



*Research Overview on the
Investment Environment
of Zhengzhou's
Zhengdong New District*

Overview of Zhengzhou's Zhengdong New District

Zhengdong New District, which is located in eastern Zhengzhou, was officially established in 2003. It is planned to occupy an area of 260 km². The Central Plains Economic Region (CPEER)'s vigorous economy and Zhengdong's exceptional geographical location and favorable climate for financial development have led to its having a region the highest concentration of financial institutions and greatest variety of business models not just in Henan but in the entire central and western region of the country.

Excellent geographical location

The key city in the CPER, Zhengzhou is Henan's provincial capital and is known as China's "transportation hub."

Convenient transportation network

In its capacity as an important rail, air and road transportation hub, Zhengzhou plays an important role in providing a connection to the outside world.

Substantial developing opportunities

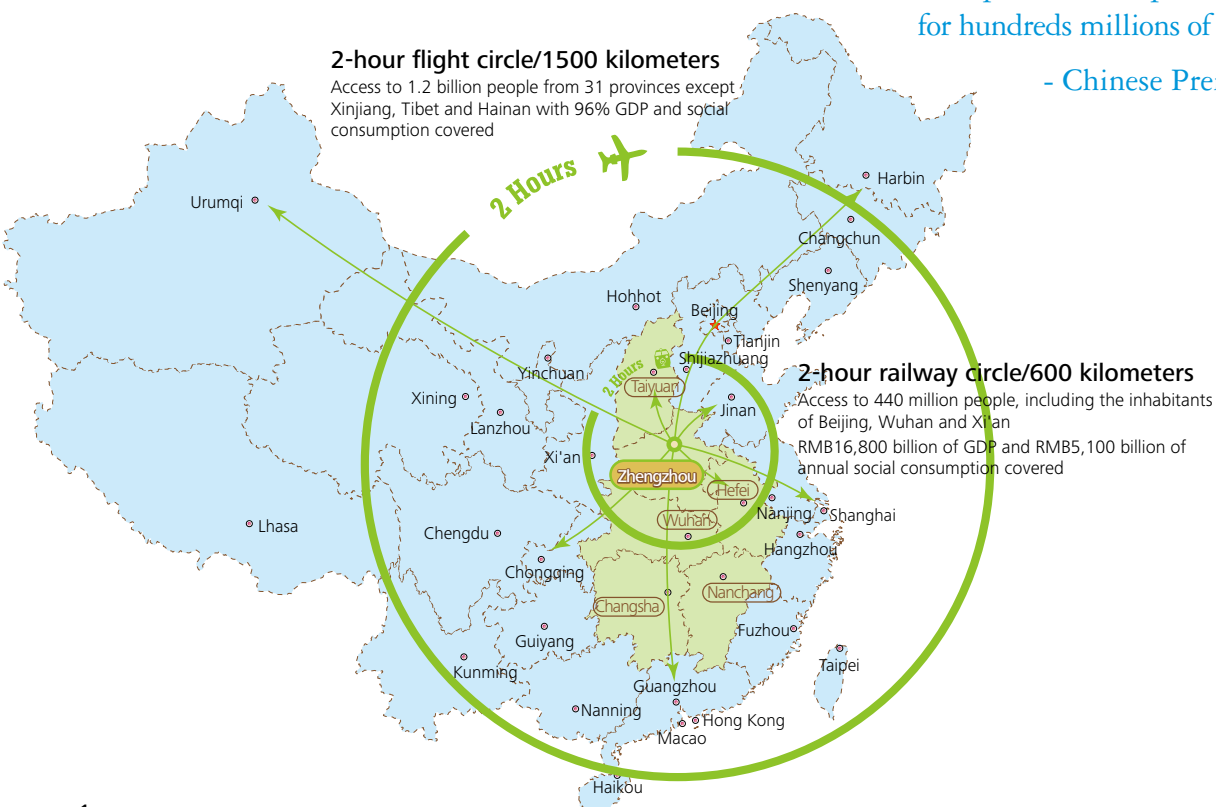
The State Council released the "Guidance Opinions of the State Council on Supporting Henan Province to Establish the Central Plain Economic Region," in 2011, which announced the establishment of the CPER as a national strategy. Against the background of continuing rapid development in China, Zhengzhou's key role in the context of the CPER and the ZAEZ and as one of the e-commerce service pilots for cross-border trading, is opening up substantial opportunities for the city.

"In keeping with Henan's policy of "industrialization, urbanization and modernization," the development of Zhengdong New District has been based on a solid foundation. The plans for the improvement of the district are gradually being realized and the public is beginning to enjoy the benefits. I am delighted that the driving force in this process is the goal of enhancing the city. I would encourage you to continue with the work of expanding and improving Zhengdong - your efforts to seek out an urbanization methodology that works in harmony with the interests of the nation are an example of how to promote urbanization for hundreds millions of people."

- Chinese Premier, Li, Keqiang

2-hour flight circle/1500 kilometers

Access to 1.2 billion people from 31 provinces except Xinjiang, Tibet and Hainan with 96% GDP and social consumption covered



Overview of Zhengzhou's Zhengdong New District (cont'd)

Broad market catchment area

Henan Province and Zhengzhou's potential for economic development is boosted in recent years, which provides strong economic support for Zhengdong New District's financial development.

Financial industry concentration

As the advantages of financial industry concentration become clearer, by the end of June 2014, **207** financial institutions had moved into Zhengdong including banks, securities institutions, insurance companies, and futures funds.

The added value of financial industry of Zhengdong New District in 2013 is **RMB 9.464 billion**, which accounts 51.1% of total tertiary sector value.

Economic output

- Gross National Product (GNP) of Henan in 2013 is **RMB 3,210 billion**, ranking fifth in China^①
- Gross National Product (GNP) of Zhengzhou in 2013 is **RMB 620.2 million**, with average annual increase of 12.1% from 2009 to 2013^②

Foreign trade

- In 2013, Henan ranked **first** of central China's six provinces in terms of import and export volume. From 2011 to 2013, the average annual import/export percentage increase rate was 35.5%^③
- In 2013, Zhengzhou's trade turnover for 2013 was USD 42.18 billion, accounting for 70% of Henan Province's total trade turnover. The average annual trade turnover percentage increase rate from 2011 to 2013 was 62.4%^④

Foreign investment

- From 2011 to 2013, the average annual percentage increase rate of actual utilization of foreign funds was 15.5%
- In 2013, foreign investment in Zhengzhou totaled USD 3.321 billion^⑤

Layout for the financial industry in Zhengdong

To make the most of Zhengdong's water and other natural resource advantages, a "Two circles, one belt and one block" design will be followed in building a resource-sharing, functionally complementary structure.

"Two circles and one belt"

financial core function area

- This will include the central business area, the Longhu Financial Center and buildings along the canal between the central business area and the Longhu Financial Center

"One block"

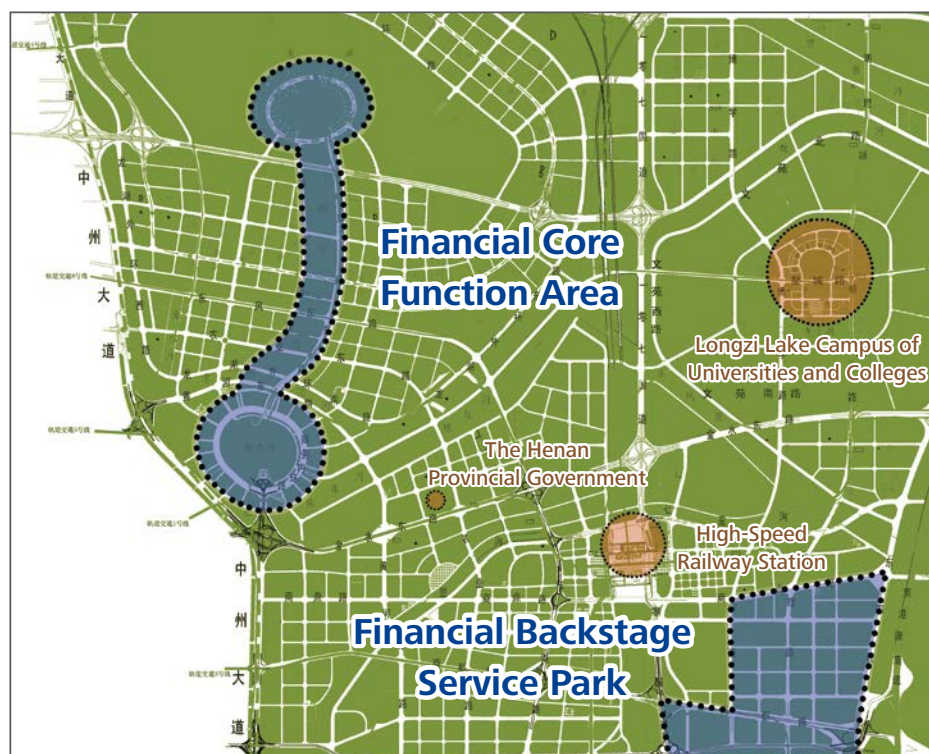
financial backstage service park

- The financial backroom services block occupies an area of 2.5 km² and is the core location for the Zhengdong national e-commerce pilot

Source:

① ③ Statistical Bulletin of Henan Province on the National Economic and Social Development for 2013

② ④ ⑤ Statistical Bulletin of Zhengzhou on the National Economic and Social Development for 2013



Environment for Financial Cooperation

The financial industries in Zhengdong New District, including banking, insurance and securities and other fields, develops interactively. Also the active factor trading market, the existence of well-established business facilities and the rich financial talent pool should act as a strong impetus for the promotion of financial industry clustering and ongoing business expansion benefitting both first-tier financial and supporting enterprises.



Banking industry

- In 2013, banking institutions in Henan achieved total earnings of RMB 63.462 billion, the highest earnings level in the six provinces of central China^①
- The balance of RMB deposits was RMB 3,704,949 million, ranked 10th in China
- The balance of RMB loans was RMB 2,310,087 million, ranked 11th in China. This growth rate was the highest in the last three years^②
- Zhengdong New District encouraged many domestic and international banks to set up branches here. Four foreign financial institutions have set up branches in Henan, all of which achieved promoting business performance records:
 - **HSBC's Zhengzhou Branch:** HSBC Zhengzhou Branch was established in Zhengdong New District in October 2008. In 2013, the branch had a profit of RMB 52 million
 - **BEA's Zhengzhou Branch:** BEA's Zhengzhou Branch was established in Zhengdong New District in December 2010. A profitable position was achieved within six months of opening
 - **Standard Chartered Bank's Zhengzhou Branch:** Standard Chartered Bank's Zhengzhou Branch was established in Zhengdong New District in November 2013. The branch became profitable in April 2014
 - **Commonwealth Bank of Australia:** The Commonwealth Bank of Australia set up in Henan at the beginning of 2011. It has since established seven rural banks and the first sub-branch in Henan^③

Insurance industry

- In 2013, the insurance premium income derived by insurance companies operating in Henan was RMB 91.652 billion
- The property insurance premium income was RMB 24.355 billion and the life insurance premium income was RMB 67.298 billion. Both of them had ranked first in the six provinces in central China^④
- Twenty six insurance companies have set up provincial branches in Zhengdong New District based on its good environment and broad market

Securities industry

- The Henan provincial government attaches great importance to the development of a local capital market. By the end of 2013, the situation of listed companies in Henan is as follows^⑤:
- There were 95 inbound/outbound listed companies in Henan, with 97 stock issues
 - The market value of tradable stock in the domestic market was RMB 299.247 billion
 - The total funds that raised through IPOs and refinancing for the year was RMB 22.663 billion

It took the Standard Chartered Bank Zhengzhou Branch a record time of less than six months to progress from initial establishment application to formal opening of the branch of a foreign bank in China, in which it created a "Zhengzhou Speed".

Source:

- ① Provided by Henan Banking Regulatory Commission
- ② Official website of Commonwealth Bank of Australia Village Bank
- ③ Provided by Finance Office of Henan Provincial Government
- ④ ⑤ Statistical Bulletin of Henan Province for National Economic and Social Development in year of 2013

Environment for Financial Cooperation (cont'd)



Factor trading market

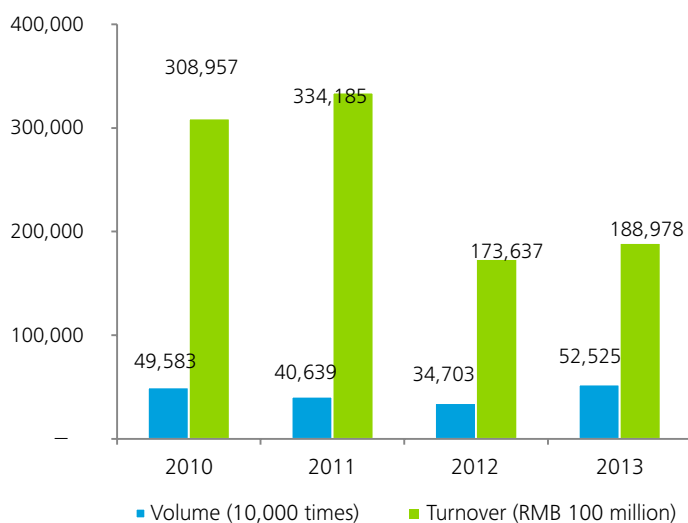
Zhengzhou Commodity Exchange (ZCE) ①

- The ZCE is one of the “big four” futures exchange centers in China and is the only futures exchange in the central and western region
- According to the FIA’s 2013 trading statistics, the ZCE ranked 13th among global derivative exchange centers. The ZCE’s turnover in 2013 was RMB 18,897.8 billion

Zhengzhou Grain Wholesale Market ②

- Zhengzhou Grain Wholesale Market was the first national, standardized grain wholesale market to be approved by the State Council
- Zhengzhou Grain Wholesale Market is the largest wheat trading center in China and the only wholesale market in China with an annual turnover in excess of 10 million tons

Volume and Turnover of Financial Derivatives on the ZCE: 2010-2013



Financial talent

Deep financial talent pool

Zhengzhou is rich in labor force resources. Zhengzhou ranks first among the six provinces of central China in terms of the standard of its financial professionals. Individuals with a range of high-, medium- and low-level specialties can be recruited.

Large pool of high-end financial talent

Focusing on training designed to produce management capability, local financial institutions have been implementing recruiting and educational programs designed to attract international talent. The result of these efforts has been to create a large pool of internationally-oriented financial talent with foreign language proficiency and business skills in Zhengzhou.

Supporting financial service institutions

Professional agencies

providing legal, accounting, financial, consulting, valuation and information services

Financial Backroom Services Park

China Minsheng Bank's strategic R&D service base, China Life's electronic sales center, China Pacific Insurance's backup center, PICC Group's central information center, CCB Life's remote sales and service center and China United's national shared backup center

The “Zhengzhou Phenomenon”

Outstanding performance

Over the years, the performance of most commercial banks in Zhengdong New District has ranked among the best in the banking industry.

Large talent pool

Many senior executives in the headquarters of banks have related work experience in Zhengzhou, creating the “Zhengzhou Phenomenon”.

Source:

① Official website of the Zhengzhou Commodity Exchange

② Official website of the Zhengzhou Grain Wholesale Market

Government Policies and Services

Zhengdong district enjoyed great support from incentive policies in regards of treasury and tax, finance, investment, industry, land use right, etc.

National Policies	<ul style="list-style-type: none"> • Opinions of the State Council on Implementation of the Central Development Strategy (Guofa [2012] No. 43) • Guidance Opinions of the State Council on Supporting Henan Province to Accelerate the CPER Construction (Guofa [2011] No. 32)
Local Policies ^①	<ul style="list-style-type: none"> • One-time award for newly-arrived financial institutions • Subsidy for purchasing office buildings • Subsidy for leasing office buildings • Operational awards
Incentives to attract financial talent ^②	<ul style="list-style-type: none"> • Relocation allowance, cost of living allowance, and permission for immigration of spouse and children to local Hukou • Priority in customs formality • Priority in compulsory education arrangement for children of financial talent

"Standard Chartered successfully moved into Zhengdong New District at the end of 2013. The district's enlightened investment policies and highly efficient administrative services helped Standard Chartered break the 'Zhengzhou Speed Record' for establishing a national branch. The CEO of Standard Chartered at that time, Mr. Lin Deqing has been quoted as saying said: "We waited too long to enter the Henan market."

- Standard Chartered (China) Co., Ltd,
Zhengzhou Branch

Standard Chartered is one of the world's leading banks with over 150 years of history. Standard Chartered China has won a number of awards such as "Best Finance and Cash Management" and "Best Trade Finance" in Global Finance's "Best China Bank" category.

Living Environment



Healthcare

Zhengzhou city

- By the end of 2013, Zhengzhou had 4,026 healthcare institutions
- There are 16 disease prevention and control centers and six epidemic prevention stations

Zhengdong New District

- Zhengdong New District has three general hospitals and three specialized hospitals
- There are 2,383 hospital beds, and 2,658 medical staff



Culture

- Zhengzhou boasts a thriving cultural and artistic scene. The city has 14 libraries, 12 folk art galleries and cultural centers and nine state-owned art co-operatives
- Zheng Zhou is surrounded by over 10,000 cultural relics and historical sites, such as Shang city historical site, the northern Song Dynasty tombs, the Yellow Emperor Xuanyuan's hometown, Dufu's hometown, the ruins of Chu and the Han river, etc., as well as China's greatest repository of cultural relics



Education

- Longzi Lake is surrounded by 15 higher educational institutions, home to 200,000 students and teachers
- As well as an academic exchange center, there are large libraries, scientific R&D institutions on Huxin Island, institutions of higher education
- Zhengzhou No. 47 Middle School offers international classes for children of expatriates



Life

- The green space area of Zhengdong New District is about 18 million m², with urban green space accounting for over 50% of this area
- International supermarkets, such as Carrefour and Metro, provide a convenient shopping experience.
- The rent for a two-bedroom apartment is about RMB 2,000-RMB 4,000 per month

Source:

① Provided by Zhengdong Administrative Committee

② Opinions of Zhengzhou Municipal Government on Encouraging Financial Institutions to Establish in Zhengzhou (Trial Implementation) (Zhengzheng [2011] No. 56)

Human Resources

Well-established educational system

There are 112 universities in Henan Province, including Zhengzhou University, Henan University, Henan University of Economics and Law, Henan Agricultural University and Zhengzhou Institute of Aeronautical Industry Management^①. Zhengzhou city has 56 universities and colleges qualified to issue undergraduate, associate certificates and 198,000 graduates^②. The ongoing development of vocational education has produced a large pool of talent for the financial backroom services center in Zhengdong New District.

Competitive salary Level

In 2013, the average salary in Zhengzhou city was RMB 3,373/month. Compared to that in other major Chinese cities, the average salary level in Zhengzhou city is obviously advantageous. According to the relevant regulations, the total of social security contributions paid by enterprises in Zhengdong New District as a percentage of wages is 39.5%-43.5%.^③

Pension	Healthcare insurance	Unemployment insurance
Workplace injury insurance	Maternity insurance	Cumulative housing fund

There are many universities and vocational schools located around Zhengdong New District, which means that basic talent needs can be met; there is also a large pool of high quality financial talent to provide sufficient human resource support for Minsheng Bank.

- China Minsheng Banking Co., Ltd.

China Minsheng Bank, which was officially established on December 1, 1996, is the first mainland national commercial bank founded with private capital. It was recognized as the "Best Managed Bank in China" by Asian Banker Summit in 2013.

Infrastructure

Public services

- Zhengdong New District has both an adequate water supply and a stable supply of energy in the form of gas and electricity
- The district's communication network was constructed to provide wide coverage, supply stable signals, and be highly cost-effective. It can meet the higher communication requirements and network demands of the day-to-day operations of financial institutions

Well-established infrastructure

- There are adequate business building resources in Zhengdong New Area, the average rent of business office amounts RMB3.5-5/day/square meter
- There are 10 four-star rated and above hotels, and a number of fancy conference facilities in Zhengdong, for example, Zhengzhou International Exhibition Center and other large facilities for exhibiting purpose

Urban Transportation

- Zhengzhou subway comprises by six lines with 22 transfer stations between different lines. Zhengzhou subway line No.1 went into operation already. It is envisaged that, in the future, the subway will bear over 60% of the public transportation volume of Zhengzhou city^④
- The combination of various transportation options such as the passenger transport line, intercity rail, highway passenger transportation, the subway and urban public transportation form a perfect urban network of the city

Source:

- ① List of China universities and colleges from the Ministry of Education
- ② Statistical Bulletin of Henan Province on the National Economic and Social Development for 2013
- ③ Zhengzhou Human Resources and Social Security Bureau & Zhengzhou Housing Fund Management Center
- ④ Zhengzhou Rail Transit Co., Ltd. website



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The Zhengzhou Zhengdong New District Administrative Committee Financial Service Bureau was set up by the Zhengzhou Zhengdong New District Administrative Committee to provide services to financial and supporting institutions. The main responsibilities of the bureau are to establish and organize the construction plan for the core functional area for financial clustering, with a view to improving the financial environment, improving government services provided to financial institutions, etc.

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