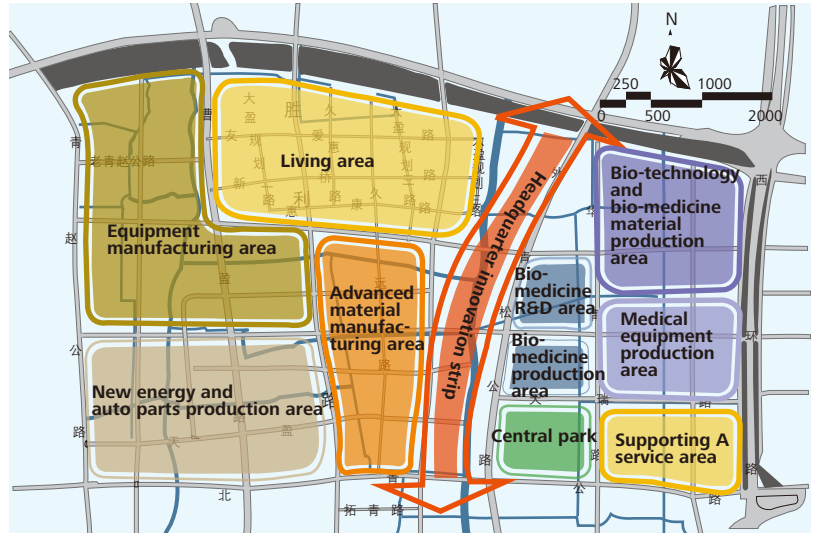
China automobile ownership and increase



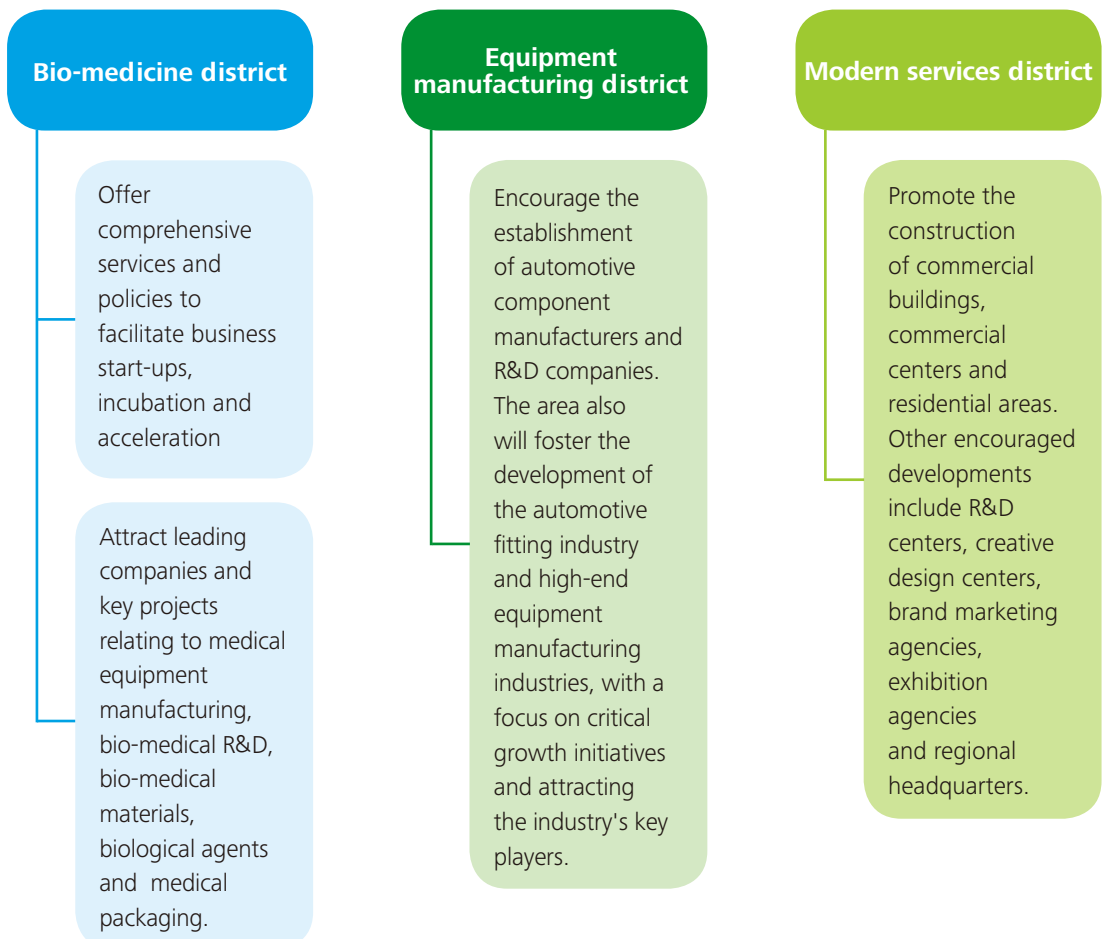
2.1.4 Park planning — Northern area

Northern District, the expansionary zone: Outstanding potential for establishment of emerging industries

The division of the Park into a Northern and a Southern district is designed to integrate industries with urban development. Zhangjiang Qingpu High-Tech Park is carrying out a systematic development plan to incorporate urban businesses with residential areas and to promote key industries and services. This process has put the Park on track to fulfill its objective of being an internationally recognized, sustainable, environmentally friendly eco-business district that is home to a concentration of high-tech enterprises.^①



The planned area of the Qingpu Park Northern District comprises 23 square kilometers.



Source:
 ① 12th Five-Year Plan of Shanghai Zhangjiang High-Tech Industrial Development Zone Qingpu Park

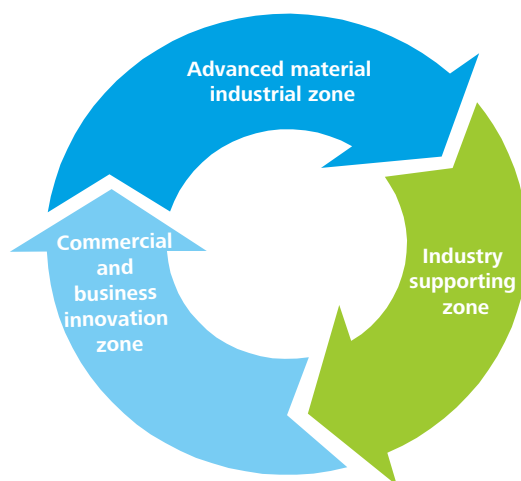
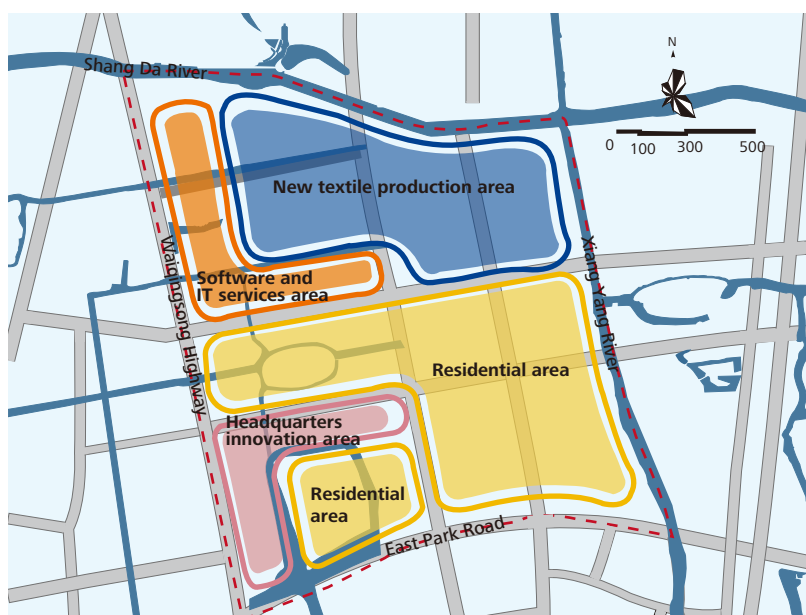
2.1.4 Park planning — Southern area

Southern District: A comprehensive industrial base

The southern district is home to China Textile City. Covering an area of 2.1 square kilometers, it is closely connected with Qingpu's city center and is considered one of the most economically mature parts of the entire development. The area is considered primarily a business area that is intermingled with some production bases. The purpose of the location is to develop the high-end industrial value chain, and upgrade the capacity of the textile and new materials industries.^①



The planned area of the Qingpu Park Southern District comprises 2.1 square kilometers.



Source:
① Provided by Zhangjiang Qingpu High-Tech Park

2.2 Government policy and services — Introduction

Zhangjiang Qingpu High-Tech Park enjoys preferential policies from three different sources of government: policies issued by its own model zone, the Shanghai Zhangjiang High-Tech Development Zone, and the district government of Qingpu.

The Park maintains a "service-oriented" philosophy and carries out studies on a regular basis to understand the needs of local enterprises. It uses its findings to design government policies, improve services, promote growth and improve the overall investment environment.

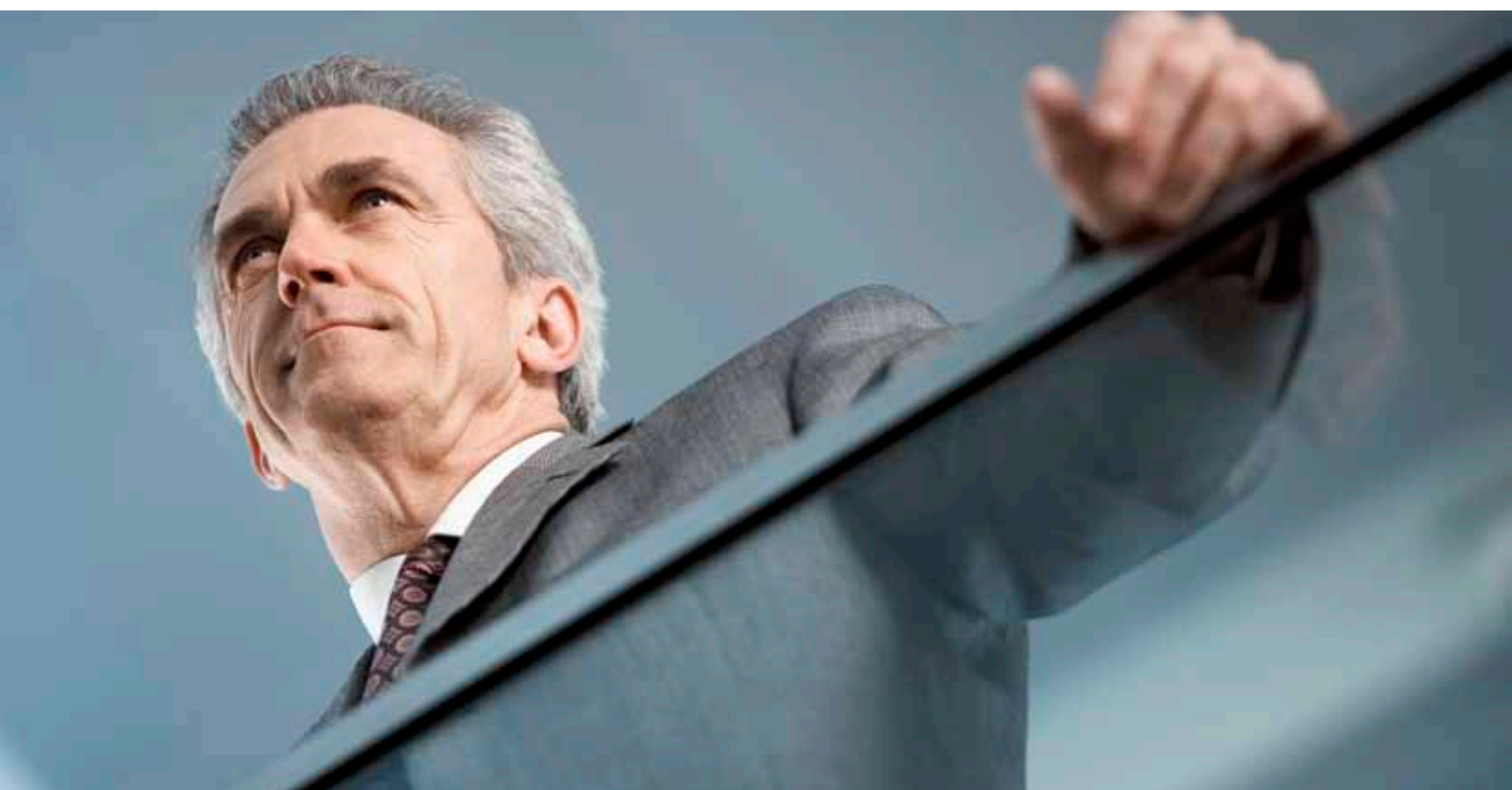
Based on surveys measuring the levels of satisfaction and importance of the investment environment, enterprises consider the most important features of government policy to be:

- Administrative efficiency
- Business incentives to encourage enterprises
- Policies to attract and retain talent

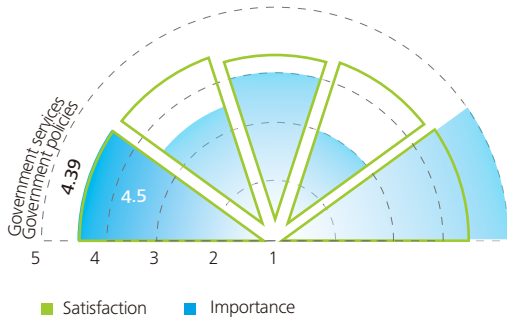
“We were one of the first enterprises to set in the Zhangjiang Qingpu High-Tech Park. The local government is very efficient and service-oriented, and we have an excellent impression of them. The local government has also shown concern about the development needs of our enterprise and has resolved issues in a timely manner.”

——West Pharmaceutical Packaging (China) Co., Ltd.

West Pharmaceutical Services, Inc. is the world's largest manufacturer of injectable drug delivery systems and their standardized components. West's production of seals accounts for more than 70% of the market share in Europe, 100% in the United States and 39% in China. West Pharmaceutical Packaging (China) Co., Ltd. is a subsidiary established in Qingpu Industrial Park to operate as a production base for pharmaceutical plastic corks and seals, and as a site for West's headquarters.



2.2 Research summary

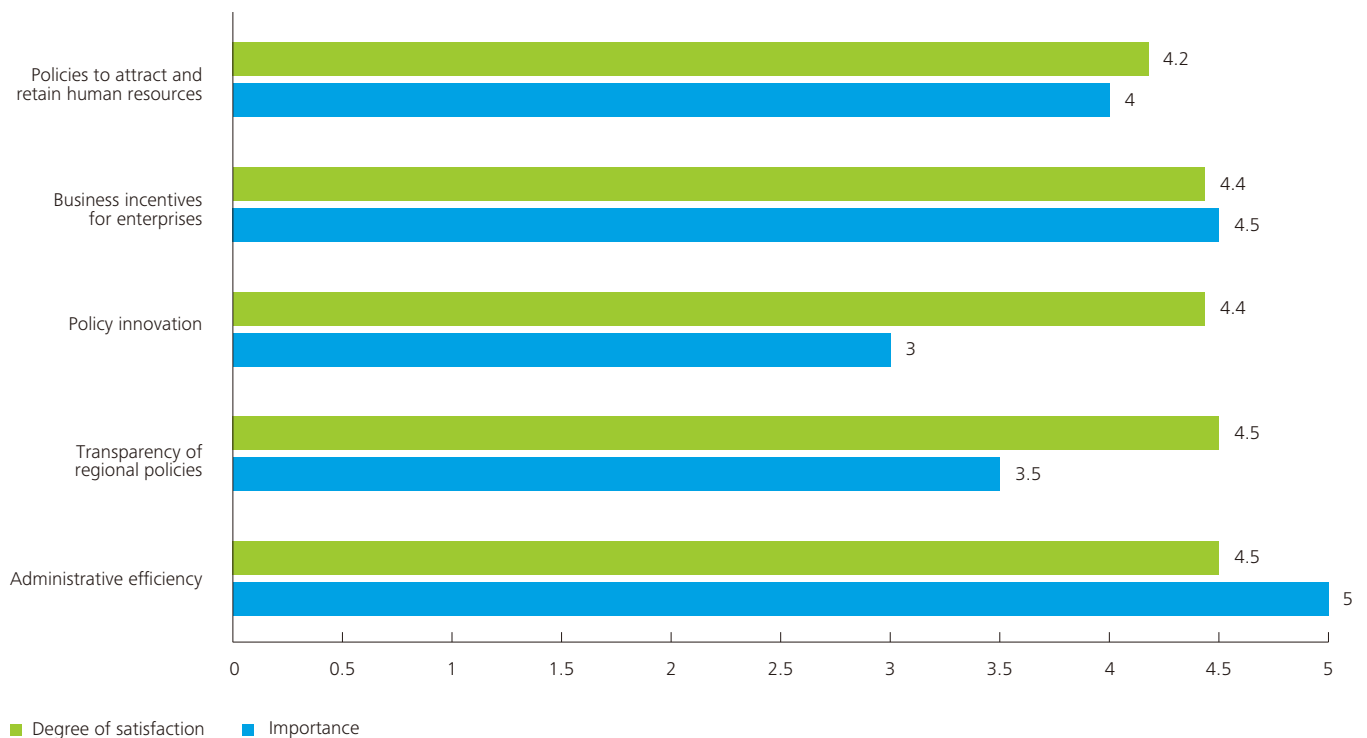


Survey results:

- 80% of enterprises believe government policy is very important to the investment environment
- 78.7% of enterprises are satisfied with the Park government's policies
- The areas rated most important overall are administrative efficiency, policy incentives for enterprises, and resources to attract and retain skilled personnel
- The areas with the highest satisfaction ratings are administrative efficiency, openness and transparency of regional policies, and policy innovation.

Measure of importance and degree of satisfaction

Government policies



2.2.1 Government policy

Preferential policies – Policies of Qingpu District and the Zhangjiang High-Tech Zone 'Twice the policies, twice the benefits'

During the 12th Five Year Plan, Zhangjiang Qingpu High-Tech Park will become a key component of the Zhangjiang National Park. The government policies of the two parks offer a combination of benefits in the following areas:

- National level support for the development of model zones showcasing independent innovation
- Municipal level and district level industry support from the Shanghai and Qingpu governments, respectively
- Municipal level industry support from Shanghai and the Zhangjiang High-Tech Zone

Zhangjiang Qingpu High-Tech Park is using various support services, such as park construction, industry orientation, human resource incentives and the promotion of science and technology to encourage the establishment of new strategic industries and the modern services industry.

Policy innovation – promoting high-tech industry

As the impetus for the construction of Shanghai's "four centers,"^① the R&D of new technologies and their commercial applications has been a dominant driver of policy support within the Park. A series of special government support policies has been implemented to create an attractive investment environment for the development of high-tech enterprises, including:

- Technology support
- Human resource incentives
- Financial support services
- Facility support services



High-tech industry – policy points ^②	
Park construction	<ul style="list-style-type: none"> • Enterprises carrying out industry-related investment projects will enjoy preferential land supply and preferential land price benefits
Fiscal policy	<ul style="list-style-type: none"> • Various tax breaks and incentives have been approved at the district, municipal and national levels for the following types of companies whose contributions are recognized by the governments: <ul style="list-style-type: none"> • High new technology companies • Foreign-funded R&D centers • Regional headquarters of multinational companies • Technology and service-oriented enterprises • Enterprises that meet certain requirements are entitled to tax incentives
Financial subsidies	<ul style="list-style-type: none"> • Companies undergoing a restructuring into shareholding companies may be eligible for a tax subsidy • Industrialization support subsidies are offered to qualifying high-tech projects
Special funds	<ul style="list-style-type: none"> • Special funding for projects (e.g. reduced interest payments on loans, etc.) to facilitate technological transformation • For financial reporting and protection of intellectual property • For energy conservation, environmental protection and recycling • For the relocation of personnel • For the high-tech services industry

Source:

① The "four centers" initiative aims to establish Shanghai as an international economic center, international financial center, international shipping center and international trade center
 ② "Views for accelerating the implementation of the high-tech industrialization of Qingpu District," "Notice RE: Support from the Shanghai Municipal Bureau of Planning and Land Resources, Shanghai Economic and Information Technology Committee, the Municipal Development and Reform Commission, the Municipal Science Commission and the Municipal Environmental Protection Bureau for land indicators of certain hi-tech industrialization projects in Qingpu District," and "Pilot scheme to promote the restructuring and listing of SMEs in Qingpu District"

2.2.1 Government policy

Developing the biomedical industry

The biomedical district is located on the north-eastern side of the Park, facing Wai Qingsong Road, north of Beiqing Road. Zhangjiang Qingpu High-Tech Park is utilizing the existing industrial base and aggressive innovation policies to enhance the investment climate for the biomedical industry and help enterprises meet their development goals.

Expanding the modern services industry

Zhangjiang Qingpu High-Tech Park is committed to the development of the modern services industry, particularly in light of its close connection with Dahongqiao Business District. The Park is in an optimal position to take advantage of Shanghai's robust international business environment and the dynamic economy of the Yangtze River Delta's region to achieve its service industry developmental goals.

“Throughout our company’s acquisition process, the Park’s government helped us with a large portion of our communications needs. They let us know what policies we needed to pay attention to and did their best to help us with the merger process. The Park actively assisted in negotiating the lease for our factory by communicating with the relevant departments. It also took the initiative to provide information and assistance for our registered capital and investment compliance issues.

——Tyco Flow Control (Shanghai) Co., Ltd.

Tyco Flow Control, under Tyco Engineered Products and Services, is the world's largest manufacturer of valves, actuators and other flow control associated products. It owns more than 60 brands and has production bases in 24 countries. Tyco's products and services hold a leading position in the markets for oil and gas, chemicals, electricity, petrochemicals, water treatment, paper, pharmaceuticals, food and beverages, and other special needs markets.

Modern services industry ^②	
Financial subsidies	<ul style="list-style-type: none"> • CNY 15 million annual special support fund • Service industry funding • Contract subsidies for key projects • Reduced interest rates on construction loans • Development of industrial sectors to cultivate and nurture leading enterprises in the services sector • Development of supply chain management and new business services
Intellectual property rights	<ul style="list-style-type: none"> • Promote brand development • Encourage the use of corporate credit rating and advanced service standards

Bio-medicine ^①	
Financial support	<ul style="list-style-type: none"> • Shanghai's CNY 500 million special support fund • Zhangjiang High-Tech Park's CNY 3 billion special support fund • Qingpu District's CNY 200 million support fund • "Little Giants of Science and Technology Project" support fund for enterprise development
Financial subsidies	<ul style="list-style-type: none"> • Financial subsidy of up to 10% of construction capital for qualifying industrialization projects
Financial Services	<ul style="list-style-type: none"> • CNY 150 million bio-pharmaceutical venture capital fund • CNY 100 million SME loan credit guarantee fund • Construction of incubation and transformation bases for high-tech achievements in the biomedicine industry • Referral services for strong incubator funds
Intellectual property rights	<ul style="list-style-type: none"> • Financial support and incentives are granted for patent applications for inventions, industrial models and designs • Incentives for parties that obtain a patent or trademark for the first time
Attracting personnel	<ul style="list-style-type: none"> • CNY 10 million talent development fund • Prioritizing the attraction of personnel to tackle shortages • Meeting the family education needs of foreigners who live in the Park

Source:

① “Qingpu District to promote the development of bio-pharmaceutical industry”

② “Qingpu District to develop modern financial services industry with special support fund pilot program”

2.2.2 Human resources policies

Qingpu District's Talent Project

The Qingpu District government has taken steps to create a high quality work and living environment that will attract and retain employees.

Funding for development of personnel^①

Funds to subsidize post-doctoral innovation research

Funds to develop/train employees with critical skills

Housing subsidies for outstanding high-level personnel

High-end talent services

- Establish a high-end human resources center
- Promote platforms for post-doctoral innovative practices
- Establish high-end employment agencies
- Host high-end human resource development and exchange forums

High-end human resources network

- Compile a high-end human resources database
- Accelerate the accumulation of knowledge and skilled personnel for the application of scientific R&D

Human resources incentive system

- A system for rewarding outstanding contributions
- Improve human resources recovery system and academic leave system

Investment to attract exceptional personnel^②

The Qingpu District government is focused on encouraging top-tier talent to relocate to the District. Its principal policies include:

Housing subsidies to individuals that meet the following criteria:

- Special staff appointed by the State Council
- Young professionals that have made outstanding contributions at the provincial, ministry and state levels
- Senior personnel with advanced professional/technological qualifications
- Skilled personnel with a doctoral degree may benefit from a lump sum housing subsidy of up to CNY 200,000 or a CNY 1,500 per month rental subsidy

Equity incentives^③

There are currently only three model innovation zones that permit scientific research institutions, state-owned enterprises and hi-tech enterprises to award equity incentives to senior technical personnel. These benefits generally take the form of stock-based compensation, stock sales, stock options, and bonus and performance incentives.

As a national model zone for innovation, Zhang Jiang Qingpu Hi-Tech Park provides corporate equity and dividend incentive policies to key scientific research institutions and state-owned enterprises. These incentive policies apply to technical and management personnel who make outstanding contributions to technological research and transformation.

"Shanghai's Thousands Talents Program"^④

"Shanghai's Thousand Talents Program" was set up to alleviate the shortage of indispensable overseas personnel and to establish innovative and entrepreneurial platforms for overseas personnel in eligible units and parks. The Qingpu District government also offers incentives to provide additional support to personnel, the business environment and the living environment. The government will formally recognize and reward enterprises that facilitate this process.

Sources:

① "Qingpu Talent Development Fund Interim Measures"

② "Qingpu District, the introduction of pilot scheme for high-level personnel housing subsidies"

③ "Zhangjiang national independent innovation demonstration zone corporate equity and bonus incentive measures"

④ "Qingpu District announces the implementation of Shanghai thousand talents program"

2.2.3 Government services



Qingpu District's administrative service center

The Qingpu District Administrative Service Center is a body authorized by the government of Qingpu to review and process permits and to provide services relating to the economic and social development of the District. The center aims at providing Qingpu District and its investors with convenient approval procedures and an efficient service environment.

The service center provides companies with efficient and comprehensive "one-stop" administrative inspections and approval services in the following areas:

- Company registration and infrastructure procedures
- Connecting government departments and enterprise services

The service center optimizes the service environment to create a high quality living and working environment:

- Providing education and training services in areas such as business investment environmental evaluation, finance and taxation
- Providing food, housing and commercial services
- Enhancing leisure and entertainment services available to park residents

“The Park’s government is very enthusiastic about its enterprise services. Their leadership is pragmatic and is proactive in making things happen for enterprises. We are very satisfied with the government’s service philosophy and level of support.”

——Quaker Chemical (China) Co., Ltd.

Quaker Chemical Group, headquartered in Pennsylvania in the United States, is a world leading chemicals group and a leading provider of metal working lubricants and other related special lubricants. Quaker Chemical (China) Co., Ltd. serves as the group's production base, R&D center and its executive management headquarters for the entire Asia-Pacific region.



2.3 Business environment — Introduction

For most businesses, the presence of supporting industries can affect the utilization and efficiency of various production resources. At the same time, the level of professionalism and diversity of services offered by financial institutions and service providers play a critical role in business financing, management and decision-making.

During the 12th Five-Year Plan, Qingpu District will greatly benefit from the overall development of the Yangtze River Delta region. By drawing from the region's world-class resources, Qingpu's objective is to develop into a modern city that will significantly affect the prosperity of the region. The District's development will also be closely tied to the construction of the Hongqiao Business District, with both districts acting as a catalyst for the rapid development of Shanghai's western sector.

Leveraging both Shanghai's and Qingpu District's expanding economies, Zhangjiang Qingpu High-Tech Park is committed to creating a high quality and comprehensive environment.

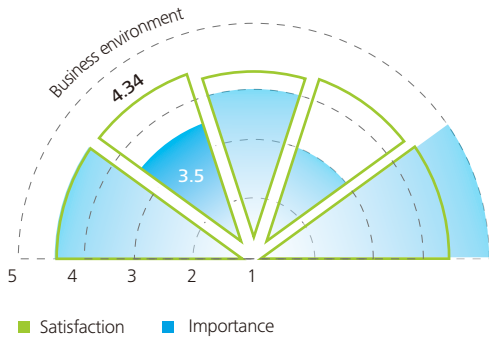
“The Qingpu Park offers a convenient business environment, with banks and financial institutions offering a wide-range of services to meet the needs of our enterprise.”

——SVA ELECTRON CO., LTD.

SVA Electron Co., Ltd. is a Sino-Japanese joint venture formed between SVA Technologies, Co., Ltd and Sumitomo Metal Microelectronics. The company specializes in the design, development, manufacturing and sale of PCB modules used on LCD monitors and TVs, laptops and electrical appliances. Sumitomo Metal Microelectronics was founded in 2001 as a whollyowned subsidiary of the Fortune 500 company, Sumitomo Metal.



2.3.1 Research summary

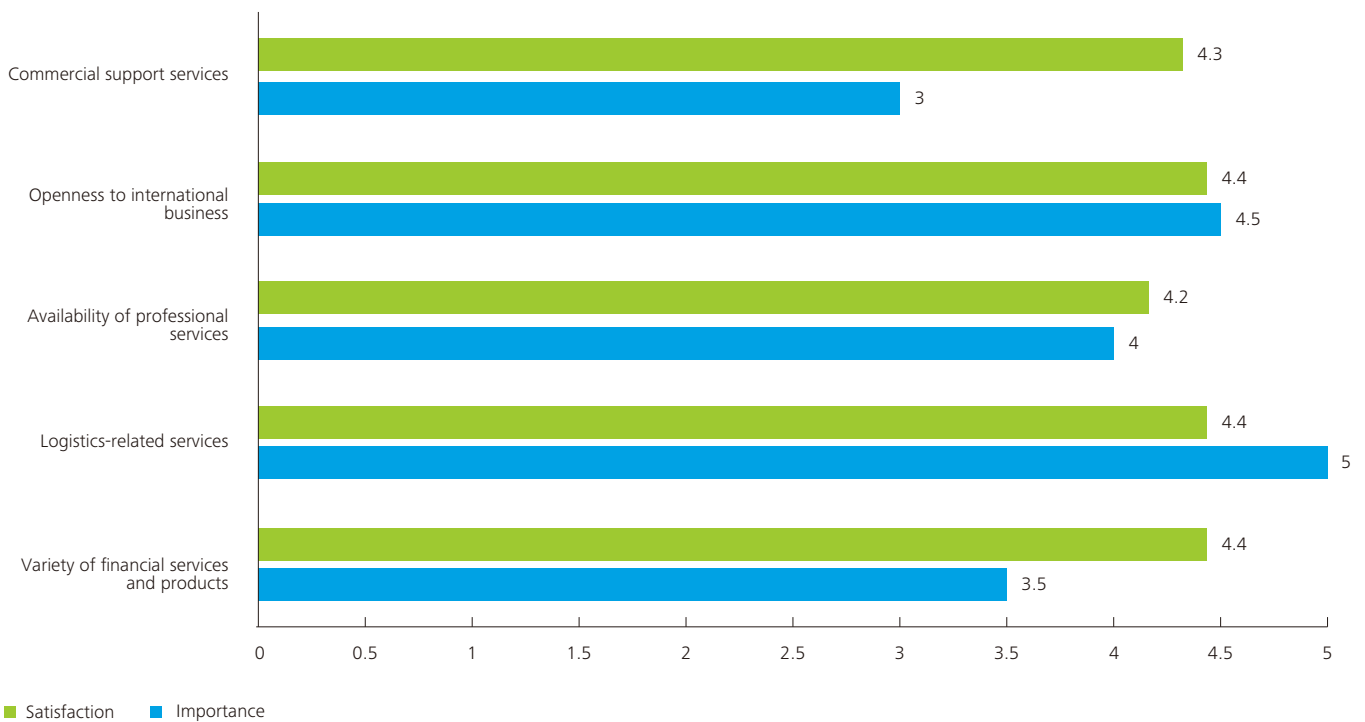


Survey results:

- 50% of the companies surveyed believe that the business environment and the availability of local partners are very important components of the overall investment environment
- 78.7% of the companies surveyed are satisfied with their partner and current business environment
- The areas that were rated most important overall were the breadth and quality of logistics services, international order and business openness, and professional agencies available for selection
- The areas that had the highest satisfaction ratings were financial services, variety of financial products, variety and quality of logistics services, and openness and organization of international business.

Business environment – Measure of importance and degree of satisfaction

Business environment



2.3.2 High technology

Leveraging the Yangtze River Delta's high-tech industrial advantage

The Yangtze River Delta region features the fastest economic growth, the greatest capacity and the highest potential in the country. During its industrial and economic transformation, the Yangtze River Delta became a vital center for high-technology and utilized the resulting economies of scale to drive its sustained growth. Qingpu District is regarded as having similar potential due to its strong high-tech foundation and location at the heart of the Yangtze River Delta.

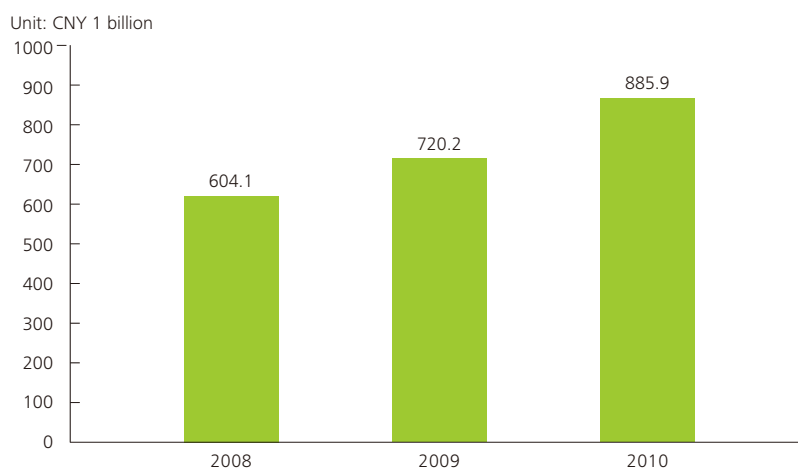
High-tech industry contributions in selected cities within Yangtze River Delta in 2010 ^③	
Shanghai	8,859
Suzhou	9,007
Changzhou	3,798
Nantong	2,424

Building on Shanghai's technological advantages^①

Shanghai's industrial output in 2010 was valued at more than CNY 3 trillion, and the high-tech industry registered the fastest growth with an annual output totaling CNY 885.9 billion. Output was up 23% from the previous year and showed an above average growth for the second consecutive year.

The Shanghai government has continued its efforts to develop a system and platform to foster technological innovation, and promote cooperative efforts between businesses, academia and research institutions to support product R&D. To date, more than 20 national platforms for innovation, including the National Energy Research Center and National Quality Supervision & Inspection Center, have been launched in Shanghai.

Rising trend in Shanghai's high-tech revenue^{①②}



Source:

①Shanghai Municipal Development and Reform Commission official website

②2009 Shanghai Statistical Yearbook

③Regional Ministry of Commerce Website

2.3.3 Research environment

Intellectual property rights protection in Zhangjiang Qingpu High-Tech Park^①

Zhangjiang Qingpu High-Tech Park has been approved by the State Intellectual Property Office as a model park for national intellectual property.

Up to CNY 1 million	Patent standardization subsidy
CNY 50,000-150,000	Scientific and strategic research sponsorship
CNY 10,000-50,000	Scientific research sponsorship

The Zhangjiang Qingpu High-Tech Park allocated a budget of up to CNY 10 million in 2009 and 2010 to support activities associated with the creation, utilization, management and protection of intellectual property rights, as well as fund the development of a national intellectual property model park.

Qingpu Research Center

High-tech industrial output was valued at CNY 27.2 million in 2010, up 38.1% from 2009.^② Internationally recognized companies that have established research centers in Qingpu include:

- Shanghai Pratt & Whitney Aircraft Engine Maintenance Company
- Unicharm R&D center
- Wilsonart R&D center
- New Focus Lighting & Power Technology Research Center
- Shanghai Daishowa R&D center
- INVISTA R&D center
- Hitachi Elevator R&D center

According to the China IPR Index Report issued by the State Intellectual Property Office in June 2011, Shanghai is second on China's IPR index.

Investment in R&D^③

The Zhangjiang Qingpu High-Tech Park is creating and implementing favorable R&D policies that focus on cultivating innovation and creating a concentration of innovative enterprises. As of 2010, scientific and technological achievements include:

6	Six certified high-tech R&D centers
26	26 high-tech companies
251	251 patents
1.04	R&D expenditure totaling CNY 104 million

According to its long-term development goals, R&D expenditure in 2015 will represent 3% of the gross operating revenue of the Park. The Park will also increase the number of high-tech companies to 35, complete five incubation bases and innovation platforms, and be home to 25 certified technological development centers.

Source:

① "Zhangjiang High-Tech Park's approach to enhance the implementation of intellectual property rights"

② 2011 Statistical Manual of Qingpu

③ Shanghai Zhangjiang High-Tech Industrial Development Zone, Qingpu Park 12th Five-Year Plan

2.3.4 Financial institutions and services

Shanghai's financial institutions and professional services

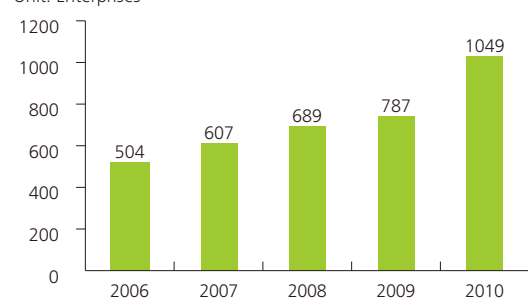
Shanghai is the sixth largest financial center in the world and fourth largest in Asia, and ranks with Hong Kong, Singapore and Tokyo as a highly influential financial center.

Shanghai is China's largest and most active financial center, and is characterized by advanced systems and an innovative market. The Shanghai market has begun the process of opening up to foreign investors and is continually improving its financial environment. At the end of 2010, Shanghai was home to 1,049 financial institutions, a number that is expected to rise steadily over the next few years.^①

Shanghai is also home to professional service agencies that cater to a variety of business needs. These establishments include accounting firms, law firms, consulting companies, and leading domestic and international logistics companies.

Growing number of financial institutions in Shanghai

Unit: Enterprises



Source: 2010 Shanghai Statistics Yearbook

Qingpu district financial services

A wide network of financial institutions comprised mainly of state banks and non-banking institutions has been formed in Qingpu, such as securities and insurance firms. Qingpu is also making an effort to promote the modern services sector and further develop professional products and services, such as intermediary services, legal services, consulting, advertising, and human resources services.

Some financial and professional services institutions located in the Park.^②

Banks		
Bank of China	HSBC	China Bank of Communications
Agricultural Bank of China	Citibank	First Sino Bank
China Construction Bank	Société Générale	Guangdong Development Bank
Industrial and Commercial Bank of China	Standard Chartered Bank	Shenzhen Development Bank
Pudong Development Bank	Deutsche Bank	

Insurance	
China Life	AIA
PICC P&C	Allianz Insurance Group
China Ping An Life Insurance	

Consulting	
DTZ	CBRE
Jones Lang LaSalle	Colliers International
Deloitte Touche Tohmatsu	EFESCO

Logistics	
FedEx	UPS
TNT	EMS
ZJS	Deppon Logistics

Source:

① Information provided by Zhangjing Qingou High-Tech Park
 ② 21st Century Economic Report

2.3.5 Hotel and convention facilities

Hotel facilities and services—Meeting business and travel demands

Many five-star hotels are located within a one-hour drive from the Zhangjiang Qingpu High-Tech Park, including:^①

- Le Méridien Sheshan Shanghai
- Marriot Hongqiao Hotel
- Grand Mercure Hongqiao Shanghai
- Shanghai Xi Jiao Guesthouse
- Sheraton Shanghai Hongqiao Hotel
- Renaissance Yangtze Shanghai Hotel
- Royal Tulip Zhujiajiao Shanghai



International exhibition facility and services—Hongqiao Business District

The national exhibition center will be situated in Qingpu's Xujin Township, one of the key national projects in the 12th Five-Year Plan. The total land area is 104 hectares, of which the exhibition halls will occupy a total of 500,000 square meters and a gross building area of approximately 1,200,000 square meters. With a total investment of CNY 23 billion, the project will be three times the size of the Pudong New International Expo Centre and, when completed, will rank among the world's largest international exhibition centers.^②

Over the next five years, Qingpu will promote the development of the conference and exhibition industry. Qingpu will bid to host trade fairs for world-class brands while amassing the talent and agency services required for Shanghai to become an international trade center.

Source:

- ① Provided by Zhangjiang Qingpu High-Tech Park
- ② 21st Century Economic Report

2.3.6 International integration

Foreign-invested enterprises in Zhangjiang Qingpu High-Tech Park

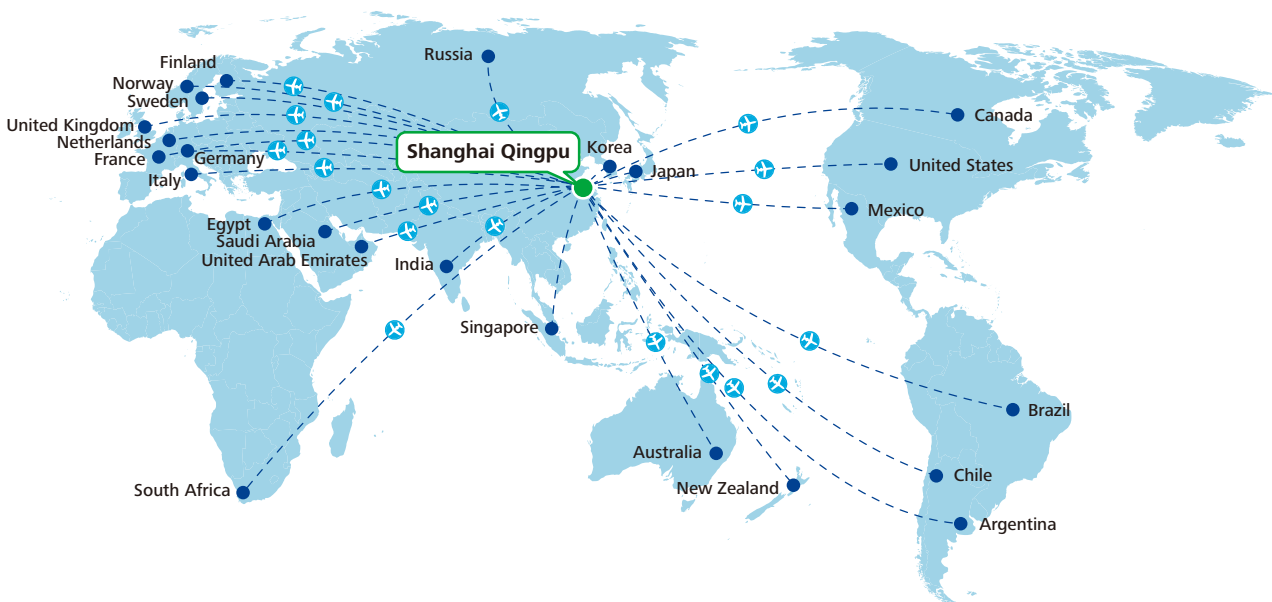
Shanghai is the most international and economically vibrant city in China. The Dahongqiao Business District will soon emerge as the third-fastest area of economic growth in the city, led by the City Center and the Pudong New Area.

Foreign investment^②

At the end of 2009, a total of 29 of Qingpu's companies had attracted 17.4 million investment. The investment was drawn from 13 countries, including Japan, Canada, the United Arab Emirates and the United States.

Fortune 500 companies doing business in Zhangjiang Qingpu High-Tech Park ^①	
Country of investment	Company
Germany	Honeywell Specialty Materials
Germany	ZF Rubber & Metal (Shanghai)
United States	Tyco Water Valve (Shanghai)
United States	Dupont Huajia Chemical Co., Ltd.
United States	Tyco Flow Control
France	Air Liquide (Shanghai)
Japan	Hitachi Metal (Dongguan) Specialty Steel Shanghai Branch
Japan	SVA-E

Qingpu's export destinations exceeding USD 100 million in volume



Source:
 ① Information provided by Zhangjiang Qingpu High-Tech Park
 ② 2010 Shanghai Commerce Yearbook

2.4 Human resources — Introduction

The concept that "science and technology determine the level of productivity, but human resources are the source of productivity" is widely recognized in business. Human resources are a key component for a business to maintain its competitiveness and a vital factor in any investment strategy.

As China's primary economic center, Shanghai attracts talented professionals from all across the nation and around the world. Historically, Qingpu was the birthplace of modern Shanghai, and serves as a strong cultural foundation.

Over the past 10 years, Qingpu has been a model for basic education in China. By leveraging the large pool of talent available in Shanghai and the Yangtze River Delta, investing in Qingpu will secure a sustainable supply of high quality personnel.

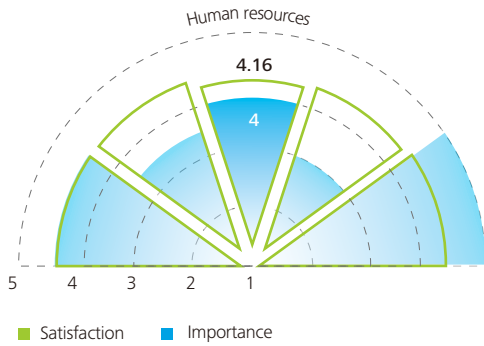
"We invested in a facility in Qingpu District to take advantage of its rich human resources. The majority of our employees are natives of Qingpu. Hence, the stability of our staff is relatively high, helping us to increase productivity."

—— GHSP Shanghai

GHSP is a Michigan-based auto parts manufacturer. Among its customers in China are GM, Ford, Honda, Chrysler, Suzuki and Changan Auto.



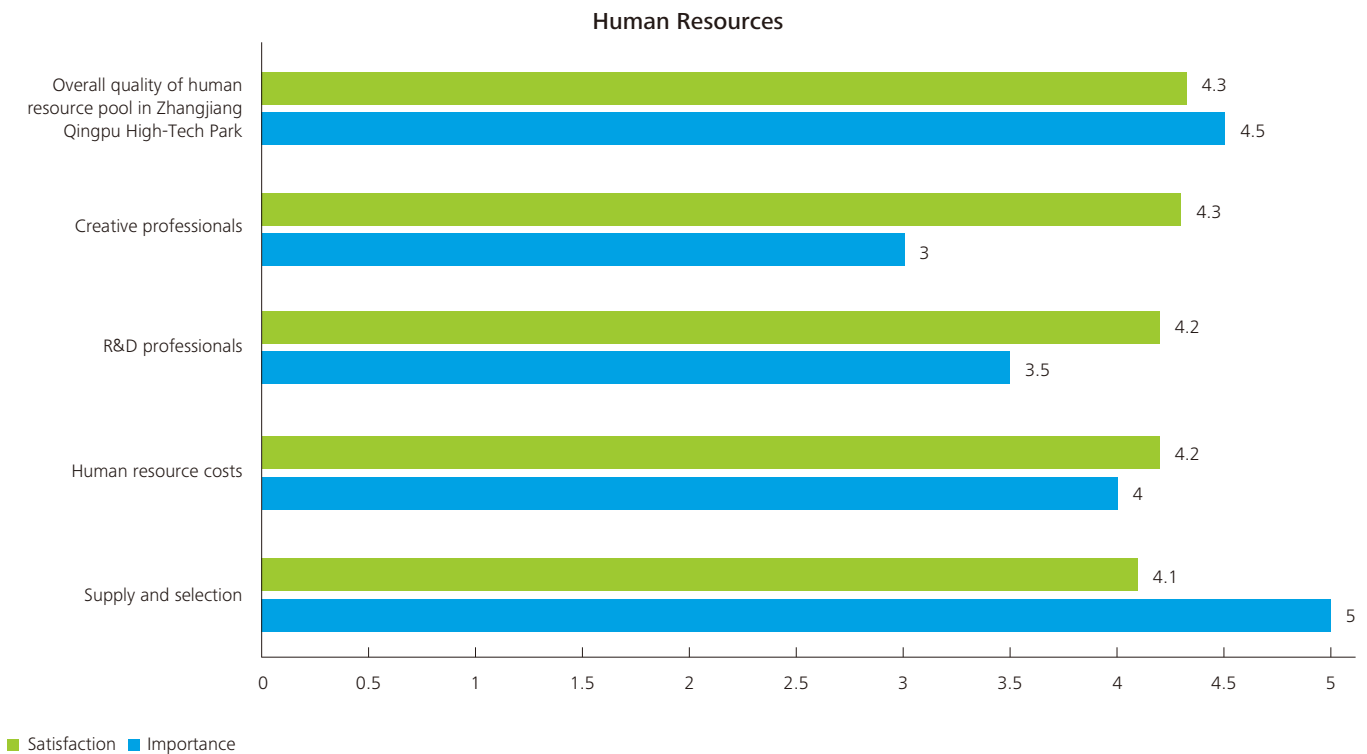
2.4.1 Research summary



Survey results:

- 66.7% of firms thought human resources were a very important component of the overall investment environment
- 66% of firms were satisfied with Zhangjiang Qingpu High-Tech Park's human resources
- The areas that firms rated most important overall were human resource supply and selection, quality and costs
- The areas that were rated most satisfactory were creative professionals, quality of human resources and human resource costs

Human resources – Measuring importance and degree of satisfaction



2.4.2 Human resources — Supply

Deep talent pool^①

Qingpu District has a total population of 1,050,000, 74.5% of whom are between the ages 16 to 59, thus providing enterprises with an abundant supply of human resources.

With a wealth of educational resources, Qingpu district is model for basic education in China. It is home to:^②

- Vocational schools 28
- Trade schools 7
- Universities 3
- R&D centers 10

Human resources from Shanghai's universities

Shanghai has a number of world-class educational institutions that train and cultivate talent for the high-end workforce. As the economic heart of the country and one of the world's most dynamic cities, Shanghai continues to attract professionals from inside and outside the country .

Over 60 universities and 10 R&D centers are situated within 50 kilometers of the Zhangjiang Qingpu High-Tech Park. In 2010, 161,900 students graduated from university, providing an excellent supply of human resources to the region.

Prominent universities in Shanghai as of 2010

- Fudan University
- Shanghai Jiao Tong University
- Tongji University
- Shanghai University of Finance and Economics
- East China University of Science and Technology
- Shanghai International Studies University
- East China Normal University

Source:

①Qingpu Almanac 2011

②Information provided by Zhangjiang Qingpu High-Tech Park

③Shmec.gov.cn

“It is convenient to hire people here in Qingpu. Most of our technicians are Qingpu natives who graduated from local vocational schools and were well-trained before their employment. We also have many staff who hold masters degrees and PhD’s that provide us with a stable base middle-management employees.”

——Invista Shanghai

University graduates in Shanghai, 2010 ^③	Data (1,000)
Bachelors	134
Masters	24
Doctorates	5



2.4.3 Human resources — Costs

Human resource cost considerations

Employers have to take both salary costs and contributions to employee social insurance into account.

Labor costs

The average salary of a full-time employed individual in Shanghai in 2010 was CNY 3,896 per month.^① As indicated in the table, salaries in Qingpu District are very competitive amid rising labor costs.



Social insurance costs

Companies in China are required to pay a proportional share of an employee's social insurance premiums (including the housing provident fund). In Shanghai, an employer's social insurance contribution accounts for 37% of an employee's total wages.^①

Township social insurance regulations may be beneficial to companies registered within Qingpu District: an employer's contribution to employee social insurance accounts for only 25% of total wages.^②

Salaries in Qingpu District 2011

Position	Salary Range (CNY/month)
General workers	1,280-2,000
Skilled workers	2,000-3,500
Managers	3,500-15,000

Insurance	Shanghai Rate	Township Rate
Unemployment	2%	2%
Pension	22%	17%
Medical	12%	5%
Workplace injury	0.5%	0.5%
Maternity	0.5%	0.5%
Total	37%	25%

Source:

①12333sh.gov.cn

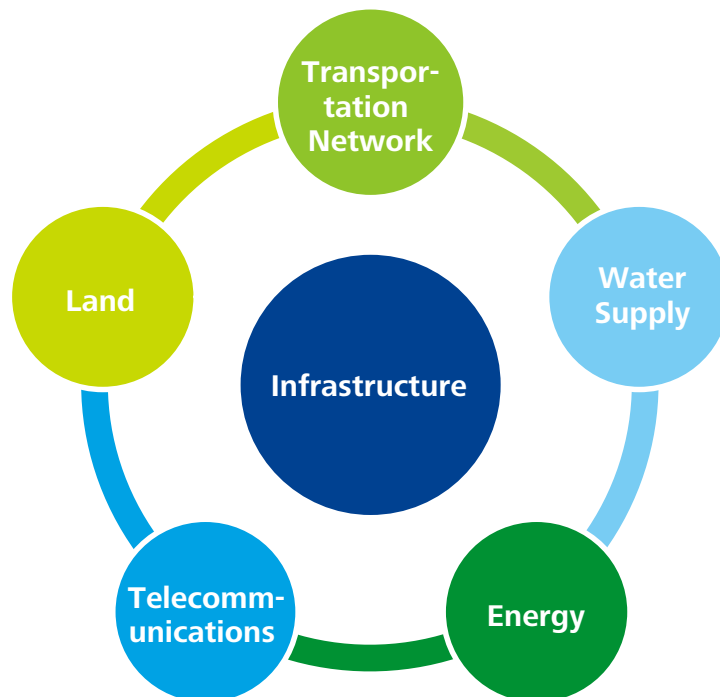
②Information provided by Zhangjiang Qingpu High-Tech Park

2.5 Infrastructure — Introduction

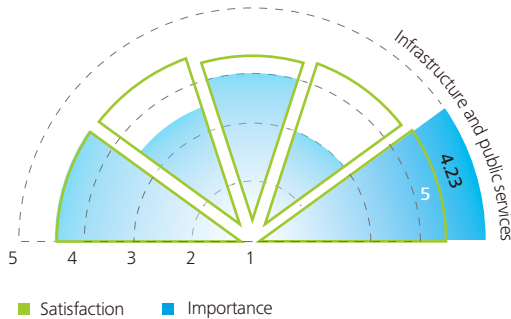
Sound infrastructure and a well-developed public service system are prerequisites for efficient business operations. Operating costs factor in as one of the most important considerations when choosing a location. Such costs include the cost of land, factory rent and other start-up expenses, as well as daily operating expenses such as transportation, water supply, electricity, heat and gas.

“We have many suppliers and customers based in Shanghai, Suzhou and neighboring cities. We chose to establish ourselves in the Zhangjiang Qingpu High-Tech Park because of its close proximity to Shanghai’s city center and its accessibility to other cities in the Yangtze River Delta.”

——West Pharmaceutical Services China



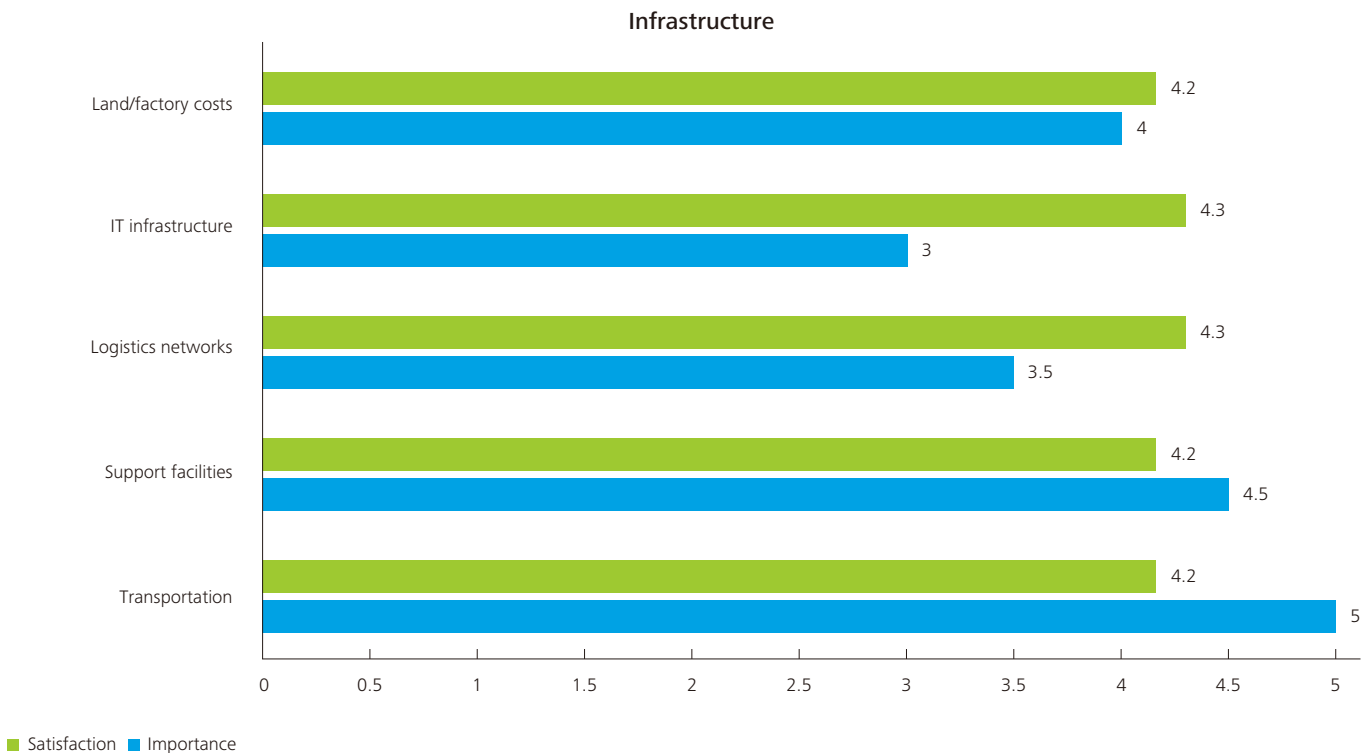
2.5.1 Infrastructure — Research summary



Survey results

- 83.3% of firms thought infrastructure and public services were very important aspects of the investment environment
- 79.3% of firms were satisfied with Zhangjiang Qingpu High-Tech Park's infrastructure
- The factors that firms rated most important overall were transportation, supporting facilities and land/factory costs
- The areas that had the highest satisfaction rating overall were logistical networks, IT infrastructure and support facilities

Infrastructure - Measuring importance and degree of satisfaction



2.5.2 Air transportation

Shanghai Hongqiao International Airport: A key component of the Hongqiao Integrated Transport Hub

Shanghai Hongqiao International Airport is a 4E level airport^① that currently handles 80,000 passengers per day. The expansion project is expected to increase its passenger traffic to 40 million people per year and increase its cargo traffic to one million metric tons per year. In 2011, the airport was awarded second prize by Skytrax on the list of the “World’s Most Progressive Airports” and “China’s Best Airports” and was also the 2010 winner of ACI’s “Asia Pacific’s Most Progressive Airports.”^②

Shanghai Pudong International Airport: China’s international gateway

Shanghai Pudong International Airport and Shanghai Hongqiao International Airport are two of China’s top three international airports. In 2010, Pudong Airport’s passenger traffic reached 40.4 million and cargo traffic ranked the third in the world.^③ In the second quarter of 2010, an ACI survey Pudong Airport’s satisfaction fifth out of 154 airports worldwide.^③

“The Zhangjiang Qingpu High-Tech Park is interconnected by a developed highway network and is only 17 kilometers from Hongqiao Airport. The park is also accessible through Metro Line 17. This transportation network makes the logistics and interactions between our customers and suppliers much more convenient. It’s also convenient for our employees to travel between the Park and downtown Shanghai.”

——New Focus Lighting and Power Technology Shanghai

New Focus Lighting and Power Technology Shanghai is a foreign-funded company established in 2001. Located in the Zhangjiang Qingpu High-Tech Park with an investment of USD 37.75 million, New Focus is engaged in the research, development and manufacturing of high-performance automotive electronics and illumination products.

Distance between the Zhangjiang Qingpu High-TechPark and Shanghai’s Airports^③

Airport name	Distance (kilometers)
Hongqiao International Airport	17
Pudong International Airport	60



Source:

① The designation of airport class in China is a two-part code. Part I is a number representing the runway performance and restrictions that correspond to the performance of the aircraft. Part II is a letter representing the required width of the runway and taxiway to accommodate the dimensions of the aircraft. An airport of 4E class, which is the highest in China, means that the runway should be at least 1,800 meters long, the wingspan range 52-60 meters and the wheel span 9-14 meters.

② Official website of Shanghai Airport Authority

③ Information provided by Zhangjiang Qingpu High-Tech Park

2.5.3 World-class ports

Shanghai - Transformation into an international shipping hub

Located at the mouth of the Yangtze River Delta, Shanghai is one of China's coastal transportation centers. Highways, national expressways, railroads and coastal shipping routes in and around the city make Shanghai the transport and distribution hub of the Yangtze River Delta.

Yangshan Terminal^①

One of the best deepwater ports in the world, Yangshan Terminal handled 10.1 million TEU containers in 2010, accounting for 35% of Shanghai's total.

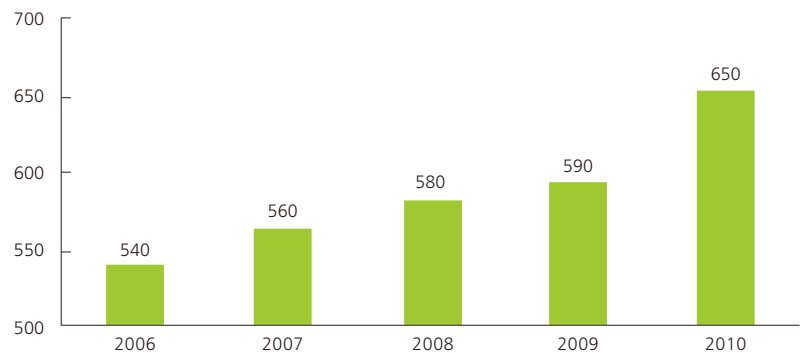
Waigaoqiao Terminal^②

More than 20,000 international ships and more than 240,000 people passed through Waigaoqiao Terminal in 2010.

“Shanghai is ramping up its efforts to establish itself an international shipping hub. The city handled 29 million TEU containers in 2010, eclipsing Singapore's 28.4 million TEU, to become one of the world's busiest.”^③

Shanghai's Cargo Traffic, 2006 - 2010^④

Unit: 1 million metric tons



2010 Terminal Cargo Traffic^⑤

Terminal	Cargo Traffic (1 mmt)	Container Traffic (millions of TEU)
Waigaoqiao	135.7	15
Yangshan	88.9	10.1



Source:

① Yangshanterminal.com

② Shippingchina.com

③ Chineseport.cn

④ Jt.china.com.cn

⑤ Shanghai Pudong Foreign Investment Association

2.5.4 Railways

Shanghai Hongqiao Railway Station: A key part of the Hongqiao Integrated Transport Hub^①

Shanghai Hongqiao Railway Station is west of Hongqiao Airport and a key part of the Hongqiao Integrated Transport Hub. Opened on 1 July 2010, the station offers high-speed rail, inter-city rail, urban subway, public transit and airport access services.

- Located at the junction of the Shanghai-Hangzhou, Shanghai-Nanjing and Shanghai-Beijing high-speed rail lines
- Near Terminal 2 of Hongqiao International Airport
- Connected to the subway, public transit and long-haul bus services

Land Area	1.3 million square meters
Total Investment	CNY 15 billion
Expected Passenger Traffic By 2020	52.7 million

Shanghai South Railway Station: southern gate^②

Shanghai South Railway Station, located in the southwestern part of the city, opened on 1 July 2006 and covers an area of 60.3 hectares. The station is known as Shanghai's southern gate due to its convenient connections to rail, subway and public transit services.

Shanghai Railway Station: Shanghai's largest passenger railway station^③

Shanghai Railway Station is in the northern part of the city and is the city's busiest railway station. The station features connections to numerous ground transportation services such as the subway, taxis, public transit and long-haul bus services.

Source:

① Sh.eastday.com

② Tielu.org

③ Shhcz.com.cn

④ Information provided by Zhangjiang Qingpu High-Tech Park

“The Shanghai Hongqiao Railway Station, Shanghai Railway Station and Shanghai South Railway Station are situated on a well-developed high-speed rail network across the country.”



Distance between Zhangjiang Qingpu High-Tech Park and Railway Stations^④

Station Name	Distance (km)
Shanghai Hongqiao Railway Station	17
Shanghai South Railway Station	42
Shanghai Railway Station	44

2.5.5 Highways/Urban railways

Convenient highway network

The Zhangjiang Qingpu High-Tech Park is interconnected by seven highways that provide an excellent means of transportation for products and raw materials, as well as convenient access for visitors and business travellers.^①

Growing subway network

As of 30 June 2010, Shanghai had 11 subway lines covering a total distance of 410 kilometers. Line 2's Xujing Station was completed during the 11th Five-Year Plan. According to the 12th Five-Year Plan, Line 17 will be operational by 2015. Line 17 and Line 2 will provide access to Shanghai's east-west passenger corridor and make travel more convenient for residents of Qingpu, Zhujiajiao, Zhaoxiang and Xujing.^③

Highways around Zhangjiang Qingpu High-Tech Park ^②	
G15 Shen-Hai Expressway	Shenyang-Haikou: 3,710km
G1501 Shanghai Ring Expressway	Downtown, outskirts and periphery: 189km
G50 Hu-Yu Expressway	Shanghai-Chongqing: 1,900km
G42 Hu-Rong Expressway	Shanghai-Chengdu: 1,960km
G60 Hu-Kun Expressway	Shanghai-Kunming: 2,370km
S32 ShenJia-Hu Expressway	From Shanghai Pudong International Airport to Jiaxing, Huzhou and Hangzhou, Zhejiang province
S26 Hu-Chang Expressway	Connected to Around Shanghai Highway, Around Suzhou Highway and Su-Jia-Hang Highway



“Rapid transit plays an important role in the city’s urbanization, attracting human resources and facilitating industrial expansion. An added benefit is its efficiency, minimal carbon footprint and low environmental impact.”

Source:

- ① Information provided by Zhangjiang Qingpu High-Tech Park
- ② China-highway.com
- ③ Zhangjiang Qingpu High-Tech Park 12th Five-Year Plan

2.5.6 Infrastructure of the Zhangjiang Qingpu High-Tech Park

Excellent power supply

Qingpu has developed a high quality network to provide reliable power supply to the area:

- Five 220,000-volt transformer substations
- Thirty-six 110,000-volt and 35,000-volt transformer substations

Abundant supply of natural gas

Benefiting from the country's east-west pipeline, natural gas flowing from western China has elevated Qingpu's daily gas supply to 120,000 cubic meters. The greater volume guarantees an excellent supply of natural gas to the Zhangjiang Qingpu High-Tech Park.

Advanced telecommunications facilities

Zhangjiang Qingpu High-Tech Park currently has 120,000 automatic switchboards. All transfers between tandem offices and terminal offices are digital, including IDD, DDD, ADSL and FTTB data transfers.

Excellent water supply and advanced wastewater treatment facilities

Qingpu has eight waterworks and is capable of treating 233,000 cubic meters of wastewater per day. In 2010, Qingpu's discharged wastewater achieved a compliance rate of 93.6%.

Indicator	2009	2010	Growth (%)
Water Supply (1 mmt)	138.1	146.7	6.3%
Wastewater Treated (1 mmt)	63.2	85.1	34.7%
Electricity Sold (million KW hours)	4,000	4,800	17.7%
Natural Gas Supply (1,000 m ³)	63,160	81,400	28.9%

Land/factory costs

Enterprises and individuals in China are not permitted to purchase or own land, although a transfer fee can be paid to the government to buy land use rights for a specified number of years (the land use period for industrial land is 50 years). Investors in industrial projects can lease land and build their own factories, or elect to purchase or rent factories.

Type	Fees, 2011
Transfer fees for Industrial Land	To Be Auctioned
Transfer fees for land use	CNY 1 per m ² per year
Fees for Urban Land use	CNY 6 per m ² per year
Factory rentals	CNY 0.6–CNY 0.8 per m ² per day



Source:
Information provided by Zhangjiang Qingpu High-Tech Park



3. Living in Qingpu

-
- 3. Living in Qingpu – Introduction
 - 3.1 Research summary
 - 3.2 Green Water Town – Ecological awareness
 - 3.3 Living environment
 - 3.4 Outstanding educational environment
 - 3.5 Sound health care system
 - 3.6 Rich cultural landscape
 - 3.7 A variety of business and recreational activities

3. Living in Qingpu — Introduction

Qingpu is the cradle of Shanghai's modern civilization, a valued cultural resource. The District is renowned for its beautiful scenery, excellent natural environment. Qingpu is home to 21 natural lakes and the largest freshwater lake in Shanghai, Dianshan Lake. Embodying the concept "Balanced Integration of Industry and Water," Qingpu District provides residents with a lifestyle that is ecological, low-carbon and environmentally friendly.

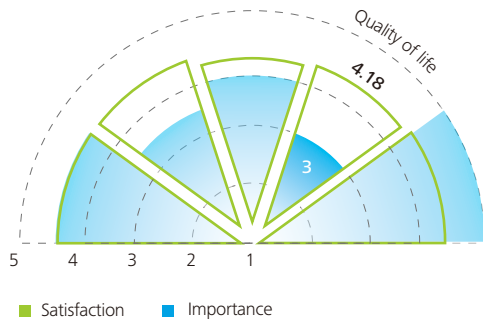
“Qingpu District, a hotbed for growth, knowledge and talent, has a long and rich history. By virtue of Dianshan Lake, Qingpu has an abundance of integrated leisure and entertainment facilities. Qingpu’s *feng shui* is a truly rare treasure”.

——New Focus Lighting and Power Technology (Shanghai) Co., Ltd.



- Qingpu New Town: Dubai International Award for Best Practices to Improve the Living Environment
- Zhujiajiao Town: International Garden City
- Dianshan Lake: Shanghai's largest natural freshwater lake
- Sun Island International Club: Rated as one of the five best golf courses in Asia

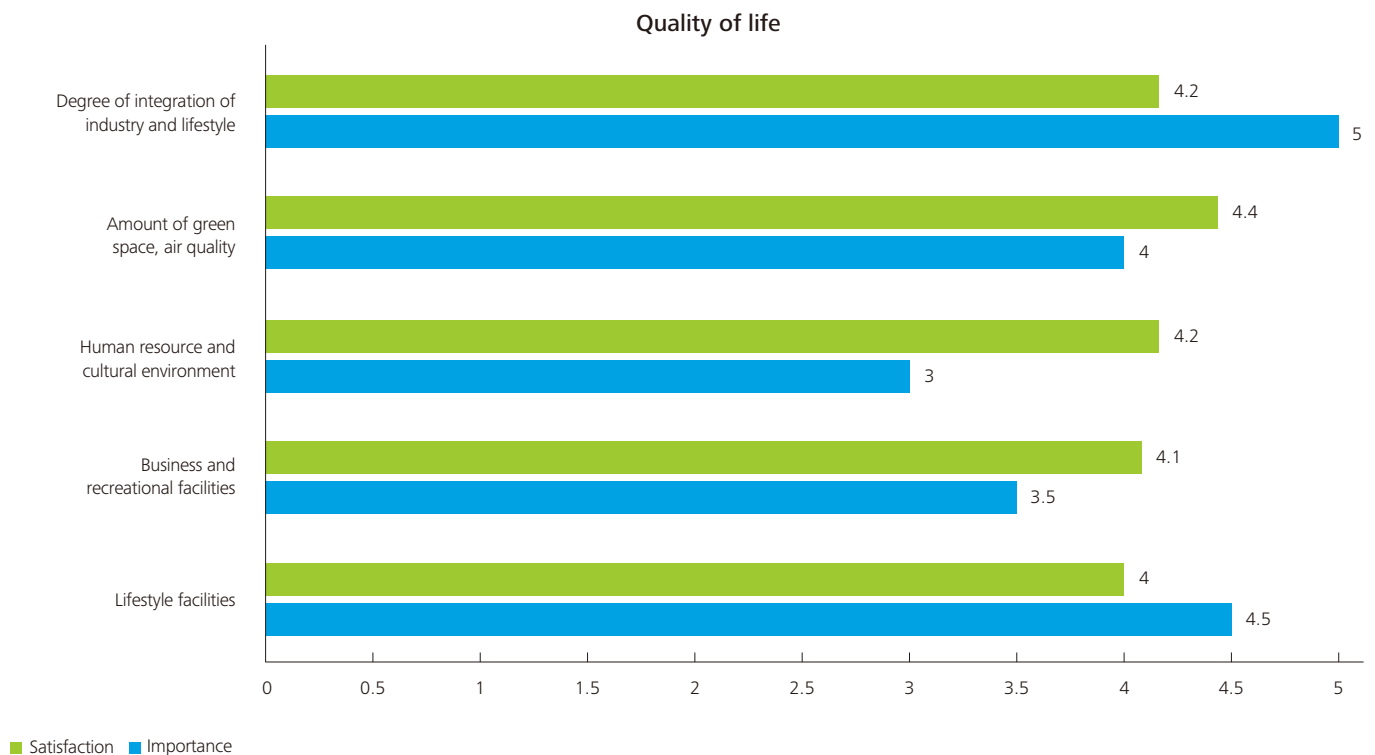
3.1 Research summary



Survey results

- 33% of enterprises felt that the standard of living is very important to the investment environment
- 74.7% of enterprises expressed satisfaction with the standard and quality of life in the District
- Enterprises felt the most important aspects were the degree of integration of industry and lifestyle, living facilities, green space and air quality
- Enterprises were most satisfied with the amount of green space and air quality, the degree of integration of industry and lifestyle, and the human resource and cultural environment

Measuring importance and degree of satisfaction



3.2 Green Water Town — Ecological awareness

Clean air, pure water

In 2010 Qingpu had 329 days of good air quality. The percentage of good air days was 90.1%.^① During the 11th Five-Year Plan, Qingpu's water quality continued to show steady improvement, with Dianshan Lake's rating of improvement of reaching 29%. Drinking water and rivers exhibited improvement rates of 50% and 10%, respectively.^②

Green Qingpu, a garden city

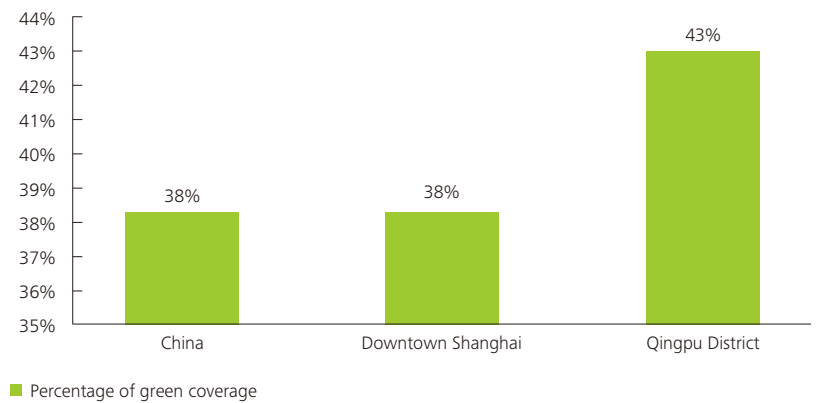
From 2008 to 2010, there was a total of 5.818 million square meters of newly created green space in Qingpu District. Public green space per capita was maintained at 35 square meters. The rate of green coverage was 42.9%.^③

Qing District is officially recognized by the United Nations Environment program, and was a participant in the finals of the "2008 12th Annual Global International Garden City" organized by the International Park Association and the recipient of the "International Garden City" award.

Dianshan Lake - Shanghai's largest natural freshwater lake

Dianshan Lake is located in western Qingpu district and covers an area of 62 square kilometers. With its beautiful natural surroundings, a yacht club, golf course, fishing club and numerous tourist resorts have been established around the lake. The area also features a wealth of sightseeing and recreational facilities that showcase the District's blend of ancient and modern culture. Two of the most popular destinations are the Qingpu wetland park and the ancient town of Zhujiajiao.

Qingpu District's rate of green coverage is not only higher than Shanghai's city center, but also China's the national average.



Source:

- ① Statistical Yearbook of Qingpu District 2011
- ② Qingpu District Environmental Protection Bureau's official website
- ③ Shanghai Landscaping Administration Bureau's official website

3.3 Living environment

First-class ecological community

Qingpu District provides a high quality living environment for its residents.

Villas and luxury apartments

Qingpu has long been known as Shanghai's residential area for luxury villas. Various types of villas and luxury apartments account for 41% of the total value of residential investments.

Lakeshore in the western suburbs has won awards such as "Shanghai's Top 10 Affluent Real Estate Category," "The 100 Best Villas in China," "the 'Model Project' under China's Villa Index System" and other honors.^①

"Four Best" of Shanghai's exceptional land - efficient developments^②

- Perfume Bay Villa
- CITIC Pacific – Zhujiajiao New Town
- Yanlord Yunjie Riverside Garden
- New City Garden

Residential complexes recognized for excellent property management^②

- Horizon Gardens
- New Qingpu Garden



Source:

- ① Official website of Shanghai Qingpu District Administration Housing Security and Defense
- ② Shanghai Housing Security and Housing Authority

3.4 Outstanding educational environment

International educational facilities

A number of international schools have been established within Qingpu and the surrounding areas. With a wide range of curricula that extend from kindergarten through high school, these establishments offer an exceptional environment for educating children relocating from abroad.^①

- American School
- German School
- British School
- Yew Chung International School
- West China International School
- French School
- Korean School
- Singapore International School
- Japan International School

Excellent basic education facilities

There are many excellent municipal schools in Qingpu. It is a model for formal education, and serves as a platform for the country's educational foundation.^②

- Qingpu High School
- Zhujiyajiao High School
- Qingpu District Experimental Primary School
- Soong Ching Ling Kindergarten

A wealth of vocational training schools

There are also many excellent vocational training schools in Qingpu District. Building on a strong platform for school-enterprise cooperation, these schools work to provide Qingpu-based enterprises with direct access to new graduates.

- Shanghai Qingpu District Entrepreneurial Vocational Training School
- Shanghai Logistics Vocational Training School
- Shanghai Qingpu Vocational and Technical Training School of Knowledge Culture and Industry
- Shanghai Shangri Apparel Training School

Shanghai National Accounting Institute

Officially established by Chinese government in September 2000, the Shanghai National Accounting Institute was set up to train senior financial management personnel. The institute focuses on instilling students with an international perspective, strategic vision, fiscal and financial management expertise and professionalism.^③

EMBA	In partnership with Arizona State University in the United States to administer the Executive Masters of Business Administration (EMBA) (Finance Track) to senior management personnel
EMPAcc	In cooperation with the Chinese University of Hong Kong to direct the "Executive Masters of Professional Accounting (EMPAcc) program for senior accountants"
MPAcc	Works with the Shanghai University of Finance to direct the "Masters of Professional Accounting (MPAcc)" the program



Source:

- ① Shanghai Education Association for International Exchange official website
- ② Qingpu District School Board website
- ③ Shanghai National Accounting Institute's official website

3.5 Sound health care system

Health Care

Shanghai Qingpu has many general hospitals that provide comprehensive medical and health care.

Qingpu Branch of Zhongshan Hospital, Fudan University (Qingpu District Central Hospital)^①

- Identified as a "Baby Friendly Hospital" by the World Health Organization (WHO) in 1995
- Rated a Shanghai Model Unit for five consecutive years since 1998
- Named as one of Shanghai's top 10 hospitals for caring for the elderly in 1999
- Designated the official Qingpu District hospital to treat Taiwanese visitors in 2003

Qingpu District medical services data^②

	2010
Medical institutions	26
Number of beds	2,014
Practicing physicians	1,026
Nurses	1,050

Qingpu Chinese Medicine Hospital^③

- Awarded the honor of "Shanghai's Model for Hygienic System" in 1991 and 1992
- Was recognized as a "confidence inspiring hospital" by the Chinese Medicine division of the Shanghai Health Bureau in 1999
- Awarded "Shanghai's Model for Hygienic System" twice since 2005



Source:

① Qingpu Branch of Zhongshan Hospital, Fudan University (Shanghai Qingpu District Central Hospital's official website)

② Qingpu District Health Board's official website and the Statistical Manual of Qingpu

③ Shanghai Qingpu Chinese Medicine Hospital's official website

3.6 Rich cultural landscape



Qingpu - birthplace of Shanghai's modern civilization

Qingpu is known as the birthplace of Shanghai's modern civilization. Qingpu possesses a unique blend of ancient charm, cultural attractions, and water features because of its proximity to the Yangtze River Delta.

Historic sites – Zhujiajiao^①

Businesses in Zhujiajiao have prospered since the 11th century due to its convenient water transportation network. Until the mid-16th century, Zhujiajiao was a large affluent town that eventually became a Qingpu center's for trade.

Today, Zhujiajiao still retains its "Jiangnan Town" features and charm. The town is characterized by its rich rustic setting and traditional customs. Zhujiajiao is classified as a national AAAA level destination, and is well known as an "International Garden City" and one of "China's top 10 tourist destinations."

Ancient temple – Baoguosi

Originally named Emperor Guan's Temple, Baoguosi is a prominent ancient temple located on the shores of Dianshan Lake. Built during the Ming Dynasty, and renovated during the 13th year of Emperor Chongzhen's rule (1640), Baoguosi temple still houses as tone tablet from when Chongzhen was in power. The temple was originally named after Emperor Guan due to his frequent visits during the Three Kingdoms period.

Then and now - Shanghai Grand View Garden^②

Shanghai Grand View Garden was designed based on a description of a garden in the Qing Dynasty novel *A Dream of Red Mansions*. The garden features a cluster of large antique buildings, combining the style of the royal gardens and the beautiful Jiangnan into one. Shanghai Grand View Garden has been named a national AAAA level tourist destination and rated one of Shanghai's five-star parks. A music performance held in the garden in May 2011 during the China and World Music Exchange attracted many foreign visitors.^③

Eco-tourism

The "Shanghai Dream" project, a tourism development initiative in the government's 12th Five-Year Plan, is an eco-tourism project for developing Dianshan Lake. It's mandate is to utilize the lake's natural advantages to promote Qingpu's transformation into a leisure and tourism center.

Total investment in the project is approximately CNY 13 billion. The first phase, which will be completed by 2013, will include the following:

- A presentation of classic buildings from old Shanghai as well as a concentration of Shanghai museums in the city streets
- Demonstration of a sustainably developed, low carbonand environmentally friendly tourism community

Source:

- ① China Shanghai Municipal government website
- ② Qingpu tourism website
- ③ Shanghai Grand View Garden's official website

3.7 A variety of business and recreational activities



First-class sports facilities

Meadowbrook Equestrian and Rural Activity Center

The Meadowbrook Equestrian and Rural Activity Center, located in Zhujiajiao, Qingpu District, is a professionally managed equestrian and outdoor activity center that operates according to the highest international standards for equestrian training. The center has been certified by the Chinese and British Equestrian Club and endorsed by Hartpury College.^①

Shanghai Yacht Club

Shanghai Yacht Club is located on the scenic Dianshan Lake. Founded in 2001, the club hosts regular competitions and social activities.^②

Shanghai Sun Island International Club

Shanghai Sun Island International Club is located in the old town of Zhujiajiao, Qingpu District. It is categorized as a national AAAA level destination, a five-star resort and one of Shanghai's top 10 tourist attractions. Sun Island has also been named one of the five best golf courses in Asia, and one of China's five best golf courses.^③

Eco-tourism resort

Oriental Land

Oriental Land is located in the southwestern part of Qingpu District on the shores of Dianshan Lake. It covers a total area of 333 hectares, 133 of which are covered by water and it boasts the longest natural water platform in Shanghai (2.4 kilometers along Dianshan Lake).

Oriental Land features lush green vegetation and superb outdoor activity facilities that cater to travelers, sightseers, outdoor-adventurers, athletes and students. Oriental Land is rated as a national AAAA level tourist destination.^③

International shopping center

Shanghai outlets brand direct shopping center

Shanghai Outlets Brand Direct shopping center, located in Qingpu, is the city's first major discount mall. With over 200 internationally renowned first and second-tier brands available at discount prices, the mall offers a relaxing and pleasant shopping experience.^①



Source:

① Qingpu Tourism website

② Shanghai Yacht Club's official website

③ Oriental Land's official website

Summary

The birth of Zhangjiang Qingpu High-Tech Park is the result of a city-wide initiative to accelerate the expansion of innovation-driven industrial development. The Park's ability to promote Shanghai's high-tech industry and become self-sufficient in its innovation capabilities not only provides strategic benefits to the Zhangjiang High-Tech Industrial Development Zone, but also to the rest of the country.

During the 11th Five-Year Plan, the Zhangjiang Qingpu High-Tech Park gradually increased its economic strength. Its industrial output steadily improved, its capacity for innovation became increasingly prominent and the R&D environment continues to excel.

In accordance with the 12th Five-Year Plan, Zhangjiang Qingpu High-Tech Park will continue to evolve into an international, modern high-tech park. Plans are underway to further develop the road network, improve municipal facilities and enhance service levels. Even during the industrial transformation phase, the Park will act as a catalyst for Qingpu's overall economic and social development.

The purpose of this report is to investigate and examine Zhangjiang Qingpu High-Tech Park's investment environment. The Park's three most outstanding advantages are:

1. Transparent and efficient government services and policies

The Qingpu Administrative Service Center offers an efficient one-stop approval process and transparent government services. Companies located in the Park can obtain two tiers of policy benefits and services, which are offered by the Qingpu District government and the Zhangjiang Qingpu High-Tech Park.

2. Excellent geographical advantages

As a major transportation hub for the Yangtze River Delta, the regional value of Zhangjiang Qingpu High-Tech Park is intensifying with the ongoing development of the Dahongqiao Business District. Once the volume, services and infrastructure of the surrounding business centers are in place, the Zhangjiang High-Tech Development Zone will bring even greater advantages to region's the next expansion phase.

3. Beautiful natural living environment

Characterized by its beautiful scenery, natural foliage, rich ecology and waterways, Qingpu District promises a high quality living environment to all its residents. Moreover, Qingpu's environmental attributes also fit into the green, low carbon and environmentally friendly industrial planning and development requirements specified by the country's 12th Five-Year Plan.

As an essential transportation hub connecting the Dahongqiao Business District with the Yangtze River Delta, Zhangjiang Qingpu High-Tech Park will benefit from the construction of the Dahongqiao Business District and from the integrated development of the Yangtze River Delta. At the same time, however, the Park face challenges as a result of its rapid growth and urbanization, such as resource management, rising business costs and the degree of internationalization within the Park.

A model zone for independent innovation is being developed in the areas surrounding the Park to help promote creativity and technological advances. The Park is also taking steps to encourage innovation and development of the high-tech industry to help build Qingpu District into a vibrant and modern industrial hub.

Consumer demand continues to rise, as does the demand for public services and a higher quality of life. Improving quality is often a primary focus of a developing economy, but this is counter-balanced by the need to take the overall well-being of the population into account. According to the Chinese life science and healthcare industry reports issued by the BOI in 2010, Shanghai is becoming a hub for medical research. Large international pharmaceutical companies, such as Novartis, Roche and Eli Lilly, have established research and production bases near Shanghai. With the support of its many educational and medical institutions, Shanghai is becoming a hub for researchers and scientists from abroad.

Therefore, during the 12th Five-Year Plan, Zhangjiang Qingpu High-Tech Park is supporting and encouraging the Park's transformation through differentiation and focusing on its core strengths. The Park is striving to build a comprehensive base for Shanghai's advanced manufacturing and new industries and is seeking to make significant advances in the following:

- Promoting the advancement of the bio-pharmaceutical industry
- Enhancing the growth of the new materials industry
- Optimizing the expansion of the advanced equipment industry
- Fostering the development of automotive-related industries
- Actively expanding the modern service industry

Looking into the future, with the continuation of economic globalization, the maturity of the Dahongqiao Business District, completion of the national convention center and the extensive development of the Yangtze River Delta, Zhangjiang Qingpu High-Tech Park will experience even greater improvements to its investment environment. The Park will gain momentum in developing next-generation industrial systems that will be spearheaded by strategic new industries, advanced manufacturing and modern services. With much of its transformation already underway, Zhangjiang Qingpu High-Tech Park is set to become one of China's most valuable investment destinations.

In conclusion, we would like to thank the leaders of Zhangjiang Qingpu High-Tech Park and their relevant departments for their support on this research report. We would also like to express our gratitude to the enterprises that participated in our research and interviews and for their valuable advice and assistance.



Appendix

Appendix I: Registered capital and total investment of foreign-funded enterprises

Appendix II: Main taxes applicable to foreign-funded enterprises

Appendix I: Registered capital and total investment of foreign-funded enterprises

Means of Funding^①

Foreign investors can fund businesses by using freely convertible foreign currency or by making cash-equivalent contributions with machinery and equipment, industrial property, proprietary technology and other methods. With the approval of the authorities, foreign investors can also fund their businesses by contributing CNY-denominated profits they receive from other foreign-funded enterprises within China.

Funding period^②

Contributions to capital must be clearly set out in the relevant contract and in the company's articles of association. Lump-sum contributions must be made within six months of the issuance of a business license; if the contributions are to be made by installment, the first payment may not be less than 20% of registered capital required by law, nor should it be less than the statutory minimum registered capital. The initial contribution must be made within three months after the business license is issued, with the balance paid within two years of the date of incorporation of the company. Capital contributions to a China holding company should be paid up within five years.

Ratio between total investment and registered capital^③

The ratio between the registered capital used by foreign-funded enterprises established in China and their total investment must be consistent with statutory requirements. The rule also applies to capital increases, but only to the new investment value, not the total investment after the capital increase.

Total investment	Registered capital
Less than USD 3 million At least 70% of the total investment	At least 70% of the total investment
USD 3-10 million	At least 50% of the total investment, but if the total investment of a project is less than USD 4.2 million, the registered capital must be at least USD 2.1 million
USD 10-30 million	At least 40% of the total investment, but if the total investment of a project is less than USD 12.5 million, the registered capital must be at least USD 5 million
Over USD 30 million	At least one-third of the total investment, but if the total investment of a project is less than USD 36 million, the registered capital must be at least USD 12 million



Source:

① PRC Foreign-Funded Enterprise Law Implementation Rules (State Council Decree [2001] No. 301)

② PRC Company Law (Presidential Decree [2005] No. 42)

③ Interim Provisions of the State Administration for Industry and Commerce Concerning the Proportion of Registered Capital and Total Amount of Investment of Chinese-foreign Equity Joint Ventures (Industrial and commercial enterprises word [1987] No. 38)

Appendix II: Main taxes applicable to foreign-funded enterprises

Income tax	Taxable scope	Tax rate
Corporate income tax	Resident enterprises are subject to corporate income tax on their worldwide income. Nonresident enterprises are taxed on their China-source income and income related to their offices and/or facilities maintained within China.	Statutory tax rate: 25% Tax rate for small low-profit enterprises: 20% Tax rate for high and new technology enterprises: 15% Withholding tax rate: 10%
Individual income tax	Individuals who are domiciled in China or who do not have a domicile but have lived in China for at least one year are taxed on their worldwide income. All other individuals are taxed only on their China-source income. There are 11 types of income, including salary and labor compensation.	Statutory tax rate: 3%-45%

Turnover tax	Taxable scope	Tax rate
Value added tax	VAT is levied on any person and/or organization engaged in the sale of goods and/or the provision of processing, repair and/or replacement services within China.	Statutory tax rate: 0%, 13%, 17%
Consumption tax	Consumption tax applies to entities that produce, engage other contractors to process, import or sell 14 categories of consumer goods (cigarettes, wine, cosmetics, etc.).	Ad valorem rate: 1%-56%
Business tax	Business tax is imposed on entities engaged in activities involving immovable property and intangible assets that are not subject to VAT.	Statutory tax rate: 3%-20%
Duty	The consignees of imported goods, consignors of exported goods and owners of any product brought into China are subject to custom duties.	Various

Other taxes	Taxable scope	Tax rate
Deed tax	Deed tax is imposed on the transferee of real property, calculated as a certain percentage of the total value of the property.	Statutory tax rate: 3%-5%
Real estate tax	The owner of real property located in urban areas is subject to the real estate tax, based on the assessed or rental value of the property.	Statutory tax rate (assessed value): 1.2% Statutory tax rate (rental value): 12%
Land value increment tax	Land value increment tax is levied on the transfer of state-owned land and/or architectural buildings and fixtures, depending on the gain realized.	Statutory tax rate: 30%-60%
Stamp duty	Stamp duty is levied on prescribed documents and taxable vouchers.	Statutory tax rate (As per the amount on the voucher): 0.005%-0.1% Stamp duty per document: CNY 5

Source:
State Administration of Taxation as of September, 2011

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