Hangzhou Bay Shangyu Economic and Technological Development Area Research Report on Investment
The geographic position of Shangyu
Preface

Shangyu is a beautiful historic city located on the south band of Hangzhou Bay and the southern part of the Yangtze River Delta. The city has earned the title of “hometown of civil arts, hometown of buildings and hometown of eco-friendly travel”, thanks to its beautiful scenes and deep cultural legacy. The national-level Hangzhou Bay Shangyu Economic and Technological Development Area (HSEDA) is located here. After about 10 years of development, the HSEDA has realized rapid economic growth and achieved significant economy of scale. The Development Area enjoys remarkable advantages and a promising outlook in terms of the geographical position, economic base and residential environment.

Shanghai Deloitte Tax Ltd. (Hereinafter referred to as “Deloitte” or “we”) is honored to be commissioned by the Hangzhou Bay Shangyu Economic and Technological Development Area to provide an investment environment research report on the Development Area to investors from an objective third-party perspective and through a professional analysis method.

The report is based on Deloitte’s on-site inspection, survey and interview on about 100 companies that establish footholds in the Hangzhou Bay Shangyu Economic and Technological Development Area. The analysis is both qualitative and quantitative and focuses on importance and satisfaction, and uses the following five dimensions to systematically reflect the investment environment of Hangzhou Bay Shangyu Economic and Technological Development Area:

- Government policies and services
- Business environment
- Human resource
- Infrastructure
- Residential environment

In light of our planning for the Hangzhou Bay Shangyu Economic and Technological Development Area with our interpretation of the investment policies, the report reflects the Development Area’s advantages and outlook, highlighting the following three aspects:

1. Clear geographical advantages and strong transportation network
The Hangzhou Bay Shangyu Economic and Technological Development Area is located in the south band of the Yangtze River Delta Region, and is a transportation hub that connects the southeast district of Zhejiang and Shanghai, endowed with significant geographical advantages. Over recent years, the transportation network surrounding the Development Area has continued to be upgraded. The completion of the Jiaxing-Shaoxing River-Crossing Bridge and the inception of operation of the Hangzhou-Ningbo High-Speed Railway has shortened the travel time between the Development Area and the neighboring major cities and has made the Development Area part of the core district of the Yangtze River Delta Region featuring superior resources, greatly promoting the flow of people, cargo, information and capital.

2. Solid industrial foundation and vibrant private economy
Shangyu is located in Zhejiang, the hometown of China’s private economy, and thus has a solid foundation of private economy. Founded in 1998, the Hangzhou Bay Shangyu Economic and Technological Development Area has established a complete industry system and is striving to build many advantageous industrial clusters. Shangyu is in the top county level city list issued by Forbes in 2013.

3. Industrial transition and upgrading, with promising outlook
The solid advantageous traditional industry is the foundation of the industrial transition and upgrading in the Hangzhou Bay Shangyu Economic and Technological Development Area. Over recent years, the HSEDA has been committed to the transition and upgrading of industries and the building of an emerging industrial system. Leveraging the formation of a series of supportive policies and scientific planning of the Area and vehicles, the HSEDA has achieved rapid inflow of emerging industries. In the meanwhile, top quality companies in the area have continued to join in cross border merger and acquisition activities, which generate many growth opportunities. In the future, the HSEDA will become a flourishing place for industry and city integration.
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1. Overview of Hangzhou Bay Shangyu Economic and Technological Development Area

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1.1 Brief introduction to Shangyu

Yangtze River Delta, China’s window to the world
Yangtze River Delta covers Shanghai, Zhejiang and Jiangsu, and is one of the core economic areas of China, as well as China’s window to the world. Yangtze River Delta is a 2-hour economic circle and a world-class city cluster with a noticeable city synergy effect.

Zhejiang, the hometown of China’s private economy
Zhejiang is located in the south of the Yangtze River Delta, and the belt connecting east China and south China. Zhejiang has long been deemed as a rich land flowing with milk and honey. Since China’s reform and opening, Zhejiang’s economy has been driven by the strong development of the private economy, and has been one of the most vibrant provinces in China. Businessmen from Zhejiang has gone all over the world. As of the end of 2013, the per capita disposable income in Zhejiang has ranked No.1 in China for 21 consecutive years.

Shangyu, southeast Zhejiang’s entry point to Yangtze River Delta
The Shangyu District in Shaoxing is located in southeast Zhejiang and south of Hangzhou Bay, with a total coverage of 1403 square kilometers and a population of about 780,000. The district has a long history and a rich cultural legacy. The urban district runs along mountains and rivers, boasting beautiful scenes. Along with the completion of the Jiaxing - Shaoxing River-Crossing Bridge and the Hangzhou-Ningbo High-Speed Railway, Shangyu has become southeast Zhejiang’s portal into the Yangtze River Delta, holding a significant strategic position. Since China’s reform and opening up, Shangyu District has established a solid industrial foundation and private economic base after about 30 years of development. Its industry system comprises mechanical equipment, fine chemicals, light industry and textile, lighting equipment, photovoltaic and green energy, with a complete industry chain and a clear benefit of scale. Such is the location of the national-level Hangzhou Bay Shangyu Economic and Technological Development Area.
1.1 Stepping into Shangyu (Continued)

**Jiaxing - Shaoxing River-Crossing Bridge, a new economic episode for Shangyu**

In 2013, the world-class Jiaxing - Shaoxing River-Crossing Bridge was completed. As a new north-south gate for Hangzhou Bay, the bridge is able to connect many expressways around Shangyu, and connect them into a convenient transportation network, which has significantly reduced the commuting distance between the two bands of Hangzhou Bay.

Shangyu has thus become a hub connecting Shanghai and southeast Zhejiang in the Yangtze River Delta city cluster, and the city’s geographical advantage has jumped forward. The Jiaxing - Shaoxing River-Crossing Bridge has ushered in a new round of economic growth development in Shangyu.

The completion of the Shangyu Sea-Crossing Bridge will greatly shorten Shangyu’s distance from Shanghai and is of importance to Zhejiang’s strategy of integrating into the mega Shanghai circle and Yangtze River Delta. The bridge will create favorable conditions for the integration of industrial Development Areas in Hangzhou Bay District as well as the development of the golden south band of the Yangtze River Delta.

—Xi Jinping

President of the People’s Republic of China
1.2 Economic Development

**A steadily growing economy**
Along with the further integration of cities in the Yangtze River Delta and the continuous optimization of the industrial environment in Shangyu District over recent years, the economy in Shangyu District is on the up.
In 2014, Shangyu District recorded an output of RMB 68.09 billion, up 8.5% year on year. Between 2009 and 2014, the GDP of Shangyu District realized an aggregate annual growth rate of 13.1%.

**Continuous optimization of industry structure**
In 2014, the secondary sector in Shangyu District reached an added value of RMB 37.19 billion, up 9.3% year on year. The secondary sector enjoys a dominant position, accounting for 54.6% of the total economy.
During the past 6 years, the continuous optimization of the industrial structure has driven a rapid growth in the tertiary sector in Shangyu District. In 2014, the tertiary sector reported an added value of RMB 26.76 billion, up 8.3%, the highest growth rate among the three major industries. In the same year, the tertiary sector accounted for 39.3% of the local economy, up 6% from 2009, showing an increasingly improved industrial structure.

**Robust export growth**
Shangyu District has continuously striven to increase its presence in emerging markets, and has made major achievements in this respect. In 2014, the imports and exports of Shangyu District reached USD 3.74 billion, with exports increasing 6.1% year on year. From 2009 to 2014, the total imports and exports have realized an aggregate annual growth rate of 12%.
By the end of 2014, over 185 countries and districts have established trading ties with Shangyu District. Over 51 countries and districts have over USD 10 million of imports from Shangyu District. The top five exporters for Shangyu District are the European USA, Japan, India, Korea and Indonesia.

Source:
Statistical report of Shangyu District between 2009 and 2014

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**Notes:**
According to the Rules on Three Industries Classification issued by the National Bureau of Statistics in 2003, the three major industrial sectors are classified as follows:
The primary industry refers to agriculture, forestry, livestock and fishing;
The secondary industry refers to mining, manufacturing, power generation, gas and water generation and supplying, as well as building;
The tertiary industry refers to other industries except for the primary and secondary industries, mainly including the service industry.
1.3 Foreign Investment

Thanks to the emerging geographical advantages and constantly improving business environment, Shangyu District has captured more attention from foreign investors. Between 2009 and 2014, Shangyu District attracted almost USD 2.4 billion foreign investment. About 302 foreign companies have been attracted to the district during the past 6 years.

Diversified sources of foreign investment

By the end of 2014, over 1132 foreign companies have registered in Shangyu District, with a total investment of about USD 8.4 billion. The foreign investment mainly comes from countries and regions in Asia and South America. Foreign investment from HK, Singapore and Japan accounts for over 85% of total foreign investment.

Proportion of foreign capital utilized with industry contract in Shangyu District in 2014

Contracted foreign capital investment in Shangyu District in 2014 amounted to

**USD 0.35 billion**

Actual utilized foreign capital was close to

**USD 0.22 billion**

Examples of Fortune 500 companies with footholds in Shangyu

- Kawasaki Chunhui
- Sunshine Philips
- Wolong Panasonic
- Longsheng Itochu
- Sojitz Jinlei
- Yingtai Dow

Obvious attractiveness of the modern service industry to foreign investors

The modern service industry dominated by the trading and business services industry has captured the attention of foreign investors. In 2014, the contracted utilized capital of the trading and business services industry accounted for 50%. Besides, manufacturing accounted for 43% of the contracted utilized foreign capital, ranking second among all the industries of Shangyu District.

Notes:

\( \text{(1)} \) Country of origin not clear

Source of Data

Commercial Statistic Data in Shangyu
1.4 Hangzhou Bay Shangyu Economic and Technological Development Area

The national-level Hangzhou Bay Shangyu Economic and Technological Development Area originates from the Hangzhou Bay Shangyu Industrial Development Area in 1998, a main industry cluster in Shangyu District as well as a major carrier for corporate development. On January 22, 2014, the national-level Hangzhou Bay Shangyu Economic and Technological Development Area is officially established, which greatly improves the reputation and influence of the national-level Development Area.

The completion of the Jiaxing - Shaoxing River-Crossing Bridge and the high-speed rail allows the Development Area to fully integrate into the Yangtze River Delta. This also enables the superior resources of major cities neighboring the Yangtze River Delta to be closely connected with the properties and industrial cluster in the Development Area. The Development Area enters into an era of new regional synergy fully of vigor and potential.

The Hangzhou Bay Shangyu Economic and Technological Development Area has been named an exemplary district for the Hangzhou Bay Rim Industrial Belt and Zhejiang Ocean Economic Development. Over recent years, the district has insisted on the principles of sustainable development, developing emerging industries, ecological economies and the ocean economy, in a bid to build a new urban center integrating industrialization with urbanization.
1.4.1 Building and planning of Development Area

The Hangzhou Bay Shangyu Economic and Technological Development Area is divided into east, middle and west sections. The Development Area is committed to expanding space and optimizing built districts. In the future, a new urban district will appear surrounding Binghai New City, providing support for industries and integrating industries and urbanization.

The rising Binghai New City

Binghai New City is close to the Jiaxing-Shaoxing River-Crossing Bridge, with a planned area of 31.5 square kilometers. The district mainly provides comprehensive supplementary services for the manufacturing sector and will gradually grow into an international industrial Development Area providing the functions of administration, corporate headquarters, education and research, residence and travelling.

Recently developed districts

The completed district, E1 district, E2 district, E3 district and Binghai New City have a total planned area of 75.8 square kilometers.

1

Mid-term Development Area

Newly fenced district, with a planned area of 26.7 square kilometers

2

Long-term Development Area

Located to the south of the Zhanwang Avenue Development Area, and with 32.5 square kilometers of coverage.

3

Important industry planning

- The completed district is committed to transitioning and upgrading of the traditional fine chemical industries.
- The E1 and E2 districts will develop into a new industry carrying district dominated by equipment manufacturing, green electronic equipment, automobile and key component industries, new energy and new materials.
- The E3 district is committed to developing high-end manufacturing and modern storage and logistics.
- Mainly developing port-related industries, high-end equipment manufacturing, new-generation information technology, productive services and other emerging industries.
- As the future area for city expansion, the Development Area will focus on high-tech industries, modern eco-friendly agriculture and modern services.
1.4.2 Industry transitioning and upgrading

The industrial base has laid a solid foundation for industry transitioning and upgrading
Since the foundation, the Hangzhou Bay Shangyu Economic and Technological Development Area has maintained a rapid growth, gradually forming into industrial clusters represented by fine chemicals, machine manufacturing, bio-pharmaceuticals, auto modeling and components. A number of established companies are located in the Development Area, which promotes the development of industrial companies in neighboring districts. This has resulted in a complete industry chain system with strong economy of scale. By now, the Development Area has attracted:

**RMB 63.5 billion** / Total investment

**Over 200** / Foreign companies

**15** / Domestic and overseas listed companies

**4** / Fortune 500 companies

**New industry systems undergoing transition and development**
Over recent years, the Hangzhou Bay Shangyu Economic and Technological Development Area has always been committed to industry upgrading and transitioning. Based on its solid industry and economic base, the Development Area has focused on establishing new industry systems dominated by high-end equipment manufacturing, auto and auto parts, new energy and new materials, as well as electronic information.

**New opportunities brought by M&A and cooperation**
Along with the progress in industry transitioning and upgrading, more and more companies in the Development Area have continued to get involved in M&A, brand cooperation and R&D cooperation. The industry transitioning and upgrading leads to massive cross-company, cross-industry and cross-border cooperation.

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**Deloitte observation**
Between January 1, 2010 and the second quarter of 2014, China’s outbound M&A investment has exceeded green field’s total investment by 33 percentage points. Since 2010, China’s outbound M&A investment and transaction value has continued to increase, while outbound greenfield investment slowed.

The 2014 Deloitte survey showed that Chinese investors are more willing to acquire minority interests of foreign entities as the main way to enter foreign markets. The number one purpose of investors’ M&A activities is acquiring important resources, improving market share in foreign markets and acquiring the best technological practices.

—2014 Deloitte Greater China Outbound M&A Report
1.4.3 Examples for industry transitioning and upgrading

The Hangzhou Bay Shangyu Economic and Technological Development Area includes a number of exceptional private companies. Some of them are renowned companies that have been successful in globalization through cross-border cooperation. The cross-border cooperation program enables the best technological practices, famous brands and other superior overseas resources to be fully utilized in the context of China’s broad market and strong production capacity. The synergy from business integration has greatly propelled companies’ globalization strategy.

- **Zhejiang Longsheng Group**
  - Zhejiang Longsheng Group is a large private company that specializes in the coloring chemical industry, with about 40 years of history and a strong foothold in the domestic market. During the past ten years, the group’s subsidiary has acquired a stake in Indian coloring chemicals producer KIRI, and the group has also established overseas joint ventures.
  - In January 2010, Zhejiang Longsheng’s HK subsidiary invested 22 million Euro to acquire 62.4% stake in German Desida Textile Fiber Co., Ltd, the world-leading Germany-based coloring materials and chemical product manufacturer, a move that marks a new episode of Longsheng’s outbound M&A activities.

- **Zhejiang Runtu**
  - Zhejiang Runtu Co. Ltd. is a large-scale coloring chemicals manufacturer. Its core business includes R&D, manufacturing and marketing of textile coloring materials, dye auxiliaries, as well as chemical materials. The company is a national-level important high-tech company and one of the Top 500 Private-Sector Companies in China.
  - In June 2011, the company spent USD 7.5 million to acquire a 60% stake in the world-renowned coloring materials producer Yorkshire Chemicals. The acquired company has a good reputation in the global coloring materials industry and owns advanced technologies.

- **Wolong Electric**
  - Wolong Electric is a listed private-sector company that manufactures electronic mechanical equipment. Since 2002, the company has rapidly expanded its operational scale and business scope through a series of M&A transactions. The company is now in a leading position in the domestic market.
  - In October 2011, the company’s controlling shareholder, Wolong Electric Holding Group invested RMB 1 billion to acquire a stake in the Austria-based ATB, the third-largest electronic machinery manufacturer in Europe. This transaction made the company the largest Chinese corporate investor in the Austrian industrial community.
2. Government policies and services

2.1 Conclusion on government policies and services

2.2.1 Business Encouragement Policy — Emerging Industries

2.2.2 Business Encouragement Policy — Traditional Industry Transformation and Upgrading

2.2.3 Business Encouragement Policy — Modern Service Industry

2.3 Talent Attracting Policy

2.4 Government Services
Introduction

Scientific government policies are conducive to the development of industrial system, while pragmatic government services can help build up an efficient and transparent administrative environment as well as a good business environment. The management committee of the Hangzhou Bay Shangyu Economic and Technological Development Area has adhered to the principle of building a service-oriented government and effectively improved service quality, which has helped create an efficient service platform for investors.

Company statement

The management committee of the Hangzhou Bay Shangyu Economic and Technological Development Area has provided quality services since our foundation and start of production. For instance, during our project of expanding the power line network, the management committee actively helped coordinate among local towns and solve problems by holding thematic meetings. Their one-stop arrangement is the key to our success.

—Shangyu HangXie Thermal Power Co., LTD

* Shangyu HangXie Thermal Power’s a sino-foreign joint venture mainly engaging in heating, power production and distribution as well as utilization of coal powder.
2.1 Conclusion on government policies and services

Feedback of the dimension in the survey

- The score on importance of the dimension is 8.5 points, while the score on satisfaction is 8.4 points (The full score is 9 points)
- In this dimension, companies think that the government’s service awareness and administrative efficiency, the fairness and transparency in government policies and human resources attraction policy are most important.
- In this dimension, companies are most satisfied with the fairness and transparency in government policies, the government’s service awareness and administrative efficiency, as well as corporate supportive policies and degree of implementation.

Subdivision of importance/satisfaction

<table>
<thead>
<tr>
<th>Importance and satisfaction for the dimension</th>
<th>Government policies and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importance rating</td>
<td>Satisfaction rating</td>
</tr>
<tr>
<td>Residential environment</td>
<td></td>
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<tr>
<td>Business cooperation environment</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
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<tr>
<td>Human resource</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Importance rating</th>
<th>Satisfaction rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government service awareness and administrative efficiency</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Fairness and transparency of government policies</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Corporate supporting policies and degree of realization</td>
<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Human resource attraction policy</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Technological innovation promotion policy</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Intellectual property rights protection</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Information security protection</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Legal system development</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>
2.2.1 Business Encouragement Policy — Emerging Industries

Focus on new industries and emerging industries
The HSEDA authorities have worked out a series of supportive policies to develop emerging industries such as the high-end equipment manufacturing industry, the new material and new energy industry, motor vehicles and auto parts, the green electronic and electrical appliances industry, and the biological medicine industry, actively probe into the new industry development road for high technology content, good economic benefits, low resource consumption, and reduced environmental pollution.

Examples of encouragement policy for newly established enterprises and newly approved projects

<table>
<thead>
<tr>
<th>Industrial support</th>
<th>Newly settled enterprises meeting the conditions will be awarded in a certain degree according to the exact industry, the investment scale and the efficiency.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land use support</td>
<td>The standard land price for the development Area is RMB200,000 to RMB250,000 per Mu. But key emerging strategic industries and foreign-invested enterprises can enjoy a certain support.</td>
</tr>
<tr>
<td>Encouraging introduction of foreign capital</td>
<td>For newly introduced foreign capital in the current year, a certain reward will be given according to the actually received amount of foreign investment. For high quality industries that significantly improve the industrial level and for project with an actual received amount exceeding 10 million US dollars, a separate reward will be granted.</td>
</tr>
<tr>
<td>Preferential policy for equipment investment</td>
<td>If the equipment investment amount exceeds RMB 5 million, a reward will be granted according to 3%-10% of the audited equipment investment amount. For leading projects in an industry with an actual investment amount exceeding RMB 1 million per Mu, a reward will be granted proportionately.</td>
</tr>
<tr>
<td>Preferential policy for major projects</td>
<td>The “One Project One Discussion” system will be carried out for investment projects of Fortune Global 500 companies and large-sized multinational corporations, major investment projects of certain companies, high-quality projects with an actual foreign investment exceeding 30 million US dollars and investment projects with major industry-driving functions.</td>
</tr>
</tbody>
</table>

Encouraging scientific research and independent innovation
- Support for
  - Hi-tech enterprises
  - Key new products according to R&D expenses of enterprises
  - Fund for innovation platform

Promoting industrialization of science and technology
- Support for education cooperation, patent industrialization, the software and information service industry
- Encouraging the foundation of innovation platform and industry alliance

Property right and brand protection
- Support for intellectual property rights protection, brand strategies
- Incubator for high-quality enterprises and the assessment system for enterprises

Source:
③ Opinions of Shaoxing City Shangyu District People’s Government Office on Several Rewarding Policies for Further Strengthening Investment (Foreign Investment) Attraction and Selection, issued by Shangyu District People’s Government Office, (2014), No. 53
2.2.2 Business Encouragement Policy — Traditional Industry Transformation and Upgrading

Upgrading the traditional industries and encouraging industry transformation and upgrade
The Shangyu authorities encourage enterprises to increase their industrial development level by capitalizing on talent resources, science and technology innovation and to further develop their size and strength.

Processing enterprises of manufacturing products
R&D enterprises of independent innovation
High energy consumption and highly polluting products
Green environmental protection low carbon products

Traditional industry supporting policies

Encouraging listing financing Promoting corporate development
- Special support for limited liability companies restructured or established for the purpose of listing.
- Special support for companies listed for the first time in a domestic or overseas securities market.
- For refinancing of the listed companies, a fixed proportion of interest subsidy is granted.

Encouraging enterprise reorganization, mergers and acquisitions to realize growth
- Support for technical reconstruction projects of the reorganized enterprise according to the equipment investment amount.
- Enterprises are encouraged and supported to merge and acquire foreign R&D centers and Hi-Tech companies.

Setting special funds to accelerate industrial upgrading
Shangyu District People’s Government annually arranges specific financial funds used for technical reconstruction of enterprises in the traditional industries such as machinery, equipment, and lighting electrical appliances.

Source:
① Several Opinions on Promoting Enterprise Listing and Development by leveraging Capital Market, issued by the Municipal Party Committee, (2009) No. 59
2.2.3 Business Encouragement Policy — Modern Service Industry

Actively developing the modern service industry
As a major development area of modern service industry, Shangyu Binhai New City is characterized by its “Ecotype and Low Density”, and aims to implement a high integration of industrial functions and city functions. Shangyu Binhai New City has always adhered to the theme of green development, and relevant supporting policies have been issued to introduce major projects such as technological innovation services, a headquarters economy, financial trade, modern logistics, business, and leisure.①

Headquarters economy
- For enterprises to build a headquarters building, investment incentives are granted according to the land transferring fee.
- Fiscal subsidies are granted for newly purchased or leased office premises.
- Financial support is given to enterprises that have newly established headquarters.

Financial services
- Special support for newly purchased or leased office premises.
- Special support for newly established financial enterprises with independent accounts.
- Special support for newly established private equity funds and property investment funds.

Technological innovation services
- The technological innovation fund to encourage establishment of venture investment enterprises.
- Financial aid and housing subsidies to the newly introduced scientific research institutions.
- Financial support for industrialization of technical achievements.
- Financial support for intermediary service and science and technology incubators of Hi-Tech enterprises.
- Financial rewards for patents.

Business and leisure
- Investment incentives for newly established commercial service industry projects.
- Fee remission for newly established projects.
- Supporting policies for brand innovation, exhibition services, etc.
- “One Project One Discussion” policy for major leisure tourism projects.

Modern logistics
- Special support for newly-established third-party logistics enterprises according to the business turnover.
- One-time financial rewards to logistics enterprises assessed as high quality.
- Rewards for investment into the logistics infrastructure in the development Area.

Source:
2.3 Talent Attracting Policy

The Shangyu authorities have worked out a talent policy to attract people with innovations to start a business or work, and make contributions to the development of innovation in Shangyu.

**“330 Overseas Talents Program” of Shaoxing City®**

The “330 Overseas Talents Program” of Shaoxing City refers to the introduction over 30 high-level overseas talents who can achieve breakthroughs in key technologies, nurture high-tech industries, and promote innovative development in three years. If selected talents work at Shangyu, they can enjoy all kinds of preferential policies of Shaoxing City.

**Excellent talent introduction policy of Shangyu District**

Overseas talents include experts, scholars, professional technical and operation management talents, professionals with core technologies, and other badly needed talents. Attracted domestic talents include academic and technical leaders above the municipal level, middle-aged and young experts with outstanding contributions, leading talents, professional technicians, etc.®

<table>
<thead>
<tr>
<th>Policy examples</th>
<th>“330 Overseas Talents Program” of Shaoxing City®</th>
<th>Excellent talent introduction policy of Shangyu District®</th>
</tr>
</thead>
</table>
| Support for starting a business | • Talents with innovations can get a maximum start-up support of RMB 5 million.  
 • Short-term project talents can get a maximum supporting fund of RMB 2 million.  
 • Relevant talents will be provided with R&D office premises of up to 200 square meters and with a rent-free period of three years or a rent subsidy equal to the rental for office premises of 200 square meters.  
 • Relevant talents will be given a maximum loans discount interest of RMB 5 million for two years. | • The special fund of RMB 100 million is used as awards and subsidies for talent introduction and cultivation.  
 • Relevant talents can enjoy a subsidy of up to RMB200000 annually for five years. |
| Relocation allowance | • The Shaoxing City Government sells expert apartments at a relatively low price to talents or provide them with a rental subsidy of RMB300000 per year or a free apartment no less than 100 square meters. | • Talents can enjoy a one-time housing subsidy of RMB200,000 to RMB one million.  
 • Talents who rent commercial apartments can enjoy a rental subsidy of up to RMB2000 per month.® |
| Education of children | • For the compulsory education stage, talents can select public schools for their children according to their wishes; for the senior middle school stage, they can select schools according to their respective academic situations of their children, free of the school choice fee. | • Corporate executives can select schools for their children according to requirements, free of the school choice fee. |
| Other support | • Job opportunities will be arranged for talents’ spouses.  
 • Talents can enjoy the medical treatment for senior experts of Shaoxing City and will enjoy the medical insurance. | • External investors and corporate executives can enjoy the “Green Card” services in aspects such as education and medical treatment, and the right to the “Green Channel” for departure and entry.® |

Source:
® Notice of the CPC Shaoxing Municipal Committee Office and Shaoxing City People’s Government Office on Issuing the Implementation Measures for “330 Overseas Talents Program” of Shaoxing City, issued by Shaoxing Municipal Committee Office, (2010), No. 38
® Temporary Measures for Talents’ Housing Subsidies of Shangyu City, issued by Shangyu Municipal Committee, (2011) No. 15
2.4 Government Services

Shangyu District Convenience Service Center

The Shangyu District Convenience Service Center uses the new approval model of “acceptance through one window, fixed charge, centralized on-the-spot survey, parallel examination and approval, and comprehensive examination” to shorten the approval time by two thirds and speed up project landing and construction.

The Shangyu District Convenience Service Center has set up 22 intermediary agencies, 34 governmental departments, and 142 service windows of co-working. At present, the whole district can examine and settle 856 issues for administrative permission (approval), annual inspection and annual verification.

Multi-certificate joint handling mechanism of industrial and commercial registration is carried out to shorten the application time of certificates/licenses such as business licenses and organization code certificate to 3 working days.
The approval process of real estate certificates is optimized to shorten the handling time of certificates such as the property ownership certificate, land certificate and the contract tax certificate to 6 working days.
A joint review mechanism of working drawings of construction projects is implemented. The previous serial review is changed to a parallel review to shorten the review time from 38 working days to 10 working days.

Comprehensive service platform examples of Shangyu District

<table>
<thead>
<tr>
<th>Platform name</th>
<th>Platform functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shangyu green fine chemicals and technological innovation service platform</td>
<td>Providing consulting services to small/medium-size enterprises in the fine chemical field, including scientific research and development, achievement transformation, equipment level improvement, etc.</td>
</tr>
<tr>
<td>Financial guarantee service platform</td>
<td>Set up jointly by the local government and multiple investment organizations, it uses guarantee and other modes to provide diversified financing solutions for small/medium-sized enterprises and business owners.</td>
</tr>
<tr>
<td>Shangyu human resources service center</td>
<td>Adopting networking to provide the public with recruitment information and comprehensive and systematic personnel and talent services, such as talent team configuration, talent exchange and introduction, and human resources agency services etc.</td>
</tr>
<tr>
<td>E-commerce public platform</td>
<td>An electronic network platform of relevant industries is established to strengthen cooperation between Xinghe E-Commerce of Provincial Supply and Marketing Cooperatives and mainstream E-commerce such as Taobao and Yihaodian and implement online trading of products.</td>
</tr>
</tbody>
</table>

Service platform of Hangzhou Bay Shangyu Economic and Technological Development Area

To implement the establishment, examination and approval of development Area enterprises and projects, the Hangzhou Bay Shangyu Economic and Technological Development Area innovates in the examination and approval thinking and carries out a “one-stop” examination and approval model to speed up examination and approval.

One-stop service in the zone

The district government devolves 22 municipal-level examination and approval functions such as development reform, economy, trade and planning to the development Area. District-level authorities including the local tax bureau, the industrial and commercial bureau, the public security bureau, the fire station, the environmental protection agency and the safety inspection bureau all set up corresponding resident agencies or sub-bureaus at the development Area so that enterprises can meet their needs in a one-stop service in the zone.

A simplified procedure of administrative examination and approvals

The examination and approval procedure can be completed within half a month for non-chemical industry projects, the examination and within one month for chemical projects, pharmaceutical projects, projects involving restricted production processes, etc. For quality projects with a large investment scale or high technology content and environmental protection projects, the administrative procedure is taken repeatively.

Source:
① Data provided by Shangyu District Convenience Service Center
② Implementation Opinions of Accelerating Industrial Project Examination and Approval for Hangzhou Bay Shangyu Economic and Technological Development Area, issued by Shangyu Development Area, [2013] No. 68
3. Business Cooperation Environment

3.1 Business Environment Investigation Summary

3.2.1 Industrial Foundation — Conventional Industries

3.2.2 Diversified Industrial Development System

3.2.3 A Newly-developing Ecological City — Binhai New City

3.3 Financial and Other Supporting Service Organizations

3.4 Fertile Ground for Scientific Research
Introduction

A sound business environment is the prerequisite for business investment, talent accumulation and enhancement of the development potential, and is also one of the key indicators of measuring regional competitiveness. Keeping a foothold in Zhejiang Province and integrating into the Yangtze River Delta, Shangyu District ranked among China’s top 10 prosperous better-off counties/cities of 2013 Forbes due to its unique geographic advantage, reasonable industrial layout and excellent business cooperation environment.  

Company Statement

Headquartered in Shangyu, Wolong Holding Group had always developed rapidly through mergers and acquisitions. Its investment objectives have been distributed in multiple provinces and cities in China, and a lot of investment projects have also been initiated in Europe. Being impelled by the return tide of Zhejiang businessmen and attracted by the friendly business cooperation environment of Shangyu, Wolong Holding Group increased its investment in its hometown and settled in the Hangzhou Bay Shangyu Economic and Technological Development Area in 2009, opening a new chapter of business development here.

—Wolong Holding Group

Note:
(1) Forbes of Chinese version started to annually publish China’s 10 top better-off counties/cities since 2004.
3.1 Business Cooperation Environment
Investigation Summary

Feedback of the dimension in the survey

- The importance rating on this dimension is 8.2 points, and its satisfaction rating is 8 points (the full score is 9 points).
- In this dimension, enterprises hold that the most important items are the enterprise communication platform in the development Area, the overall economic development level of the development Area, and the industry supporting and cluster degree of the development Area.
- In this dimension, enterprises hold that the most satisfactory aspects are the overall economic development level of the development Area, the industry supporting and cluster degree of the development Area, and the financial institutions and financial services in the development Area.

Detailed importance/satisfaction

![Importance and satisfaction for the dimension]

Overall level of development Area economy development
Development of industrial facilities and clustering for the development Area
Financial institutions and financial services of development Area
Professional organizations and service
Science and technology innovation platform of the development Area
Openness and internationalization degree of the development Area
Logistics supporting industries of the development Area
Enterprise communication platform of the development Area

- Importance rating
- Satisfaction rating
3.2.1 Industrial Foundation — Conventional Industries

Overview

The Hangzhou Bay Shangyu Economic and Technological Development Area attaches great importance to the transformation and upgrade of the industrial foundation, optimizes and develops preeminent competitive industries making greater contributions to regional development such as fine chemicals, equipment manufacturing and automobile moulds, and lays a solid foundation for all-round development, optimization and upgrade of industries in the development Area.

The total industrial output in the development Area reached 85 billion in 2014, indicating a significant increase of 21.4% compared with the previous year. The industrial foundation system dominated by the conventional manufacturing and chemical industry has been constantly optimized, yielding remarkable transformation and upgrade effects.

- Led by a great number of well-known enterprises such as Zhejiang Longsheng Group and Sinochem Lantian, the fine chemical industry dominates the industrial foundation of the development Area, and its gross output tops the list. The development Area owns an industry cluster of dyes and intermediate products, fluorine chemical industry and daily chemical industry business formats, with significant scale effect and optimal development prospects. Products with high technology content and added values take the lead in the market.

- Relying on the current equipment manufacturing industry foundation of Shangyu including listed companies such as Wolong Holding Group, Sunshine Group and Jindun Industrial Group and the complete auxiliary market nearby, the development Area focuses on the introduction of advanced equipment manufacturing projects such as high-end machinery and equipment manufacturing, intelligent control system and machining center.

- The development Area has formed a cluster of motor vehicle and automobile part enterprises represented by the three motor vehicle manufacturers of Zhejiang Jin Gang Motor Ltd., Green Field Motor and Rein Gas. Meanwhile, it capitalizes on the spatial distance advantages of large-sized motor vehicle manufacturers nearby such as Changan Ford and Shanghai Volkswagen to primarily introduce industrial projects such as motor vehicle manufacture, manufacture of new automobile materials, automobile engines and various systems, and manufacture of key automobile parts.

Source:
Data provided by Hangzhou Bay Shangyu Economic and Technological Development Area
3.2.2 Diversified Industrial Development System

Overview
In recent years, The Hangzhou Bay Shangyu Economic and Technological Development Area has been devoted to transformational development from the original industrial foundation to the coexistence of multiple emerging. The development Area is speeding up cultivation of an array of emerging industry projects complying with national industrial policies and matching the local resource endowment and boasting an excellent development potential, with a view to expanding the future growth space. Benefiting from the existing industrial foundation, the development Area assists enterprises in strengthening the technological innovation capability and realizing sound interaction between the industrial structure optimization and industrial technology upgrade.

Key industry development orientation

- Bioengineering
- Medicine preparation industry
- New drug R&D industry
- Wind energy and solar photovoltaic supporting industry
- New energy storage equipment industry
- Core equipment R&D of new energy
- Life service industry
- Production configuration service industry
- High temperature structure and multi-functional materials
- Transportation
- New materials for E-information
- Numerical control equipment and high-grade basal parts
- Portside industries and ship transportation equipment industry
- Automobile accessory industry
- High performance broadband information network
- IC design
- Integrated E-business platform
- Cloud computing technology

Source:
Data provided by Hangzhou Bay Shangyu Economic and Technological Development Area
### 3.2.3 A Newly-developing Ecological City—Binhai New City

**Livable new city for startup**

Binhai New City is not only the “South Tower” of the Jiaxing-Shaoxing River-Crossing Bridge, but also the city logistics guarantee for the manufacturing development of the Hangzhou Bay Shangyu Economic and Technological Development Area. It has been listed as one of 14 industry convergent areas for key development in Zhejiang. Capitalizing on its location advantage and apparent advantage of backwardness, Binhai New City will evolve into a livable new city for startup that integrates modern industrial functions, comprehensive service functions and high-end city functions.

**Modern service industry development planning**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Type of operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production configuration service industry</td>
<td>Modern manufacturing assistance</td>
</tr>
<tr>
<td>Financial service industry</td>
<td>Banking, insurance and securities</td>
</tr>
<tr>
<td>Tourism service industry</td>
<td>Sports &amp; leisure and hotels</td>
</tr>
<tr>
<td>Life service industry</td>
<td>High-grade residential development, city exhibition, catering and entertainment</td>
</tr>
<tr>
<td>Cultural service industry</td>
<td>High-end Film &amp; TV and modern media</td>
</tr>
</tbody>
</table>

**Examples of modern service industry projects to settle in Binhai New City:**

- Hangzhou Bay shopping and business complex
- Sports Park
- Creative Ecological Park

**Corporate headquarters service area**

The service area is based on the north-south central avenue, east-west central avenue, developing corporate headquarters block of the administrative center, employee dormitory and talent apartment block, and matches the productive service function of the east industrial Area.

**Large-scale ecological residential community**

The residential community is located at the south of Binhai Avenue. By relying on the lake region with a sound eco-system, the large-scale ecological residential community is constructed to attract high-caliber talents to settle down.

**Comprehensive area of education and research development**

The comprehensive area is based on Zhanwang Avenue and the research center at the development Area level. The higher education, scientific research and entrepreneurship development Areas are planned at the southwest side of Binhai New City to support construction of the east industrial block and promote integrated development of production, learning and scientific research.

**Coastal sports, traveling and recreational area**

Rounded by Binhai Avenue, a coastal sports and leisure park, a mudflat and wetland park and a high-end low-density sports and leisure community are formed at the northwest side of Binhai New City.

Source: Data provided by Hangzhou Bay Shangyu Economic and Technological Development Area
3.3 Financial and Other Supporting Service Organizations

**Ever-increasing fund demand**

The local/foreign currency deposit/loan balance of financial institutions in Shangyu District has increased year by year from 2009 to 2014. To meet the ever-increasing fund demand of enterprises in the district, the number of financial institutions in the district and surrounding area has increased continuously.

**Deposit/loan balance of financial institutions at Shangyu District in 2009-2014**

<table>
<thead>
<tr>
<th>Year</th>
<th>Local/foreign currency deposit balance</th>
<th>Local/foreign currency loan balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>225</td>
<td>225</td>
</tr>
<tr>
<td>2010</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>2011</td>
<td>675</td>
<td>675</td>
</tr>
<tr>
<td>2012</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>2013</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>2014</td>
<td>725</td>
<td>725</td>
</tr>
</tbody>
</table>

**Borrowing strength from Shanghai financial environment**

At present, Shanghai is the city with the most complete financial market system, largest financial market scale and the most dynamic financial innovation in China, which gathers national-level modern financial markets such as securities, futures, foreign exchange and currency. Meanwhile, new financial institutions such as shipping finance, private equity funds and financial futures are also subject to constant development in Shanghai. By the end of 2014, 1336 financial institutions have been established in Shanghai, including 216 foreign-funded financial institutions.

Along with the opening of the Jiaxing-Shaoxing River-Crossing Bridge and the Ningbo-Hangzhou High-Speed Railway, the Hangzhou Bay Shangyu Economic and Technological Development Area has been integrated into the "one-hour business circle" to Shanghai and showcases the significant linkage effects of superior resources. The development Area is located in the coverage of Shanghai financial institutions and supporting service organizations and can benefit from the mature and complete financial market system of Shanghai.

**Financial institutions of development Area**

The Area boasts abundant financial service resources. In addition to the three major traditional industries such as banking, securities and insurance, financial business formats also cover financial services that have emerged in recent years, such as guarantees and microcredit.

**Other professional service organizations of Shangyu District**

Shangyu District owns a great number of professional service organizations such as law offices and accounting firms, which can provide enterprises and Technological Development Area with various commercial services including legal affairs, auditing and tax consultation. The "one-hour business circle" of Shangyu covers more than 100 professional service organizations including Deloitte Touche Tohmatsu and Dacheng Law Offices.

Source: Data provided by Hangzhou Bay Shangyu Economic and Technological Development Area Statistical Communique of Shanghai on the 2013 National Economic and Social Development.
3.4 Fertile Ground for Scientific Research

Awarded the title of “National Advanced County (City) of Scientific and Technological Progress”
Shangyu District has pushed on the technological innovation work in an all-round way in recent years. In 2013, Shangyu District was chosen as a “National Advanced County (City) of Scientific and Technological Progress” and one of the first group of innovative counties (cities) in Zhejiang.

In 2014, the whole district achieved a high-tech industry output value of RMB 77.98 billion, indicating a year-on-year increase of 18.0% and accounting for 48.2% of the above-scale industrial output value (7.6% higher than the value of last year).

In the same year, the whole district applied for 3,528 patents and obtained 2,780 authorized patents, including 650 invention patent applications and 180 authorized invention patents.

Enterprise-university-research institute cooperation: the powerful engine of scientific research innovation
The Year 2013 saw remarkable effects of the “double hundred” interconnection project of science and technology. Technology instructors have contacted over 400 enterprises, signed contracts of 21 enterprise-university-research institute cooperation projects, and concluded technology transfer contracts with a value of RMB8.38 million. To push forward deep development of enterprise-university-research institute cooperation, the development Area energetically attracts “intelligence” of colleges and universities to settle down and boost competitive industries by technical strength.

High-tech industry output values of Shangyu District in 2012 to 2014
Unit: RMB 100 million

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (RMB 100 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>513.53</td>
</tr>
<tr>
<td>2013</td>
<td>603.65</td>
</tr>
<tr>
<td>2014</td>
<td>779.8</td>
</tr>
</tbody>
</table>

Examples of scientific research platforms and scientific research entities

Enterprise-university-research institute cooperation platforms

<table>
<thead>
<tr>
<th>Scientific research entities</th>
<th>High-tech enterprises with special state support</th>
<th>Provincial-level enterprise institutes</th>
<th>Technological enterprises</th>
</tr>
</thead>
</table>

Example: Insigma·Shangyu Science & Technology Park
- Insigma is a leading enterprise in information technology consultation and service in China, and is a high tech software industry company established by leveraging the strength of Zhejiang University in comprehensive application of disciplines.
- Located in Shangyu urban area, Shangyu Science & Technology Park is a green intelligent development Area integrating R&D, incubation, service, exhibition and business affairs. Shangyu Science & Technology Park will be oriented to industrial development of Shangyu District, integrate the superior resources of all parties through close government-enterprise-university-research institute cooperation, forge a comprehensive and multi-functional green intelligent development Area ranking first in the province and taking the lead in China with joint efforts, and grow into a high and new technology R&D and industry convergent area.

Shangyu Virtual University Park
- The Shangyu Research Institute of Zhejiang University of Technology has signed kinds of enterprise-university-research institute cooperation agreements with over 120 enterprises in the district. It is “interconnected” to competitive industries of the district such as fine chemicals, green pharmaceutical engineering, bioengineering, and new materials and equipment, and has achieved over 120 cooperative projects at all levels.
- Each key planned industry of the development Area will be interconnected to a national renowned comprehensive university. A solid combination of physical institutes and virtual university park will be realized.

Source:
① Statistical Communique of Shangyu District on the 2014 National Economic and Social Development
② Provincial-level enterprise institutes of Zhejiang include multiple institutes established by relying on well-known enterprises, such as Zhejiang Runtu Chemical Research Institute and Zhejiang Longsheng Fine Chemical Research Institute.
4. Infrastructure

4.1 Infrastructure Research Summary

4.2.1 Convenient Transportation Network

4.2.2 Convenient Transportation Network (Continued)

4.3 Perfect Business Infrastructure

4.4 Sufficient Land Resources Supply

4.5 Supply of Infrastructure and Supporting Facilities
Introduction

Complete infrastructure facilities will generate a lasting impetus for both the industrial development Area and the city. Along with the gradual improvement of infrastructure construction in the development Area and the official opening of the Jiaxing-Shaoxing River-Crossing Bridge, the geographic advantage of the Hangzhou Bay Shangyu Economic and Technological Development Area has been increasingly highlighted. The three-dimensional traffic network can meet the business activity requirements of development Area enterprises, and the sufficient land and energy supply also fully guarantee a further development for enterprises there.

Company Statement

The Hangzhou Bay Shangyu Economic and Technological Development Area enjoys a good geographical location and is in the immediate vicinity of the Jiaxing-Shaoxing River-Crossing Bridge. The drives to main cities such as Shanghai, Hangzhou, Shaoxing, and Ningbo are all within 1.5 hours, so the Area proves to be a critical node of the transportation and logistics network. The excellent location advantage is one of the most important factors driving our Global Logistic Properties logistics park (Shangyu) to settle in the development Area.

—Shaoxing Shangyu Global Logistic Properties Storage Co., Ltd.

* Global Logistic Properties is a company listed in Singapore and is also a leading modern logistics facilities provider in the markets of China, Japan and Brazil. The company has and manages 156 comprehensive development Areas in 34 cities across China, thus forming a highly efficient logistics network covering strategic nodes such as main logistics hubs, industrial development Areas and city distribution centers.
4.1 Infrastructure Research Summary

Feedback of the dimension in the survey

- The importance rating of this dimension is 8.5 points, and its satisfaction rating is 8 points (the full score is 9 points).
- For this dimension, enterprises hold that the most important aspects are the production supporting function, surrounding transportation network, road transport facilities and informatization construction of the development Area.
- For this dimension, enterprises hold that the most satisfactory aspects are the production supporting function, informatization construction and surrounding transportation network of the development Area.

Detailed importance/satisfaction

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Importance rating</th>
<th>Satisfaction rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road traffic facilities of the development Area</td>
<td>8.5</td>
<td>8.0</td>
</tr>
<tr>
<td>Transportation network around the development Area</td>
<td>7.5</td>
<td>8.0</td>
</tr>
<tr>
<td>Development Area informatization construction</td>
<td>7.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Production supporting function of the development Area</td>
<td>8.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Operating costs of enterprises</td>
<td>7.5</td>
<td>8.0</td>
</tr>
</tbody>
</table>
4.2.1 Convenient Transportation Network

The Hangzhou Bay Shangyu Economic and Technological Development Area is located at the node connecting Shanghai and the southeast of Zhejiang. The developed aviation, railway, highway and waterway facilities in the surrounding regions form a convenient 3D transportation system.

Aviation — four major international airports nearby
There are four major international airports in the vicinity of HSEDA. These airports greatly meet the ever-increasing air transport demand of enterprises.

- Hangzhou Xiaoshan International Airport: 68 domestic air routes and over 30 international air routes are launched.
- Ningbo Lishe International Airport: over 30 domestic air routes and over 10 international air routes are launched.
- Shanghai Hongqiao International Airport: 91 domestic and international air routes are launched.
- Shanghai Pudong International Airport: over 90 overseas regions/cities and over 60 domestic cities are covered.

Distances (drives) from the development Area to four major airports

Railway — Advent of the high-speed rail era
- The Xiaoshan–Ningbo Extened Railway connecting Zhejiang Hangzhou and Ningbo crosses the development Area. Meanwhile, a level-2 cargo-passenger station with an annual freight capacity of 1,350,000 tons is set at the center of the district.
- The full implementation of Shanghai-Hangzhou-Ningbo High-speed Railway greatly shortens the commuting time from the development Area to each major city of the Yangtze River Delta. It takes only a 10-minute drive from HSEDA to Shangyu Station.

Waterway — Shangyu Port
Shangyu Port in the development Area is a port of 5,000 tons and also a unique outward bound port at the south coast of Hangzhou Bay. The cargo throughputs and container throughputs of Ningbo Port and Shanghai Port in the “one-hour business circle” take the lead in the world, bringing into full play the coastal advantage of the development Area and providing a water transport guarantee for enterprises in the development Area.

Source:
Shangyu Bureau of Commerce
Official website of the Management Committee of Hangzhou Bay Shangyu Economic and Technological Development Area
4.2.2 Convenient Transportation Network (Continued)

**Integrated inter-city transportation**
Multiple expressways and national highways have been opened around the development Area. Shangyu road junction of the Shanghai-Hangzhou-Ningbo Expressway is 2 kilometers from the development Area, Shangyu road junction of the Shangyu-Sanmen Expressway is set in the development Area, and 329 National Road, 104 National Road, the Shanghai-Hangzhou-Ningbo Double-track Railway and the Grand Canal cross the development Area. Moreover, the parallel line of the Hangzhou-Ningbo Expressway to be constructed will also cross this Area. This line will connect to the belt expressway of Hangzhou in the west and connect to the Zhoushan Cross-Sea Bridge in the east. The integrated inter-city highway network lays down a good foundation for settled enterprises to enter the market of the Yangtze River Delta and explore the entire market of China.

**Jiaxing-Shaoxing River-Crossing Bridge**
The Jiaxing-Shaoxing River-Crossing Bridge connects Jiaxing Haining and Shaoxing Shangyu. The bridge shortens the distance from Shangyu to Shanghai to a 1.5-hour drive, thereby further speeding up the pace of Shangyu for “relying on Great Shanghai and becoming integrated into the Yangtze River Delta”. Meanwhile, the bridge also enhances the accessibility between the regions of Zhejiang and Zhejiang and injects powerful vitality into the economic integration process of the Yangtze River Delta.

**Examples of expressways around the development Area**

<table>
<thead>
<tr>
<th>Expressway name</th>
<th>Starting point and terminal point</th>
<th>Total length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai-Hangzhou-Ningbo Expressway</td>
<td>Shanghai-Ningbo</td>
<td>248 km</td>
</tr>
<tr>
<td>Shangyu-Sanmen Expressway</td>
<td>Shangyu-Sanmen</td>
<td>142 km</td>
</tr>
<tr>
<td>Shaoxing-Zhuji Expressway</td>
<td>Shangyu-Sanmen</td>
<td>62.56 km</td>
</tr>
<tr>
<td>Jiaxing-Shaoxing Expressway</td>
<td>Jiaxing-Shaoxing</td>
<td>69.5 km</td>
</tr>
<tr>
<td>Parallel line of Hangzhou-Ningbo Expressway (being planned)</td>
<td>Hangzhou-Ningbo</td>
<td>135 km</td>
</tr>
</tbody>
</table>

**Convenient intra-Area traffic**
Currently, Shangyu District owns 71 inter-city bus lines, and the ticket prices are fair, making it convenient for enterprise employees to travel in the daily life. The drive from the development Area to the central urban area is less than an hour. The convenient and fast intra-Area traffic system closely links the development Area with the downtown.

Source:
2013 Statistical Communique of Shangyu District of Shaoxing City
Shangyu Public Transport Network
4.3 Perfect Business Infrastructure

Convention facilities
Shangyu District has a large-sized exhibition building — the Shaoxing Shangyu Exhibition Center. The Keqiao International Convention and Exhibition Center is also located in Shaoxing, which is located 44.5 km to the west of Shangyu and used to regularly hold large-scale domestic and international exhibitions. Many influential exhibitions have been successfully held in recent years, e.g., the 2013 International Expo for Textile Fabric & Accessories and the 2014 Shaoxing International Furniture Fair.

Office buildings
Shangyu District is active in constructing commercial complexes integrating shopping malls, cultural experience and commercial office buildings. They will become new landmarks of Shangyu and improve the overall quality of infrastructure and supporting facilities.

Examples of high-end office buildings in Shangyu District

<table>
<thead>
<tr>
<th>Hotel name</th>
<th>No of guest rooms</th>
<th>Conference facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baiguan Plaza</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fortuna Plaza</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jinmao Tower</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shangyu International Hotel</td>
<td>282</td>
<td>Nine conference rooms and a number of large-sized banquet sites</td>
</tr>
<tr>
<td>Shangyu Hotel</td>
<td>191</td>
<td>Three multi-functional banquet hall and eight conference rooms</td>
</tr>
<tr>
<td>Landison Hotel</td>
<td>329</td>
<td>One large-sized banquet hall and a number of small/medium-sized conference rooms and multi-functional hotels</td>
</tr>
<tr>
<td>New Century Grand Hotel</td>
<td>420</td>
<td>One banquet hall of 1,000 square meters and other various small/medium-sized conference rooms</td>
</tr>
</tbody>
</table>

Hotels
By the end of 2014, Shangyu District has constructed four 5-star hotels in total. With convenient traffic, these hotels provide an accommodation environment of high quality for business meetings and travel.
4.4 Sufficient Land Resources Supply

Use right term of transferred land
In China, enterprises or individuals cannot have land ownership, but can get the land use rights for a fixed term by paying a transfer fee to the government. According to the Property Law of the People’s Republic of China, the use right terms of transferred land are as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential land</td>
<td>70 years</td>
</tr>
<tr>
<td>Industrial land</td>
<td>50 years</td>
</tr>
<tr>
<td>Commercial land</td>
<td>40 years</td>
</tr>
<tr>
<td>Various development lands</td>
<td>50 years</td>
</tr>
</tbody>
</table>

Sufficient land supply
The gross area of the manufacturing industry Area is about 80 square kilometers, among which 40 square kilometers have been constructed and 40 square kilometers are reserved for future development. The HSEDA is a national-level development Area with the largest future development space in Zhejiang.

At present, the industrial land price of Shaoxing where the development Area is located is relatively competitive compared with that of surrounding cities in the Yangtze River Delta such as Shanghai, Wenzhou, Ningbo, Nanjing and Suzhou.

<table>
<thead>
<tr>
<th>Price</th>
<th>Area</th>
<th>Land stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshop rent: RMB10-12/square meters</td>
<td>East Area 1</td>
<td>About 330,000 square meters</td>
</tr>
<tr>
<td></td>
<td>East Area 2</td>
<td>About 2,000,000 square meters</td>
</tr>
<tr>
<td></td>
<td>East Area 3</td>
<td>About 5,330,000 square meters</td>
</tr>
<tr>
<td></td>
<td>Binhai New City</td>
<td>About 31,500,000 square meters</td>
</tr>
</tbody>
</table>

"Nine Supplies and One Leveling"
Infrastructure facilities of "Nine Supplies and One Leveling" have been completed for East Area 1 and East Area 2 of the development Area. It is planned to complete the relevant construction of East Area 3 in the first half year of 2015.

Note: "Nine Supplies and One Leveling" refers to roads, water supply, rain water treatment, sewage treatment, power supply, vapor supply, natural gas supply, communication, cable TV and land leveling.

Source:
Shangyu Bureau of Commerce
Website of the Department of Land and Resources
4.5 Supply of Infrastructure and Supporting Facilities

The development Area owns a sufficient supply of infrastructure and supporting facilities such as energy supply and water supply, which can guarantee smooth operations for all kinds of production enterprises. Moreover, the supporting environmental protection equipment enables enterprises to achieve green production at low cost.

### Power supply

There are four 110 KV transformer substations and one 220 KV transformer substation in the development Area. Moreover, a 500 KV power supply system is under construction.

#### Electricity price of large industrial land

<table>
<thead>
<tr>
<th>Power</th>
<th>Spike</th>
<th>Peak</th>
<th>Valley</th>
<th>Electricity price per KWH</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10KV</td>
<td>1.123</td>
<td>0.941</td>
<td>0.457</td>
<td>0.705</td>
</tr>
<tr>
<td>20KV</td>
<td>1.098</td>
<td>0.918</td>
<td>0.441</td>
<td>0.685</td>
</tr>
<tr>
<td>35KV</td>
<td>1.085</td>
<td>0.906</td>
<td>0.433</td>
<td>0.675</td>
</tr>
<tr>
<td>110KV</td>
<td>1.052</td>
<td>0.877</td>
<td>0.413</td>
<td>0.653</td>
</tr>
<tr>
<td>220KV</td>
<td>1.042</td>
<td>0.869</td>
<td>0.409</td>
<td>0.648</td>
</tr>
</tbody>
</table>

### Charge standards of infrastructure and supporting facilities

- **Water supply**: RMB 2.7/Ton
- **Sewage treatment**: RMB 2.6-4.0/Ton, national level-3 network access standard
- **Natural gas**: RMB 4.43/cubic meter; use pressure: 0.4 Mpa
- **Vapor**: RMB 180-200/Ton; temperature: 170°C - 220°C; pressure: 6-8KG/Cm²

### Power supply

A tap water supply system of 100,000 tons/day has been constructed in the development Area. Moreover, an industrial water factory of 100,000 tons is being planned and is under construction at present.

### Natural gas

High pressure natural gas pipelines have been constructed in the development Area and can provide quality natural gas with a use pressure of 0.4 Mpa.

### Communication

Telecom station branches and post offices are set in the development Area and can provide basic communication services including fixed phone, mobile communication, broadband and cable TV.

### Vapor

Two thermal power plants have been constructed in the development Area and can supply vapor in a centralized manner. The vapor supply capacity is 490 tons/hour.

### Environmental protection facilities

A sewage treatment plant with a daily capacity of 300,000 tons has been put into operation. In addition, the development Area is provided with supporting environmental protection equipment for solid waste incineration and landfill disposal.

Source:
Shangyu Bureau of Commerce
Official website of the Administrative Committee of Hangzhou Bay Shangyu Economic and Technological Development Area
5. Human Resource

5.1 Human Resource Research Summary

5.2 Human Resources Supply

5.3 Human Resources Costs
**Introduction**

Human resources is one of the important factors for guaranteeing corporate development and pushing forward industrial transformation and upgrading. Shangyu’s sufficient human resource supply and competitive human resources cost attracts numerous investors. Meanwhile, thanks to its outstanding location advantage, human resources of cities around Shangyu can be used as a good talent pool to meet the talent demand of different industries.

**Company’s Statement**

Leveraging the abundant educational resources of the Hangzhou Bay Shangyu Economic and Technological Development Area adjacent to Hangzhou, the Shangyu Yingtai enterprise-university-research institute cooperation project is going smoothly, quite a complete independent technological innovation system has been formed, and the technical level is one of the most advanced in China. The company has undertaken and completed a lot of national-level and provincial-level technology projects, and its sales revenues of products with core independent intellectual property rights account for more than 65% of the company’s total sales revenue.

—Shangyu Yingtai Fine Chemical Industry Co., Ltd

*Shangyu Yingtai Fine Chemical Industry Co., Ltd. is a designated enterprise of pesticide production approved by the National Development and Reform Commission, and also a high-tech enterprise with special state support engaged in production of new, efficient and safe technical products and preparations of pesticides such as herbicides and antiseptics.*
5.1 Human Resource Research Summary

Dimension feedback from survey questionnaire

- The importance rating on this dimension is 8.5 points, and its satisfaction rating is 7.7 points (the full score is 9 points).
- In this dimension, according to the enterprises, the most important aspects are the degree of harmony in employee-employer relations, the medium/high-end management talent supply level and the labor cost of the development Area.
- In this dimension, enterprises hold that the most satisfactory aspects are the degree of harmony in employee-employer relations of the development Area, technological innovation level of the development Area and its surrounding areas, and the medium/high-end management talent supply level of the development Area.

Detailed importance/satisfaction

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Importance rating</th>
<th>Satisfaction rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government policies and services</td>
<td>8.5</td>
<td>7.7</td>
</tr>
<tr>
<td>Business cooperation environment</td>
<td>7.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Residential environment</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Human resource</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

- Importance rating
- Satisfaction rating

Detailed importance/satisfaction

- Medium/high-end management talent supply level of development Area
- Medium/high-end technical talent supply level of development Area
- Manufacturing talent supply level of development Area
- Labor cost of development Area
- Degree of harmony in employee-employer relation of development Area
- Qty and professional level of development Area employment agencies/services organizations
- Technological innovation level of the development Area and its surrounding areas
5.2 Human Resources Supply

Thanks to colleges and vocational technical schools in the district, and educational resources and labor markets in the local city of Shaoxing and surrounding regions such as Shanghai, Hangzhou and Ningbo, Shangyu provides enterprises in all industries with a supply of human resources at multiple levels.

Scientific and technological research and management talent supply

The abundant higher education resources of Shangyu and its surrounding cities can provide scientific and technological research and management talents for local industries. In 2013, Shaoxing boasted 9 regular institutions of higher learning, 77,500 regular undergraduates and junior college students, and 19,100 graduates. In the “one-hour business circle” of Shangyu, there exist 21 general universities in Shangyu, and Hangzhou has 38 common institutions of higher learning, and Ningbo has 16 common institutions of higher learning.

- Zhejiang University (Hangzhou)
- Zhejiang University of Technology (Hangzhou)
- Shangyu Campus of Shaoxing University (Shaoxing)
- Ningbo University (Ningbo)
- The University of Nottingham Ningbo China (Ningbo)
- Fudan University (Shanghai)
- Shanghai Jiao Tong University (Shanghai)

Manufacturing talent supply

Shangyu owns two national-level key secondary vocational schools. It has nurtured five main strong majors and formed two school characteristics, and can fully guarantee the supply of manufacturing talents.

Recruitment services

The Shangyu District People’s Government has effectively promoted interconnection of human resources with enterprise demand through activities such as talent introduction and job fairs, and given full play to the bridge bond effect of government departments.

In 2014, Shangyu District carried out regular “intelligence introduction and enterprise strengthening” activities and introduced 9,605 talents of different types, including 313 above masters and secondary senior positions; it held 11 job fairs of all types, registered 527 recruiters, provided 15,870 positions, and successfully set up a job hunting platform for 896 persons.

Deloitte observation

Inter-school and regional integration of educational resources helps increase the utilization of educational resources; meanwhile, the customized talent cultivation model of school-enterprise cooperation and directed education not only meets the specific requirements of enterprises, but also promotes a combination of production and learning to implement an effective human resources configuration.

Source:
① Statistical Communique of Shanghai, Hangzhou, Shaoxing and Ningbo on the 2013 National Economic and Social Development
② Shangyu educational information network
③ Statistical Communique of Shangyu District on the 2014 National Economic and Social Development
5.3 Human Resources Costs

The human resources cost has gradually become one of the main operation costs of modern enterprises. The human resources cost mainly refers to the cost of salaries paid to employees and the social security cost of all social security benefits paid for employees.

**Salary level of employees**

In 2013, the annual average wage of working staff and workers at Shangyu District is RMB43,982. In comparison to surrounding cities such as Shanghai, Hangzhou and Ningbo, Shangyu has a certain competitive edge in terms of wage cost. ①

**Social welfare and social security cost of employees**

Enterprises in China have to pay social security premiums for employees according to the law, namely, the “five social security premiums and one housing fund”, such as the medical insurance, endowment insurance, and the housing fund. According to regulations, the social security premium paid by Shangyu enterprises in 2013 accounted for 27% to 34.5% of the total wages. ②

<table>
<thead>
<tr>
<th>Proportion of social security premiums paid by Shangyu District enterprises in 2013 to total wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension insurance</td>
</tr>
<tr>
<td>Unemployment insurance</td>
</tr>
<tr>
<td>Medical insurance</td>
</tr>
<tr>
<td>Employment injury insurance</td>
</tr>
<tr>
<td>Maternity insurance</td>
</tr>
<tr>
<td>Housing fund</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

*Note: The housing fund paid by Shangyu enterprises for employees depends on the actual conditions of enterprises.*

Source:

① Notice of Shaoxing City Shangyu District Human Resources and Social Security Bureau on Issuing 2013 Annual Average Wage of Working Staff and Workers at Shangyu District, issued by Shangyu District Human Resources and Social Security Bureau, (2014) No. 54


③ Data provided by the Management Committee of Hangzhou Bay Shangyu Economic and Technological Development Area
6. Residential Environment

6.1 Living Environment Research Summary
6.2 Comfortable Living Environment
6.3 Increasingly Improved Educational and Medical Resources
6.4 Humanities and Scenic Spots
Introduction

The residential environment involves factors such as the ecological environment, life supporting facilities, educational and medical institutions, and human landscapes. An ideal living environment directly influences the work and life of residents. Shangyu boasts a livable ecological environment, convenient life supporting facilities, good educational and medical institutions, and abundant human landscapes, which provides domestic and overseas investors with a comfortable living and working environment.

Honors received by Shangyu

- National Garden City
- China Residential Environment Model Prize
- Best Model of International Residential Environment Improvement
- Forbes Best Commercial Cities in Mainland China
- China’s Top Ten Districts/Counties for Modern Service Industry Investment
- China’s Best City for Recreation
- Demonstrating Civilized City of Zhejiang Province
- Ecotourism City of Zhejiang Province
- Famous Cultural City of Zhejiang Province
6.1 Living Environment Research Summary

Importance and satisfaction for the dimension

Feedback of the dimension in the survey
- The importance rating of this dimension is 8.2/7.9 points (the full score is 9 points).
- In this dimension, enterprises hold that the most important aspects are the public security environment of the city and surrounding areas, the ecological environment level of the city, and the living quality of the city and surrounding areas.
- In this dimension, enterprises hold that the most satisfactory aspects are the public security environment of the development Area and surrounding areas, education facilities of the city and surrounding areas, and medical facilities of the city and surrounding areas.

Detailed importance/satisfaction
6.2 Comfortable Living Environment

Excellent ecological environment
Located at the southern fringe of the northern subtropics, Shangyu has an East Asian monsoon climate, characterized by four distinctive seasons, wetness and raininess. The annual average temperature is 16.4°C, and the frost free period is about 251 days. Due to the constant optimization of the urban environment, Shangyu was awarded the title of “National Garden City” in 2008. Now, the urban green coverage ratio reaches 41.46%, and the proportion of days with good air quality is as high as 91.7%. The centralized drinking water source of Shaoxing Tangpu reservoir has maintained a water quality compliance rate of 100%, meeting the level-1 water quality standard of the European Union.

Constructing elegant Shangyu along the two banks of Cao’e River
Adhering to the objective of constructing “elegant Shangyu”, Shangyu District deepens the city design of “two banks of Cao’e River”, and regard this unique natural resource of Shangyu’s Cao’e River as the future city center and development axis to organically integrate areas including the New District of North Shangyu, Economic Development Area and CRH New City and implement city and industry interaction.

The travel of “Fresh Fruits for Four Seasons”
Shangyu people can enjoy fresh fruits in four seasons, for example, grapes, Chinese treeberry, mulberry, cherry, persimmon, and Huanghua pear are known far and wide. Shangyu travel of “Fairy Fruits for Four Seasons” focuses on the activities of fruit picking, farm experience and landscape appreciation and is well received by tourists from big cities such as Shanghai and Hangzhou and surrounding areas.

High quality residential communities
Shangyu District has many high quality living communities such as Greentown Longshan Rose Garden (under construction), Greentown Osmanthus Garden; Yasha Sunshine Holiday, Central Holiday, Wolong Tianxiang Garden, Jiangnan Top Class Garden; Jindun Jintong Garden; Jinke Shangri-La.

Culture, sports and recreation
As a famous city with a long history of over one thousand years, Shangyu boasts a strong cultural atmosphere. It is blessed with a wide variety of cultural facilities such as the Celadon Museum, Shangyu Museum, Shangyu Planning Exhibition Hall, Shangyu Library, Shangyu Science and Technology Museum, Cultural Arts Center and Shangyu Gymnasium. Besides, Shaoxing Kuaiji Hills Golf Resort and Shaoxing Jian Lake Golf Club can also meet the requirements of businessmen.

Source:
① Portal website of Shangyu District People’s Government
② Zhejiang Daily
6.3 Increasingly Improved Educational and Medical Resources

**Educational resources**
By the end of 2014, Shangyu District has established 52 primary schools, 34 ordinary middle schools, and 2 secondary vocational schools. The relatively complete education supporting facilities can meet the entrance demands of students at all age stages. For instance, Chunhui Middle School is a first-class key middle school of Zhejiang, with a history of one hundred years.

**International schools**
There are many international schools of high quality in Shangyu and surrounding areas. They can meet all kinds of educational needs of children of foreigners who settle down in Shangyu District, from kindergarten to senior high school.

**Medical resources**
Shangyu District has adequate medical and health resources and can provide residents with convenient medical and health services. Moreover, owing to the big cities in the immediate vicinity such as Shanghai and Hangzhou, businessmen working and living in Shangyu can also enjoy premium medical services.

<table>
<thead>
<tr>
<th>Medical resource data of Shangyu District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of medical and health institutions</td>
</tr>
<tr>
<td>235</td>
</tr>
<tr>
<td>Amount of practicing physicians/physician’s assistants</td>
</tr>
<tr>
<td>1555</td>
</tr>
</tbody>
</table>

**Medical institutions of Shangyu District (examples)**
- Shangyu People’s Hospital
- Shangyu Traditional Chinese Medical Hospital
- Shangyu Maternal and Child Health Hospital

**Third class A hospitals nearby (examples)**
- Shaoxing People’s Hospital
- Shaoxing Traditional Chinese Medical Hospital
- Shaoxing Maternal and Child Health Hospital

*Source: Statistical Communique of Shangyu District on the 2014 National Economic and Social Development*
A time-honored place propitious for giving birth to great men

Shangyu County was established over 2,200 years ago. It is also one of the earliest birthplaces of celadon in the world. Shangyu has given birth to talented people generation after generation. Three gatherings of great names took place in its history: "Emperor Shun receiving his subordinate officials"; "elegant gathering at the East Mountain"; "Baima Chunhui". Moreover, a large number of county sages appeared, including Wang Yun praised as the "Ancient materialist of China", Xie An who "staged a comeback", Ma Yifu, a master of Chinese culture, the meteorologist Chu Kochen, the "Tea Sage" Wu Juenong, Xie Jin, a famous film director, Jing Shuping, He Zhenliang, and Xu Guangxian. In addition, Shangyu is also a famous place of filial piety culture, and has successively cultivated filial piety models represented by Emperor Shun and Cao E from ancient to modern times.

Humanities and scenic spots

Shangyu District has many humanities and scenic spots, for example Zhujia Village (Yingtai’s hometown), Cao E Temple, Shungeng Park, Chunhui Celebrity Park, Shangpu Dongshan. All these culture parks have the sedimentary accretion of Shangyu’s history over thousands of years, and declare publicly that Shangyu people inherit the new Shangyu spirit of “attaching importance to filial piety, keeping faith, and making pragmatic innovation" and marching toward the new century.

Yingtai’s hometown

It is said that Zhujia Village is the hometown of Zhu Yingtai in the classic love story called “Liang Zhu”, and the “Zhejiang’s First Drum” is saved in the local Yaoshi Temple. The scenic spot is situated at the foot of a hill and beside a stream, and boasts an exquisite scenery. Currently, it is a comprehensive rural tourism area integrating culture, recreation and ecotourism.

A place of filial piety

Emperor Shun, ranking first in the Male Twenty-four Filial Exemplars, was born in Shangyu. Nowadays, the main scenic spots such as the Shungeng scupltured group, Dashun Temple, Shun Bridge and Shun Well in Shungeng Park of Shangyu District vividly display the Emperor Shun’s history of putting filial piety first and working hard for the people.

Cao E, born in Shangyu, ranking first in the Female Twenty-four Filial Exemplars. Cao E Temple of Shangyu District was constructed to commemorate the filial conduct and moral character of Cao E and has experienced a history of over 1800 years. The “Four Unique” of sculptures, wall painting, antithetical couplets and handwriting in the temple are renowned at home and abroad, and this temple was hailed as the “Jiangnan First Temple”. In particular, the “Cao E Tombstone” was called “the earliest puzzle in China”.

Source:
Website of Shangyu District Tourism Bureau
Based on analysis of the investment environment of the Hangzhou Bay Shangyu Economic and Technological Development Area, this report summarizes the three most attractive advantages of the development Area:

I. Efficient service-oriented government
Adhering to the philosophy of forging a service-oriented government, the Shangyu District People’s Government and the Management Committee of the Hangzhou Bay Shangyu Economic and Technological Development Area have always devoted themselves to providing enterprises with concise, efficient and interactive administrative services. The “one-stop” service experience has produced much favourable comment from enterprises. Meanwhile, the development Area has worked out a series of pragmatic supporting policies for the transformation and upgrading of conventional industries and construction of an emerging industrial system and guides the sustainable development of industries in the development Area.

II. Sound business cooperation environment
The Hangzhou Bay Shangyu Economic and Technological Development Area has a large-scale industrial cluster and perfect upstream and downstream industry chains, yielding significant radiation forces. The constantly improving business supporting facilities of Shangyu District and development Area can satisfy the rising demand of business travel activities. Along with the advent of a “Bridge Economy” and “High-speed Railway Economy”, all the superior resources in the “one-hour business circle” of the Yangtze River Delta will be gradually included in the business cooperation environment of Shangyu.

III. Complete infrastructure facilities
The Hangzhou Bay Shangyu Economic and Technological Development Area is located in the very developed Yangtze River Delta region of China, and the three-dimensional inter-city transportation network closely connects the development Area to other major cities of the Yangtze River Delta. The series of completed projects such as the Jiaxing-Shaoxing River-Crossing Bridge and high-speed rails join the location advantage of the development Area to superior resources in the city group of the Yangtze River Delta, thus greatly improving the development potential of the development Area.

Finally, I would like to express my sincere thanks to the Shangyu District People’s Government and the Management Committee of the Hangzhou Bay Shangyu Economic and Technological Development Area for their powerful support to this report. I also wish to express heartfelt thanks to the enterprises participating in the research and interviews for their insights.
Appendixes

1. Registered Capital and Aggregate Investment of Foreign-Invested Enterprises
2. Main Applicable Taxes of Foreign-Invested Enterprises
1. Registered Capital and Aggregate Investment of Foreign-Invested Enterprises

Means of capital contribution

Foreign investors may use convertible foreign currencies for the capital contribution, or use cross-border RMB to make direct investment, or use as their investment machinery and equipment, industrial property rights, and proprietary technology that are assigned a fixed price. Foreign investors may, after approval by the examining and approving organ, use, as their investment, their profits in Renminbi (RMB) earned from other enterprises with foreign investment established within the territory of China.

Proportion of registered capital to aggregate investment

The proportion of the registered capital to the aggregate investment adopted for a foreign-invested enterprise established in China shall comply with the legal requirements. This proportion also applies to a capital increase of the foreign-invested enterprise. However, it is used for the part of newly increased investment only, but not the aggregate investment after the increase.

Capital contribution requirements

The registered capital of a limited liability company is the total amount of the capital contributions subscribed to by all the shareholders that have registered with the company registration authority. If any law or administrative regulation or the State Council has other provisions concerning the paid-in amount of registered capital of a limited liability company and the minimum amount of its registered capital, these provisions shall prevail.

Every shareholder shall make full payment for the capital contribution it has subscribed to according to the articles of association. If a shareholder makes his capital contribution in currency, he shall deposit the full amount of such currency capital contribution into a temporary bank account opened for the limited liability company. If the capital contributions are made in non-monetary assets, the appropriate transfer procedures for the asset rights therein shall be followed according to law. Where a shareholder fails to make his capital contribution as specified in the preceding paragraph, he shall not only make full payment to the company but also bear the liabilities for breach of the contract to the shareholders who have made full payment of capital contributions on schedule.

<table>
<thead>
<tr>
<th>Aggregate investment (US dollars)</th>
<th>Registered capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 30 million US dollars</td>
<td>Accounting for 1/3 of the aggregate investment at least; if the aggregate investment is less than 36 million US dollars, the registered capital shall not be less than 12 million US dollars.</td>
</tr>
<tr>
<td>10 million US dollars to 30 million US dollars</td>
<td>Accounting for 40% of the aggregate investment at least; if the aggregate investment is less than 12.5 million US dollars, the registered capital shall not be less than 5 million US dollars.</td>
</tr>
<tr>
<td>3 million US dollars to 10 million US dollars</td>
<td>Accounting for 50% of the aggregate investment at least; if the aggregate investment is less than 4.2 million US dollars, the registered capital shall not be less than 2.1 million US dollars.</td>
</tr>
<tr>
<td>Less than 3 million US dollars</td>
<td>Accounting for 70% of the aggregate investment at least</td>
</tr>
</tbody>
</table>

Source:
② The Company Law of the People’s Republic of China (Order of the President of the People’s Republic of China [2013] No. 8)
③ Provisional Regulations of the State Administration for Industry & Commerce for the Proportion of Registered Capital to Total Amount of Investment of Joint Ventures Using Chinese and Foreign Investment (Document Number: No. 38 [1987] of the State Administration for Industry & Commerce)
## 2. Main Applicable Taxes of Foreign-Invested Enterprises

<table>
<thead>
<tr>
<th>Income tax</th>
<th>Taxation scope</th>
<th>Tax rate</th>
</tr>
</thead>
</table>
| **Enterprise income tax** | A resident enterprise shall pay enterprise income tax on its income generated from both inside and outside China. A non-resident enterprise shall pay enterprise tax on the income earned from inside China and the income which is generated from outside China but which is actually relevant to the institutions or establishments set up in China. | Statutory tax rate: 25%  
Tax rate for small low profit enterprises: 20%  
Tax rate for high-tech enterprises: 15%  
Withholding tax rate at source: 10% |
| **Individual income tax** | Resident taxpayers are individuals who have a domicile in China, or those without domicile but who have resided in China for one year or more. They shall pay their individual income tax on their income derived from sources both inside and outside of China. Non-resident individuals who do not live in China but receive income from China, and those non-residents who live in China for less than one year, must pay individual income tax on income derived from sources within China. Individual income consists of 11 items including salary and remuneration for personal service. | Statutory tax rate: 3%-45% |

<table>
<thead>
<tr>
<th>Turnover tax</th>
<th>Taxation scope</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value Added Tax (VAT)</strong></td>
<td>Units and individuals selling goods or providing processing, repair and replacement services, or dealing with goods import, transportation and some modern services within the territory of China shall pay VAT.</td>
<td>Statutory tax rates: 0%, 6%, 11%, 13%, 17%</td>
</tr>
<tr>
<td><strong>Excise duty</strong></td>
<td>Units and individuals dealing with production, consigned processing, import or sales of defined taxable consumer goods within the territory of China shall pay excise duty. A rate on value and amount on volume methods are available. Taxable consumer goods are classified into 14 types including tobacco, wine and cosmetics.</td>
<td>Statutory tax rate for levying as per prices of articles: 1%-56%</td>
</tr>
<tr>
<td><strong>Business tax</strong></td>
<td>Units and individuals providing taxable services, transferring intangible assets or selling immovable property within the territory of China shall pay business tax.</td>
<td>Statutory tax rate: 3%-20%</td>
</tr>
<tr>
<td><strong>Customs duties</strong></td>
<td>The receiver of imported goods, shipper of exported goods, and the owner of imported articles shall pay customs duties.</td>
<td>Omitted</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other types of taxes</th>
<th>Taxation scope</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deed tax</strong></td>
<td>For transfer of land ownership or housing authority within the territory of China, the receiving unit or individual shall pay deed tax according to the price of the transferred real estate property.</td>
<td>Statutory tax rate: 3%-5%</td>
</tr>
</tbody>
</table>
| **Property tax** | The owners of house properties in cities and towns shall pay property taxes according to the dutiable value or rental receipts of house properties. | Statutory tax rate (by the dutiable value): 1.2%  
Statutory tax rate (by the rental receipt): 12% |
| **Land value increment duty** | Units and individuals transferring state-owned land use rights, above-ground structures and items attached to them and obtaining incomes shall pay land increment duty on the value added amount. | Statutory tax rate: 30%-60% |
| **Stamp tax** | Units and individuals writing and receiving taxable vouchers in China within the territory of China shall pay the corresponding stamp tax according to the number of vouchers and the amount carried thereon. | Statutory tax rate (by the voucher amount): 0.005%-0.1%  
Decals by the number of vouchers: RMB5/piece |

Source:  
State Administration of Taxation (as of March 31, 2013)
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  Tel: +86 575 8219 1525
- Development Zone Planning Construction Bureau
  Tel: +86 575 8273 4799
- Development Zone Environmental Protection Sub-bureau
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