



China-Britain
Business Council
英中贸易协会

IN THE ZONE

A COMPREHENSIVE GUIDE
TO CHINA'S ECONOMIC AND
TECHNOLOGICAL
DEVELOPMENT ZONES



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FOREWORD FROM MATTHEW ROUS, CHINA-BRITAIN BUSINESS COUNCIL



China-Britain
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Welcome to the China-Britain Business Council's second report in our In the Zone series. Profiling the wide range of economic and free trade zones throughout China, this series demonstrates that China's zones continue to represent important opportunities for UK businesses to explore. Keeping on top of the latest zone-related policy developments remains one of the most effective ways to take full advantage of these opportunities.

For this report, we are delighted to be partnering once again with the China International Investment Promotion Agency (CIPA). I would also like to thank the Beijing

National Economic and Technological Development Zone, Suzhou Xushuguan National Economic and Technological Development Zone, and Jiangsu Sihong ECO Intelligent Industry Park for their support and commitment to the production of this report.

For this edition of In the Zone we take a deeper dive into China's Economic and Technological Development Zones (ETDZs), which have been key drivers in the development of knowledge- and technology-driven industries in China from their earliest establishment in the 1980s right through to today. We profile selected ETDZs from across China, showcasing the preferential policies they offer to foreign investors. We also detail the development of ETDZs over the last four decades and invite in-market experts to provide advice on the practicalities of operating within an ETDZ.

China's zones continue to represent important opportunities for UK businesses to explore.

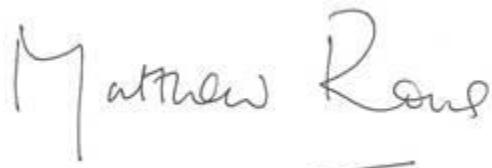
This latest In the Zone report also provides updates on key developments within China's zones since the publication of the previous report, in particular the announcement of

nine new pilot free trade zones in 2019 and 2020 and the latest news regarding Hainan Free Trade Port.

As the UK's national business network promoting trade and investment with China, we make it our mission to support the growth of British business in and with China. While doing business in China is challenging, our members continue to report optimism about their overall prospects in the China market. By further widening the geographical range of special zones and associated incentives, China's policymakers continue to ensure that even with the influence of Covid-19, UK businesses enjoy access to competitive in-market opportunities.

This edition of In the Zone will act as a platform for a further programme of activities throughout 2021. For more information on these events and on China's

zones in general, I warmly invite you to engage with our extensive network of offices across China. Our local knowledge and understanding of the market can help you to unlock the full potential of your business as you explore regional growth opportunities, and we at CBBC look forward to extending our future support to you.



Matthew Rous

Chief Executive

China-Britain Business Council

FOREWORD FROM JOHN EDWARDS, DEPARTMENT FOR INTERNATIONAL TRADE



Department for International Trade 国际贸易部



A thorough understanding of the specifics of China's many types of economic zone can be as necessary as it is challenging for foreign investors. While all zones offer certain preferential policies for those that invest there, certain types are particularly well-suited to foreign investment, including the Economic and Technological Development Zones (ETDZs) that constitute the main focus of this report.

China's shift towards high-tech, value-adding production is transforming both its own and the world's economy. It is a shift that ETDZs

have played a key role in facilitating, and also one that plays towards the UK's strengths. With our world-leading capabilities in education, energy, advanced manufacturing, green technology, and professional and financial services industries, amongst many others, there are clear areas of mutual interest and compatibility between the UK and China. This timely report provides essential guidance on taking advantage of these areas of opportunity.

The latest full-year figures demonstrate the ongoing strength of UK-China relations. £25.1 billion of goods were exported from the UK to China in 2019 – 6.7% of the UK's total exports and 34% more than in 2018, making China the third-largest purchaser of UK exports globally. In the same year, the UK also exported services worth £5.5 billion to China, 19% more than in the preceding year.

China's shift towards high-tech, value-adding production is transforming both its own and the world's economy.

While Covid-19 has had an inevitable impact on trade so far in 2020, as the global

economy recovers the Department for International Trade looks forward to seeing UK-China trade continue its upward trajectory, and stands ready to create new business opportunities across a broad range of sectors. We shall continue to advocate for improved market access and work on developing the business environment for UK companies in China, and we will keep working in collaboration with key stakeholders such as CBBC to help British

companies further their many successes in China.



John Edwards

Her Majesty's Trade Commissioner for China
Department for International Trade

EXECUTIVE SUMMARY

The China-Britain Business Council's (CBBC) In the Zone series provides the latest information and advice about China's economic zones, so as to give UK companies the knowledge they need when choosing where to best establish a presence in China. This report – the second in the series – mainly discusses Economic and Technological Development Zones (ETDZs), which focus their support on knowledge- and technology-intensive industries.

This report starts by detailing what makes ETDZs stand out from other economic zones in China, and also gives an overview of how state-level ETDZs have grown and spread across the country from the 1980s to the present day.

Before profiling a selection of ETDZs and equivalent zones, some key updates about new Pilot Free Trade Zones and Hainan Pilot Free Trade Port are detailed, as over the last year there have been significant developments within these fields that are likely to be of interest to the wider UK business community.

Within the zone profiles themselves, this edition of In the Zone outlines the key benefits offered to international companies looking to set up there, as well as the sectors that are particularly strong in each zone and a selection of companies already in operation there.

Finally, the report provides in-market insights from two service providers already operating in China, giving them the chance to pass on their expertise regarding what UK companies need to know when considering setting up in an ETDZ.

Making the most of the China opportunity means understanding what the different offerings of the country's economic zones mean to your business. With the increasingly prevalent move towards higher value-adding manufacturing in China, the role that ETDZs play as key drivers of this growth is one that cannot be ignored. With this report and our comprehensive range of business and membership services, CBBC stands ready to assist UK businesses in taking advantage of all that Chinese ETDZs have to offer, both now and in the future.



AN INTRODUCTION TO ETDZs

Since the creation of the first of its kind in 1984, China has established 219 state-level Economic and Technological Development Zones (ETDZs). The majority of these are in the east of the country – Jiangsu and Zhejiang provinces lead the way with 26 and 21, respectively – although there are also a large number in central and western China.

ETDZs are special areas that focus on the development of knowledge- and technology-intensive industries. They were initially set up following the success of the Special Economic Zones created as part of China's Reform and Opening-up policy of the late 1970s.

In order to promote knowledge- and technology-intensive industries, ETDZs offer incentives including preferential policies that target manufacturers and scientific and technological research institutions.

THE HISTORY OF STATE-LEVEL ETDZs

China's first state-level ETDZ was the Dalian ETDZ established in September 1984. This was one of the first 14 state-level ETDZs to be established, which covered a combined area of 145km². By 1991, the combined gross industrial output value of these 14 state-level ETDZs was RMB 14 billion, a 46-fold increase on their combined gross industrial output just five years earlier. This rapid growth was seen as a manifestation of the 'four windows' that ETDZs provided to China: a window into technology, a window into management, a window into knowledge, and a window into foreign policy.

Between 1992 and 2002, the number of state-level ETDZs rose rapidly, mirroring

China's increasing openness to the global market at that time. By 2002 there were 54 state-level ETDZs with a total gross industrial output value of RMB 871 billion – 30 times more than in 1992 – and stated guiding principles of developing new high-tech industries through concentrating on industry, attracting foreign investment, and developing exports. During the last decade of the 20th century, state-level ETDZs had a particular focus on electronic information, automotives, equipment manufacturing, and food and drink production.

In 2018, state-level ETDZs had a GDP of RMB 9.9 trillion.

Moving into the 21st century, between 2003 and 2012 a further 117 state-level ETDZs were established, taking the total number to 171. At this time the three largest industries within the ETDZs were computing, the manufacturing of communications and other electronic equipment, and automobile production, reflecting a general trend towards higher-quality outputs. In 2012, high-tech exports produced in ETDZs made up 33% of the value of China's total high-tech exports, while 112 state-level ETDZs had obtained ISO 14000 certification and more than 60% of state-level ETDZs had obtained ISO 9001 certification for their zone management systems.

ETDZs TODAY

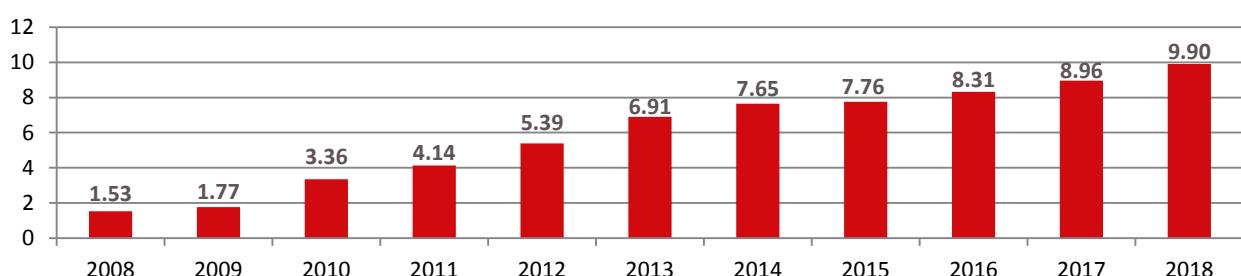
Electronic information, equipment manufacturing, intelligent manufacturing, and new materials are now the leading industries within state-level ETDZs. The 219

state-level ETDZs currently established in China were responsible for a total gross industrial output value of RMB 20.6 trillion in 2018 and have become a driver of Chinese innovation, housing 22,000 high-tech companies and more than 6,000 R&D organisations operating at a provincial level or above. Indeed, these high-tech companies now contribute 37% of the total value of state-level ETDZs' exports and approximately 25% of the country's total high-tech exports.

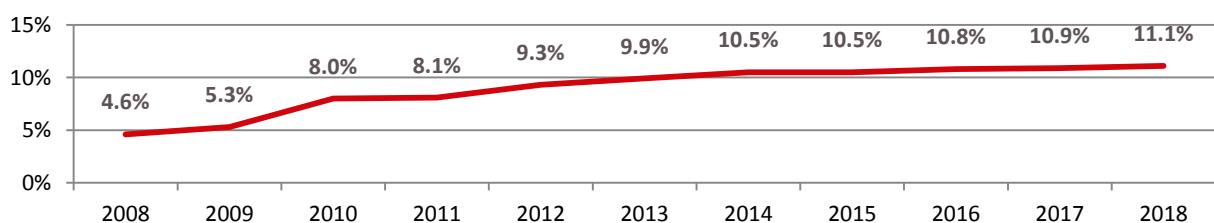
In 2018, state-level ETDZs had a GDP of RMB 9.9 trillion, 10.5% more than in 2017 and 11% of China's total GDP for that year.

The growth in state-level ETDZs also means that they are contributing more to the country's tax revenues, both in absolute terms and proportionally. Since 2015, tax collected from ETDZs has made up over 10% of total tax revenues, and in 2018 was worth RMB 1.7 trillion.

The GDP of state-level ETDZs (RMB trillion), 2008-2018



Tax collected from state-level ETDZs as a percentage of China's total tax revenue, 2008-2018



WHERE ETDZs ARE FOUND

Broadly speaking, state-level ETDZs can be split into those in eastern China, those in central China, and those in western China. As one moves further west the proportions of

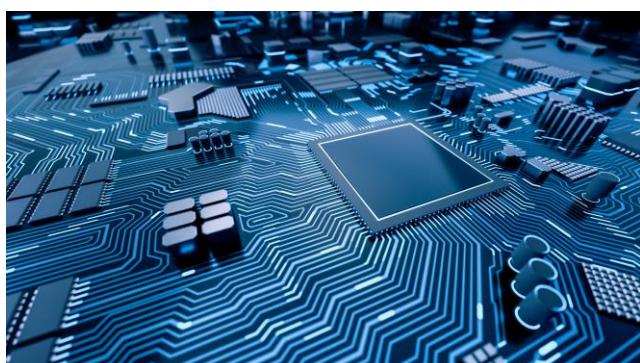
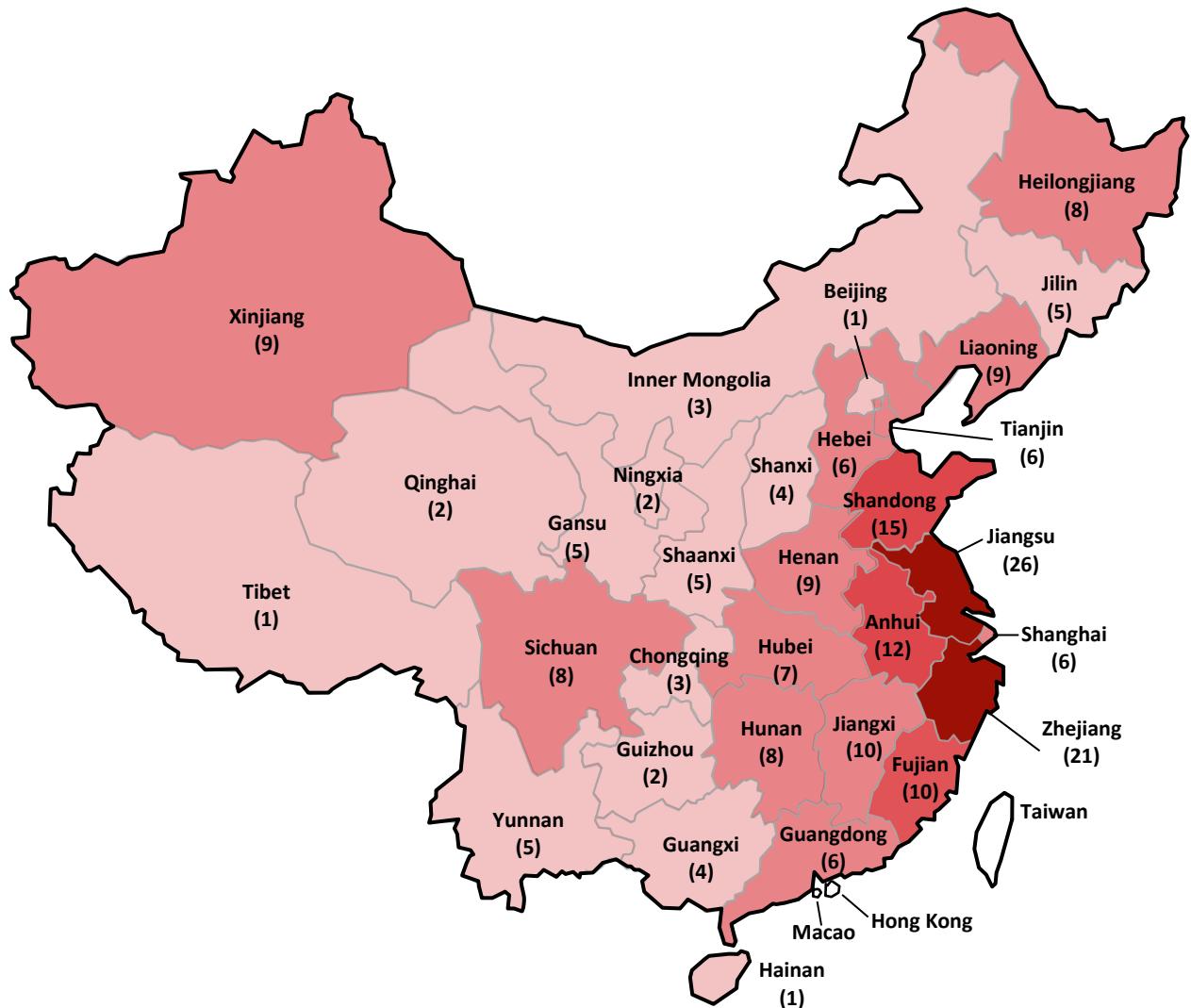
regional GDP, tax revenue, and foreign capital made up by state-level ETDZs tend to increase.

Contributions by state-level ETDZs in eastern, central, and western China

	Average proportion of municipal GDP contributed by state-level ETDZs	Average proportion of municipal tax revenue contributed by state-level ETDZs	Average proportion of municipal foreign capital contributed by state-level ETDZs
Eastern China (107 state-level ETDZs)	11.5%	13.3%	21.8%
Central China (63 state-level ETDZs)	11.2%	15.3%	28.0%
Western China (49 state-level ETDZs)	19.6%	21.5%	46.3%



The distribution of state-level ETDZs in China's provinces and provincial-level administrative areas



China's state-level ETDZs

Please note that for the zones listed below:

- » They are all state-level ETDZs and are named as such unless otherwise stated.

- » They are organised according to the province or provincial-level city that they are based in.
- » The year in which the zone was established is given in brackets.

Beijing

Beijing (1994)

Tianjin

Tianjin (1984)

Xiqing (2010)

Wuqing (2010)

Tianjin Ziya (2012)

Beichen (2013)

Dongli (2014)

Hebei Province

Qinhuangdao (1984)

Langfang (2009)

Cangzhou Lingang
(2010)

Shijiazhuang (2012)

Tangshan Caofeidian
(2013)

Handan (2013)

Shanxi Province

Taiyuan (2001)

Datong (2010)

Jinzhong (2012)

Jincheng (2013)

Inner Mongolia Autonomous Region

Hohhot (2000)

Bayannur (2012)

Hulunbuir (2013)

Liaoning Province

Dalian (1984)

Yingkou (1992)

Shenyang (1993)

Dalian Changxingdao
(2010)

Jinzhou (2010)

Panjin Liaobin Coastal
(2013)

Shenyang Hushan
(2013)

Tieling (2013)

Lüshun (2013)

Jilin Province

Changchun (2013)

Jilin (2010)

Siping Hongzui (2010)

Changchun
Automobile (2010)

Songyuan (2013)



Heilongjiang Province

Harbin (1993)	Binxi (2010)	Hailin (2010)	Harbin Limin (2011)
Daqing (2012)	Suihua (2012)	Mudanjiang (2013)	Shuangyashan (2014)

Shanghai

Minhang (1986)	Hongqiao (1986)	Shanghai Caohejing (1988)	Shanghai Jinqiao (2001)
Shanghai Chemical Industry (2012)	Songjiang (2013)		

Jiangsu Province

Nantong (1984)	Lianlugang (1984)	Kunshan (1992)	Suzhou Industrial Park (1994)
Nanjing (2002)	Yangzhou (2009)	Xuzhou (2010)	Zhenjiang (2010)
Wujiang (2010)	Jiangning (2010)	Changshu (2010)	Huai'an (2010)
Yancheng (2010)	Xishan (2011)	Taicanggang (2011)	Zhangjiagang (2011)
Hai'an (2012)	Jingjiang (2012)	Wuzhong (2012)	Suqian (2013)
Haimen (2013)	Rugao (2013)	Yixing (2013)	Suzhou Hushuguan (2013)
Shuyang (2013)	Xiangcheng (2014)		

Zhejiang Province

Ningbo (1984)	Whenzhou (1992)	Ningbo Daxie Development Zone (1993)	Hangzhou (1993)
Xiaoshen (1993)	Jiaxing (2010)	Huzhou (2010)	Shaoxing Paojiang (2010)
Jinhua (2010)	Changxing (2010)	Ningbo Petrochemical Zone (2010)	Jiashan (2011)
Quzhou (2011)	Yiwu (2012)	Hangzhou Yuhang (2012)	Shaoxing Keqiao (2012)
Fuyang (2012)	Pinghu (2013)	Hangzhou Bay Shangyu (2013)	Ningbo Hangzhou Bay (2014)
Lishui (2014)			

Anhui Province

Wuhu (1993)	Hefei (2000)	Ma'anshan (2010)	Anqing (2010)
Tongling (2011)	Chuzhou (2011)	Chizhou (2011)	Lu'an (2013)
Huainan (2013)	Ningguo (2013)	Tongcheng (2013)	Xuancheng (2014)

Fujian Province

Fuzhou (1985)	Xiamen Haicang Taishang Investment Zone (1989)	Fuqing Rongqiao (1992)	Dongshan (1993)
Zhangzhou Zhaoshangju (2010)	Quanzhou (2010)	Zhangzhou Taishang Investment Zone (2012)	Quanzhou Taishang Investment Zone (2012)
Longyan (2012)	Dongqiao (2012)		

Jiangxi Province

Nanchang (2000)	Jiujiang (2010)	Ganzhou (2010)	Jingqushan (2010)
Shangrao (2010)	Pingxiang (2010)	Nanchang Xiaolan (2012)	Yichun (2013)
Longnan (2013)	Ruijin (2013)		

Shandong Province

Qingdao (1984)	Yantai (1984)	Weihai (1992)	Dongying (2010)
Rizhao (2010)	Weifang Binhai (2010)	Zouping (2010)	Linyi (2010)
Zhaoyuan (2011)	Dezhou (2012)	Mingshui (2012)	Jiaozhou (2012)
Liaocheng (2013)	Binzhou (2013)	Weihai Lingang (2013)	

Henan Province

Zhengzhou (2000)	Luohe (2010)	Hebi (2010)	Kaifeng (2010)
Xuchang (2010)	Luoyang (2012)	Xinxiang (2012)	Hongqi Qu (2012)
Puyang (2013)			

Hubei Province

Wuhan (1993)	Huangshi (2010)	Xiangfan (2010)	Wuhan Linkonggang (2010)
Jingzhou (2011)	Ezhou Gedian (2012)	Shiyan (2012)	

Hunan Province

Changsha (2000)	Yueyang (2010)	Changde (2010)	Ningxiang (2010)
Xiangtan (2011)	Liuyang (2012)	Loudi (2012)	Wangcheng (2014)

Guangdong Province

Zhanjiang (1984)	Guangzhou (1984)	Guangzhou Nansha (1993)	Huizhou Dayawan (1993)
Zengcheng (2010)	Zhuhai (2012)		

Guangxi Zhuang Autonomous Region

Naning (2001)	Qinzhougang (2010)	China–Malaysia Qinzhou Industrial Park (2012)	Guangxi-ASEAN (2013)
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Hainan Province

Hainan Yangpu (1992)

Chongqing

Chongqing (1993)	Wanzhou (2010)	Changshou (2010)
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Sichuan Province

Chengdu (2000)	Guang'an (201)	Deyang (2010)	Suining (2012)
Mianyang (2012)	Guangyuan (2012)	Yibin Lingang (2013)	Neijiang (2013)

Guizhou Province

Guiyang (2000)	Zunyi (2010)
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Yunnan Province

Kunming (2000)	Qujing (2010)	Mengzi (2013)	Songming Yanglin (2013)
Dali (2014)			

Tibet Autonomous Region

Lhasa (2001)

Shaanxi Province

Xi'an (2000)	Shaanxi Hangkong (2010)	Shaanxi Hangtian (2010)	Hanzhong (2012)
Yulin (2013)			

Gansu Province

Lanzhou (2002)

Jinchang (2010)

Tianshui (2010)

Jiuquan (2013)

Zhangye (2013)

Qinghai Province

Xining (2000)

Ge'ermu Kunlun
(2012)**Ningxia Hui Autonomous Region**

Yingchuan (2001)

Shizuishan (2011)

Xinjiang Uyghur Autonomous Region

Urumqi (1994)

Shihezi (2000)

Korla (2011)

Kuitun-Dushanzi
(2011)

Wujiaqu (2012)

Zhundong (2012)

Urumqi Ganquanbao
(2012)

Kuche (2015)

Ala'er (2012)



LATEST DEVELOPMENTS: HAINAN FREE TRADE PORT



Following an initial announcement in 2018 that the whole island province of Hainan would become a Pilot Free Trade Zone, a detailed strategy was revealed for the development of Hainan Free Trade Port (Hainan FTP) in 2020. At the same time, the National Development and Reform Commission announced that it would provide RMB 3.5 billion to invest in infrastructure and public services in Hainan. 35 investment projects – eight of which are receiving international funding – have now begun and are worth a combined total of more than RMB 6.4 billion.

Located in the south of China close to both the Greater Bay Area – which brings together the Special Administrative Regions of Hong Kong and Macao with nine municipalities within Guangdong province – and the ASEAN countries, Hainan's beaches and tropical climate mean that it has long been recognised as a prime tourist destination in China. Yet over the next few decades, Hainan's economic focus looks set to expand, as Hainan FTP will concentrate on not only tourism, but also modern service industries and new and high-tech industries.

As with other free trade ports seen elsewhere in the world – Singapore and Dubai to name but two – Hainan FTP will

offer relatively light customs regulations so as to promote cross-border trade and investment, as well as the movement of capital, labour, and data. Furthermore, while China's existing pilot free trade zones already use a different negative list to the rest of China, Hainan FTP is set to have its own negative list specifically for trade in services. This is a first for China, and reflects the increasingly large role that the professional services sector is playing in the country.

There are also specific incentives available for multinational corporations that set up a headquarters in Hainan FTP, including tax incentives.

Hainan FTP is set to have its own negative list specifically for the trade in services – a first for the country.

Companies registered in Hainan and companies that operate within industries encouraged in the province will enjoy a corporate income tax rate of 15% until 2025, with specified revenue streams exempt from corporate income tax and certain pre-tax deductions also allowed during this time

frame. Looking beyond 2025, by 2035 the aim is for all companies in Hainan to pay corporate income tax at the 15% rate as long as they operate in industries not listed in the relevant negative list.

Meanwhile, for those individuals classed as high-end or urgently needed talents, the individual income tax rate is 15%. This rate looks set to apply until 2025, at which point three rates will be implemented for those employees that qualify, with the highest being 15%.



HAINAN IN FIGURES

- » **GDP:** RMB 530 billion (2019)
- » **GDP growth rate:** 5.8% (2019)
- » **Population:** 9.45 million (2019)
- » **Disposable income per capita:** RMB 26,679 (2019)

TIMELINE OF THE PLANNED DEVELOPMENT OF HAINAN FTP

Hainan FTP is not looking to be a new financial centre that rivals Shanghai. Instead, it is to focus on developing the real economy within Hainan.

As such, the establishment of Hainan FTP is to be carried out following the four broad stages detailed below, so that by 2050 it will be recognised as a world-leading free trade port.

GOALS TO BE MET BY 2020

- » Operate as a free trade zone;
- » Ensure it is open to international investment, including through suitable legal regulations and improvements in the operations of financial services;
- » Establish the foundations for a free trade port.

GOALS TO BE MET BY 2025

- » Have a free trade port system in place;
- » Make vessel registration relatively simple;
- » Be known as one of China's leading regions for business through offering a competitive business environment and risk controls.

GOALS TO BE MET BY 2035

- » Be established in its operations as a free trade port with a world-class business environment;
- » Use a simplified tax system;
- » Offer ease of movement of transportation, labour, and data.

GOALS TO BE MET BY 2050

- » Be known internationally as a world-leading and influential free trade port.

LATEST DEVELOPMENTS: SIX NEW PILOT FREE TRADE ZONES ANNOUNCED IN 2019

In 2019, the Chinese government announced the establishment of six new Pilot Free Trade Zones (PFTZs), bringing the total number of PFTZs up to 18. These new zones, mostly located in China's border areas, particularly emphasise trade links with neighbouring countries and will promote the cross-border use of RMB in international trade. These initiatives aim to attract foreign businesses to engage in the development of China's economic clusters: groupings of integrated cities and rural areas intended to provide economic stimuli and efficient production chains and logistics networks to their respective areas. Such clusters include the Jing-Jin-Ji cluster – incorporating Beijing, Tianjin, and Hebei province – and the Yangtze River Economic Belt, which includes Shanghai and the provinces of Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Chongqing, Sichuan, Yunnan, and Guizhou.

The new Pilot Free Trade Zones, mostly located in China's border areas, particularly emphasise trade links with neighbouring countries and will promote the cross-border use of RMB in international trade.



SHANDONG PFTZ

The new PFTZ in Shandong is made up of areas found in three of the province's largest cities: the provincial capital of Jinan and the coastal cities of Qingdao and Yantai. It will primarily focus on maritime industries, subnational economic cooperation with Japan and South Korea, high-end equipment manufacturing, new information technologies, and environmental protection.

KEY AIMS

- » The **Jinan Area** will focus on AI, industrial finance, health care, cultural industries, and information technology, and aims to reach an output value of RMB 1 trillion by 2022.
- » The **Qingdao Area** aims to host 30,000 companies and have an import-export volume of US\$30 trillion by 2022.
- » The **Yantai Area** will be a centre for Sino-Korean cooperation on a number of fronts, including trade and international technology transfer.

JIANGSU PFTZ

This new PFTZ is made up of areas found in three cities: Suzhou, the provincial capital of Jiangsu province; Nanjing, which has a population of 8.5 million; and the coastal city of Lianyungang. The Jiangsu PFTZ focuses on overseas investment cooperation, promoting development in the manufacturing sector, and giving the financial sector a larger role in maintaining the real economy.

KEY AIMS

- » The **Nanjing Area** aims to be a demonstration area for modern industries, foster independent innovation drawing on international influence, and become an important part of China's commitment to opening-up.
- » The **Suzhou Area** will be for high-end industries and will feature a world-class high-tech zone.
- » The **Lianyungang Area** will be turned into an international transport hub and will focus on international cooperation within the Belt and Road Initiative (BRI).

GUANGXI PFTZ

The Guangxi PFTZ covers areas found in three cities of the Guangxi Zhuang Autonomous Region: Nanning, the provincial capital and largest city of Guangxi; Qinzhou, a coastal city that lies on the northern coast of the Gulf of Tonkin, which also reaches the coast of Vietnam; and Chongzuo, which is located

on China's border with Vietnam. This PFTZ will form the southwestern link between China's new Maritime Silk Road and the Silk Road Economic Belt, key routes for the BRI. Additionally, the focus of this new PFTZ will be to enhance international transport routes and strengthen the region's role in China's economic and trade relations with ASEAN member states.

KEY AIMS

- » The **Nanning Area's** aim is to develop enterprises in the sectors of finance, smart logistics, the digital economy, and cultural media industries. The PFTZ will also develop manufacturing in the area in order to transform Nanning into an important region for ASEAN's financial industry and for international trade by land and sea.
- » The **Qinzhou Area** will focus on further development of international trade and port and shipping logistics, due to its coastal location. The area will also focus on the development of green chemicals, key components for new energy vehicles, electronic information, and biomedicine. Like Nanning, Qinzhou will become an important hub for both international and sea trade.
- » The **Chongzuo Area**, located at the China-Vietnam border, will primarily focus on investment in international trade, logistics, finance, tourism, and labour cooperation. Turning the area into an industrial cooperation demonstration zone is another key goal.

HEBEI PFTZ

This zone is made up of areas found in Xiong'an New Area, Zhengding County, Caofeidian, and the area surrounding Daxing Airport. This PFTZ is unique in that it is the only one to be found in two different provincial-level regions: Hebei province and Beijing. It aims to transform the region into an industrial base, an international innovation platform, an important international trade and logistics hub, and a leading zone for further development and opening-up. The Hebei PFTZ is also linked to the development of Xiong'an New Area, which is adjacent to Xiongxian, Rongcheng, and Anxin counties and was established in order to move non-essential industry functions from Beijing to nearby areas as part of the Jing-Jin-Ji economic cluster. The Hebei PFTZ's focus will be on facilitating international trade in commodities and developing the biomedicine and health sectors.

KEY AIMS

- » The **Xiong'an Area** will lean towards information technology, modern life sciences, biotechnology, and a high-end modern service industry. The area is also intended to be an important region for digital commerce and financial innovation.
- » The **Zhengding Area** will prioritise high-end equipment manufacturing, international logistics, and the aviation industry.

- » The **Caofeidian Area** will focus on north-east Asian economic cooperation, international commodity trading, energy storage, shipping services, and distribution.
- » The new **Daxing Airport Area** will utilise the 780,000m² airport, which opened in September 2019, to become a centre for aviation logistics and technology.

YUNNAN PFTZ

Yunnan PFTZ was established as part of the BRI and the Yangtze River Economic Belt to foster economic relations with neighbouring economies in South and South-east Asia. The zone is made up of areas in three regions of Yunnan province: Kunming, the provincial capital and largest city; Honghe, an autonomous prefecture bordering Vietnam; and Dehong, an autonomous prefecture bordering Myanmar.

KEY AIMS

- » The **Kunming Area** will mainly focus on its Airport Economic Zone and becoming an important centre for logistics and cultural education for South and Southeast Asia.
- » The **Honghe Area** will prioritise cross-border tourism and e-commerce, and will also act as an important region for the China-Vietnam Economic Corridor Innovation Cooperation Demonstration Zone.
- » The **Dehong Area** centres on cross-border capacity cooperation, finance, and e-commerce.

HEILONGJIANG PFTZ

This PFTZ will undergo market-orientated reforms to stimulate the economy, and will focus on industrial restructuring, regional cooperation with Russia and Northeast Asia, and supporting the real economy. The zone consists of areas found in three regions of Heilongjiang province: Harbin, the provincial capital and largest city, and Heihe and Suifenhe, cities bordering Russia.



KEY AIMS

- » The **Harbin Area** will prioritise information technology, high-end equipment, biomedicine, service industries, and cultural tourism while becoming a logistics hub for cooperation with Russia and Northeast Asia.
- » The **Heihe Area** will become a cross-border industrial hub and an important international cooperation demonstration zone, focusing on China-Russia cooperation.
- » The **Suifenhe Area** will focus on import processing industries like wood, grain, and clean energy. It will also become an important distribution centre for imported and exported goods and a strategically important region for China-Russia cooperation.



LATEST DEVELOPMENTS: THREE NEW PILOT FREE TRADE ZONES ANNOUNCED IN 2020

In 2020, the Chinese government announced the establishment of three new Pilot Free Trade Zones (PFTZs) in Beijing, Anhui, and Hunan, in addition to announcing an extension to the already existing Zhejiang PFTZ.



The Beijing PFTZ is expected to aid in the development of the Jing-Jin-Ji cluster through the construction of a global innovation centre and plans to further both the digital economy and trade in services.

BEIJING PFTZ

The Beijing PFTZ will allocate areas to the development of science and technology innovation, international business services, and high-end industries. This PFTZ is expected to aid in the development of the Jing-Jin-Ji cluster through the construction of a global innovation centre and plans to further both the digital economy and trade in services.

ANHUI PFTZ

The Anhui PFTZ will comprise three cities in Anhui province: Hefei: the provincial capital and largest city, Wuhu, and Bengbu. This PFTZ will further develop e-commerce, and also become a centre of advanced manufacturing for integrated circuits, AI, fintech, quantum computing, new energy, and new materials.

KEY AIMS

- » The **Hefei Area** will focus on the development of integrated circuits, AI, fintech, and e-commerce.
- » The **Wuhu Area** will concentrate on the development of smart cars, smart home appliances, aviation robotics, and shipping.
- » The **Bengbu Area** will handle silicon-based materials, biological materials, and new energy.



HUNAN PFTZ

The Hunan PFTZ will consist of three cities in Hunan Province: Changsha: the provincial capital and largest city, Yueyang, and Chenzhou. This PFTZ will focus on advanced manufacturing, IT, and metal processing, and will also be connected to the Greater Bay Area and the Yangtze River Economic Belt.

KEY AIMS

- » The **Changsha Area** will promote high-end manufacturing, new-generation IT, e-commerce, biomedicine, and agricultural technologies.
- » The **Yueyang Area** will focus on shipping logistics while also fostering e-commerce and new-generation IT.
- » The **Chenzhou Area** will primarily develop industries related to metal processing and logistics. This area will serve as a bridge between the Great Bay Area and the Yangtze River Economic Belt.

EXPANSION OF THE ZHEJIANG PFTZ

The existing Zhejiang PFTZ will be extended to include the following three cities: Hangzhou: the provincial capital and largest city within Zhejiang province, Ningbo, and Jinyi. This PFTZ aims to be an international shipping and logistics hub, while also establishing itself as an international trading centre and a commodity resource allocation base.

KEY AIMS

- » The **Hangzhou Area** will develop new-generation AI and will also lean towards the development of fintech, e-commerce, and the digital economy.
- » The **Ningbo Area** will serve as a shipping hub with an oil and gas resource allocation centre.
- » The **Jinyi Area** will lean towards manufacturing, logistics, commodity capital, and digital trade.



BEIJING ECONOMIC-TECHNOLOGICAL DEVELOPMENT AREA



北京经济技术开发区
BEIJING ECONOMIC-TECHNOLOGICAL DEVELOPMENT AREA

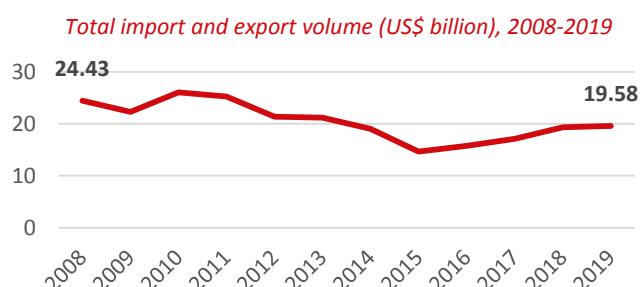
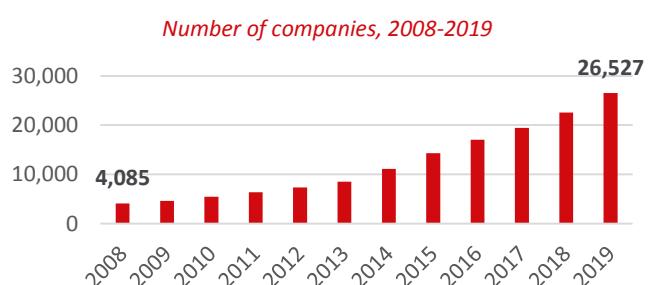
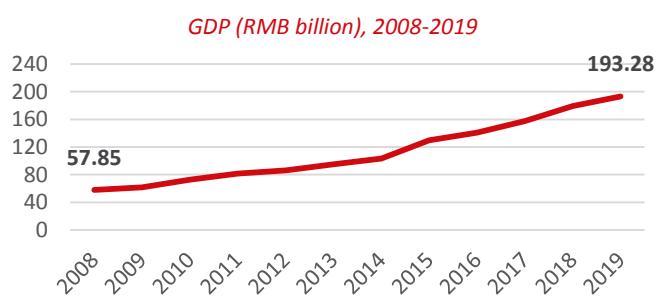
This section is sponsored by Beijing Economic-Technological Development Area

INTRODUCTION TO BDA

Beijing Economic-Technological Development Area (BDA) was established in 1992 and is the only national economic and technological development zone in Beijing. It serves as the main platform for building Beijing into a national centre for scientific and technological innovation. In 2019, the New E-Town Plan, which governs BDA's development, was approved, and BDA's industrial area was expanded from 59.6km² to 225km².

The High-end Industrial Zone of the China (Beijing) Pilot Free Trade Zone, deployed by the State Council and Beijing Municipality, was listed as an Economic Development Zone on 28th September 2020. It covers an area of 27.83km² focusing on the development of business services, international finance, cultural creativity and biotechnology, and building the transformation of scientific and technological achievements, strategic emerging industry clusters, and international high-end functional institutions clusters.

BDA is an international high-end industrial new city with a consistent focus on growing bigger and stronger industries. It has brought together 92 Fortune Global 500 enterprises, including Mercedes-Benz, ABB, Corning, Bayer, and GE, to invest in 135



projects organised around four pillar industries: new-generation IT, new energy and intelligent automotive technology, biotechnology and comprehensive health, and robotics and smart manufacturing. It also has two industrial clusters for internet and high-end automotive technology and has cultivated 158 enterprises with an annual output of over RMB 100 million.

In 2019, BDA had a large-scale industrial output of RMB 418.3 billion, a regional GDP of RMB 193.28 billion, and its total import and export volume was worth US\$19.58 billion, making it an important high-end industrial base in Beijing and across China. Furthermore, BDA has led the way in several areas: it has the country's first 12-inch chip production line, the first tidal flow for intelligent connected vehicles, the world's largest recombinant protein library, and the first gene detection chip for clinical diagnosis of deafness. After 27 years of construction and development, BDA now embraces the world with an open attitude, innovative approach, and firm sense of purpose.

INDUSTRIAL ADVANTAGES

BDA's four pillar industries promote the clustered development of highly sophisticated industries.

NEW-GENERATION IT INDUSTRY

A group of new-generation IT enterprises based on the most advanced national science and technology are gathered at BDA. They form an integrated circuit industry sub-cluster led by SMIC; a new display industry sub-cluster led by BOE's generation 8.5 LCD panel production line; and an internet industry sub-cluster led by Jingdong Mall. In 2019, the output value for new-generation IT reached RMB 79 billion, with a year-on-year

increase of 2.3%, while the internet industry sub-cluster generated revenue of over RMB 561 billion. The new-generation IT enterprises include SMIC, BOE, JD.com, Qorvo, Naura, Chipone, ISSI, OmniVision, Corning, TPV, Xiaomi, and CVTE.

HIGH-END AUTOMOTIVE AND NEW ENERGY INTELLIGENT AUTOMOTIVE INDUSTRY

The high-end automotive and new energy intelligent automotive industry is made up of two clusters led by Beijing Mercedes-Benz and BAIC BJEV respectively. In 2019, the high-end automotive and new energy intelligent automotive industry produced output worth \$US28 billion, up 14% year-on-year. These enterprises include Beijing Mercedes-Benz, ZF, Lear, Delphi, Magna, IAT, BAIC BJEV, National New Energy Vehicle Technology Innovation Center, National Intelligent and Connected Vehicle Innovation Center, and Hongqi Intelligent Mobility Technology.

BIOTECHNOLOGY AND COMPREHENSIVE HEALTH INDUSTRY

A group of well-known multinational and innovative pharmaceutical companies are gathered in BDA. A biotechnology and big health industry cluster has been formed to accommodate more than 1,100 companies, including more than 40 medium- to large-sized companies. In 2019, the output of the biotechnology and comprehensive health industry within BDA reached RMB 46 billion, up 10.5% year-on-year. These multinational and innovative pharmaceutical companies include Bayer, GE Healthcare, Tongrentang, Sanofi, Tide Pharmaceutical, Youcare Pharmaceutical, Pharmaron, and Sino Biological.

ROBOTICS AND SMART MANUFACTURING INDUSTRY

The robotics and smart manufacturing industry within BDA has formed a ‘one core and two wings’ model with smart manufacturing equipment as the core, and high-end energy equipment and energy-saving eco-friendly equipment as the two wings. There are more than 110 large-scale equipment enterprises in BDA. In 2019, the robotics and smart manufacturing industry cluster in BDA produced output worth \$US8 billion; 9% higher than in the previous year. These robotics and smart manufacturing enterprises include SMC, Goldwind, Schneider, ABB, Bosch Rexroth, and YSR.

BUSINESS ENVIRONMENT

Due to its unique geographical location, BDA enjoys a variety of quality resources in Beijing. BDA promotes the implementation of the New E-Town Plan (2017-2035) and adheres to the highest standards to build a business-friendly and attractive investment environment suitable for both living and working. BDA is now a Top 10 National Excellent Business Environment Park.

UNIQUE ADVANTAGES

» **Location and traffic:** BDA is located in the southeast of Beijing, 30km from both Capital and Daxing international airports and 120km from Tianjin Port. It is connected to Beijing’s major railways, flight hubs, and coastal ports by well-developed road and rail networks.

» **Infrastructure:** BDA enjoys an overall investment environment that meets international standards, with excellent infrastructure that offers a complete power grid, a water supply pipeline network, a reclaimed water pipeline network, a sewage treatment system, a heating pipeline network, and a gas pipeline network. BDA also offers full 5G coverage, and the whole region is open to self-driving road tests.

INVESTMENT AND PRO-BUSINESS ENVIRONMENT

» **Policy environment:** National policies as well as preferential policies offered by Beijing municipality and Zhongguancun Park all apply to BDA. BDA is also building a ‘1 + 1 + N’ policy system to provide targeted support throughout the entire process of advanced high-tech innovation and industry cultivation, in which ‘N’ represents industrial development policies in a number of fields.

» **Government services:** BDA has implemented large-scale reform in accordance with the principle of ‘small government, big society, and specialisation’, which seeks to optimise the government’s organisational structure and power operation system, rebuild its workflow, and establish an ‘access-approval-management-enforcement’ chain management mechanism. It is the first national-level economic development zone to combine front-end approval and back-end law enforcement functions.

- » **Pro-business services:** To deliver pro-business services, BDA has built a one-stop government service centre. The construction of smart cities is also enabling the establishment of an online platform for all government services. BDA enjoys Beijing-level management rights for all economic issues, and also enjoys some administrative functions so that all issues relating to BDA can be handled in and by BDA.
- » **Financial support:** BDA supports the use of financial capital in promoting the development of the real economy, and jointly issued the Guidance on Financial Support for High-Quality Development of Beijing's Manufacturing Industry with the Beijing government. Relying on government investment and financing platforms, the Beijing E-Town funding platform for strategic and emerging industries investment was established to serve these industries.
- » **Talent:** BDA has established the first talent fund in Beijing to support entrepreneurial and innovative talent. With a perfected service system, talent is guaranteed to find innovation, entrepreneurship, financing, residence, medical treatment, and childhood education opportunities in BDA.

BUSINESS-FRIENDLY AND LIVEABLE

- » **Industry-city integration:** The New E-Town Plan explores the construction of a trinity of public services facilities for industry, talent, and its citizens. It promotes balanced distribution and high standards for public services related to education, culture, sports, and medical and elderly care, so as to achieve full coverage of its 'quarter-hour community service circle'.

- » **Housing security:** BDA promotes a fair distribution of employee housing with stratified supply and targeted policies, allowing 62% of the industrial population to live within the area.
- » **Public services:** There are two Class A general hospitals in the area: Tongren Hospital and Beijing University of Traditional Chinese Medicine Oriental Hospital. BDA is also accelerating the construction of a new education hub.
- » **Ecological environment:** BDA is an ecological green city. It is the only national green industrial demonstration park in Beijing and was the only national economic development zone selected to be part of the national Waste-Free City pilot programme. BDA serves as a benchmark for managing urbanisation, and offers convenience, a beautiful ecological environment, abundant cultural and sports activities, comprehensive business facilities, security, and stability.





KEY POLICIES

Based on the Implementation Measures for Beijing Economic and Technological Development Area to Promote the Development of Highly Sophisticated Industries, BDA focuses on five fields: the transformation of scientific and technological achievements, demonstration of technological innovation, clustering of innovative industries, the development of high-end talents, and the construction of a business-friendly and liveable city. BDA also offers a series of industrial support measures and places emphasis on supporting the development of the four pillar industries.

» **Transformation of scientific and technological achievements:** Funds of up to RMB 10 billion per year are allocated to support the development of high-tech industries that follow global industrial development trends and reflect the BDA's national strategy, so as to complete the transformation of scientific and technological achievements.

- » **Demonstration of technological innovation:** Funds of up to RMB 5 billion per year are allocated to the Highly Sophisticated Industrial Fund to support the implementation of major projects. RMB 500 million per year is also allocated to the Technology Innovation Fund, focused on supporting the development of high-growth, high-tech, and innovative SMEs.
- » **Clustering of innovative industries:** Newly-introduced high-tech projects are supported by comprehensive tax, loan, rent, and individual tax incentives. Rapidly developing large-scale enterprises and core teams of SMEs that are included in innovative cultivation plans may also receive funding.
- » **Development of high-end talent:** RMB 200 million of ring-fenced funding is available each year for leading talents to provide incentives and support to the recipients.

- » **Construction of a business friendly and liveable city:** Investment has been increased in the areas of smart city attributes, air and water treatment, transportation, energy conservation and carbon reduction, green buildings, and others. These investments will facilitate the building of a green, low-carbon, and liveable new e-town.

KEY SECTORS AND COMPANIES

- » **Automobiles and automotive parts:** Beijing Mercedes-Benz, ZF, Lear
- » **High-end equipment manufacturing and machinery manufacturing:** SMC, Schneider, Goldwind
- » **Aerospace:** Changzheng Engineering, AviChina Industry & Technology, China National Aero-Technology Import & Export Corporation
- » **Energy saving and environmental protection:** One Wind New Energy, Beijing Aerospace Petrochemical Technology Energy Conservation & Environmental Protection
- » **Biotech and health:** Tong Ren Tang (TRT), Varian, Smith & Nephew, GE Healthcare, TIDE, Bayer, Daiichi-Sankyo, Sanofi, Pharmaron
- » **Electronics and AI:** SMIC, Naura, BOE, Qorvo, YDME, Silex, Chipone, Corning, TPV, JD.com
- » **Food and drink and FMCG manufacturing:** Coca-Cola, AUEPRS, Lotte, Kraft, Nestlé

CONTACT THE BUSINESS COOPERATION BUREAU OF BDA

The main responsibilities of this department are researching and formulating rules for investment promotion; drafting and reviewing investment agreements for investment projects settling in BDA; providing overall services for projects once contracts are signed, developing scheduling and comprehensive services for industrial development; managing foreign affairs and Hong Kong, Macao, and Taiwan affairs; and promoting international exchange and cooperation.

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 - » Automobile and Equipment Department: (8610)-67889117
 - » Life and Health Department: (8610)-67889001
 - » Emerging Industries Department: (8610)-67881185
 - » International Cooperation Department: (8610)-67882087

SUZHOU XUSHUGUAN ECONOMIC AND TECHNOLOGICAL DEVELOPMENT ZONE



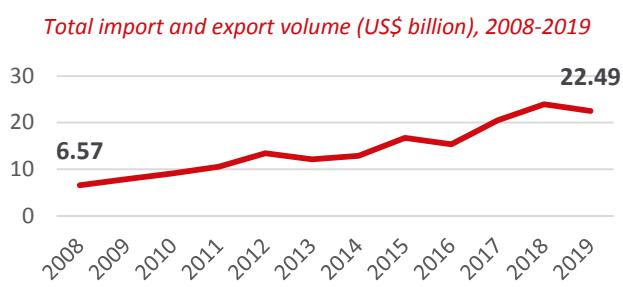
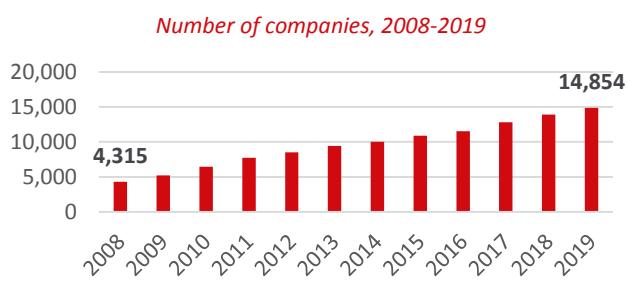
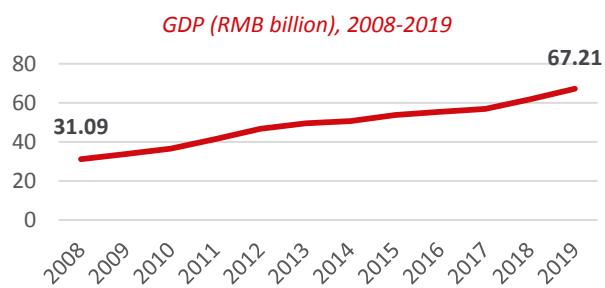
This section is sponsored by Suzhou Xushuguan Economic and Technological Development Zone

INTRODUCTION TO SUZHOU XUSHUGUAN ETDZ

Suzhou Xushuguan Economic and Technological Development Zone (Xushuguan ETDZ) was founded in September 1992 and was approved as a provincial economic development zone by Jiangsu Provincial People's Government in December 1993. In 2009, the scope of the development zone was amended and in 2013, it was upgraded to a national economic and technological development zone. Since 2013, Xushuguan ETDZ has been an integral part of the overall economic strategy for Suzhou. By January 2020, Xushuguan ETDZ had already gained four retail giants: AEON, IKEA, Decathlon, and Costco.

KEY INDUSTRIES AND COMPANIES

- » **Smart manufacturing:** Canon, CSI, Knorr Bremse, Kawasaki, Schaeffler, Shijia
- » **Biomedicine:** BioMerieux, Hybiome, Tianling, Tianma Pharma, Lixin Pharma
- » **New technologies:** Pegatron, Kangshuo, Panasonic Semicon, Weidmuller, RFS, SRTEC



KEY POLICIES

SUPPORTING THE UPGRADING AND DEVELOPMENT OF THE INDUSTRIAL ECONOMY

- » Within their first three years, advanced manufacturing projects with equipment investments worth more than RMB 20 million are eligible for a 5% subsidy for the equipment investment. Projects that rent property and invest more than RMB 20 million in equipment within two years of establishment may receive a 5% subsidy. The total subsidy is limited to RMB 10 million.
- » Companies shall receive RMB 300,000, RMB 500,000, RMB 1 million, or RMB 3 million respectively as a one-off incentive when they meet the following conditions:
 - › The company's annual sales revenue exceeds RMB 1 billion, RMB 3 billion, RMB 5 billion, or RMB 10 billion for the first time;
 - › The company's growth is above the average for large-scale enterprises in the zone;
 - › The company makes a profit within that year.

New enterprises with annual sales revenue of over RMB 100 million, RMB 500 million, or RMB 1 billion in their first or second year after registration shall receive RMB 300,000, RMB 500,000, or RMB 1 million, respectively.

- » An enterprise shall receive RMB 100,000 as a one-off incentive if, within two years after its registration date, its annual sales revenue surpasses RMB 20 million, or its sales revenue exceeds RMB 20 million for the first time with an annual growth rate exceeding 30%. The company must also showcase a year-on-year growth in its net profits.

ACCELERATING THE DEVELOPMENT OF REGIONAL HQs IN THE ZONE

- » **Set-up support:** Certified regional HQs (RHQs) may receive a one-time subsidy of RMB 2 million and the person who introduced the company to the zone may receive a one-time subsidy of RMB 1 million.
- » **Development support:** RHQs set up after 1st January 2017 may receive 60% of the previous year's locally retained tax payment, up to RMB 10 million, if they paid more than RMB 10 million in taxes the previous year and grew by over 20%. Those who introduce an RHQ may receive 10% of the previous year's locally retained tax payment up to a value of RMB 1 million.
- » **Rental subsidy:** For certified RHQs, a rental subsidy is available for a maximum of three years following certification. This subsidy is worth 50% of the annual rental cost and will not exceed RMB 1 million over three years.
- » **Facility purchase subsidy:** If an RHQ purchases office space for its own use, a one-time subsidy of 10% of the purchase price is available, with this subsidy limited to RMB 2 million.

POLICIES FOR PROMOTING THE DEVELOPMENT OF OFFICE BUILDINGS (TRIAL)

- » **Set-up support:** From 1st January 2018, companies that set up their operations in an office building and whose annual tax reaches RMB 1 million, RMB 2 million, or RMB 3 million for the first time within three years of the date of establishment will receive RMB 100,000, RMB 200,000, or RMB 300,000, respectively. Those responsible for introducing the company to the zone will receive RMB 50,000, RMB 100,000, or RMB 150,000, respectively.
- » **Growth support:** Companies with a total annual tax payment of more than RMB 3 million, RMB 5 million, or RMB 10 million and a corresponding growth rate in the size of the tax payment of more than 20%, 15%, or 10% may receive 40%, 50%, or 60% of the change in tax kept by the zone from that year, respectively. The maximum value given shall not exceed RMB 3 million.
- » **Industrial agglomeration support:** If an office building generates a total tax payment of RMB 30 million, RMB 50 million, RMB 80 million, or RMB 100 million in the zone in one year, the building owner, or its operating company, will be given a one-time support payment of RMB 200,000, RMB 300,000, RMB 500,000, or RMB 700,000, respectively. If the total tax paid in the following year increases by more than 15%, the building owner or its operating company can continue to enjoy this incentive on the basis of the previous year's total tax value.

MEASURES TO ACCELERATE THE HIGH-QUALITY DEVELOPMENT OF THE BIOMEDICAL INDUSTRY IN SUZHOU

- » **New drug R&D support:** Projects listed in the national or provincial-level new drug projects may receive funding worth 20% of the project's total investment, limited to a maximum of RMB 20 million.
- » **Medical device support:** For Class III SFDA certified products, 20% of the actual R&D costs of such a product shall be subsidised to a maximum of RMB 3 million.
- » **Generic drug support:** The first drug to pass a consistency evaluation test before similar generic drugs in China can receive funding of 20% of the actual investment costs in the R&D process up to a maximum of RMB 5 million. The annual subsidy for a single enterprise cannot surpass RMB 10 million.

XUSHUGUAN AEON COMMERCIAL CLUSTER



AEON Mall is one of the world's top 500 retail giants, and its shopping centre in Xushuguan has been profitable since its first year of operation. It hosts 206 tenants, including a cinema, restaurants, and boutique shops.

Xushuguan's IKEA is the only one in Suzhou and the third in Jiangsu province. It has a total area of 40,000m² and received investment of RMB 840 million.

Decathlon is a French sports retailer and has a centre in Xushuguan. The centre occupies a total land area of 19,808m² and a total construction area of 22,799m². It is expected to be ready for business by March 2021.

The Xushuguan Costco has accumulated a total of RMB 1.2 billion in investments and has a registered capital of RMB 396 million. It will be a large superstore occupying more than 50,000m² upon completion. Construction began in 2020, and the store is expected to open within two years.

In addition to these four renowned stores, Xushuguan ETDZ is also promoting the introduction of other commercial projects. The first phase of its Canli project will be ready by the end of 2020. This project is a

complex containing the Blossom House Boutique Hotel, the Cultural Academy, the Taihu Lake Snow Silk Culture Experience Centre, restaurants, and other amenities. The Qinyu Plaza and Hongye Community Center will also soon be in operation.

SUZHOU HEALTHCARE TOWN

Suzhou Healthcare Town has a total planning area of 3.61km² and its central area covers 1.03km², with its main focuses being the life sciences, smart healthcare, and hi-tech medical devices. Suzhou Healthcare Town's goal is to build an industrial ecosystem of research, incubation, talent cultivation, production, and industrial services. It is committed to promoting the development of the healthcare industry in the Yangtze River Delta region.

Based on the quality of the healthcare industry in the Yangtze River Delta region, in combination with the rapid development of Jiangsu province's pharmaceutical industry, the town will be in an advantageous position to invest heavily in innovation. Talent is a key factor for scientific and technological innovation, and Suzhou Healthcare Town insists on attracting high-quality talent by promoting a healthy talent ecosystem and introducing a market-oriented mechanism.

The town will concentrate on projects in genetic engineering, stem cells, immunisation, antibody engineering, and vaccinations. Through Suzhou's ICT industry, the town will promote smart healthcare by introducing big data applications and smart healthcare agencies. In addition to local med-tech companies, the town will also bring in medicare agencies to help the industry grow.

XUSHUGUAN GREEN TECHNOLOGY TOWN



Xushuguan Green Technology Town, which the Grand Canal flows through, is located in the north of Xushuguan and is being established under the overall planning concept of 'one core, one belt, three areas'. It consists of an upper town and a lower town with a total planning area of 3.39km² and a construction area of 1.17km². The total investment for the area in fixed assets will be approximately RMB 5.85 billion, and the town was listed as part of the Suzhou Characteristic Towns Programme in August 2019.

The upper town focuses on the reconstruction of the ancient town of Xushuguan, making it a canal-side tourist area that provides rich cultural experiences, leisure areas, and waterfront living spaces. By strengthening the protection of its cultural heritage, the town will also promote the management and protection of canal systems, the protection and restoration of the ecological environment, and the integrated development of culture and tourism, as well as the creation of a balance between the urban and the rural. The lower town will bring together a series of green technology industrial projects such as energy conservation, environmental protection, clean energy, ecological restoration, and water resource management through its cooperation with the Green Technology Bank

of the Ministry of Science and Technology, Jiangsu Yuzhi River Basin Management Technology Research Institute, and the Research Institute for Environmental Innovation (Suzhou) Tsinghua. This cooperation will lead to the creation of a high-end green technology industrial area and a green technology industry development demonstration area.

In 2019, the town introduced 18 green technology industrial projects and green technology application demonstration cooperation projects, and signed cooperation agreements with three universities and other research institutes. The town was responsible for output within the green technology industry worth RMB 560 million and total tax revenue of RMB 110 million. In addition, the banks of the Grand Canal were renovated at a cost of RMB 210 million, so as to connect the upper and lower towns. The town's reception centre has been completed, with a total investment of RMB 150 million and a total construction area of 9,000m². It is expected to be ready for business by the end of 2020.

The town advocates the concept of integrating production, ecology, and life, and is committed to building a high-end green technology industry area and an ecological town with a scenic environment.

DAYANGSHAN NATIONAL FOREST PARK



Jiangsu Dayangshan National Forest Park is located in the west of the ancient city of Suzhou. It is adjacent to Lake Taihu and 16km away from the Suzhou urban area. The park covers an area of 1,030 hectares, of which 89% is forest. Dayangshan spans more than 10km and in ancient times was known as the mountain of the Wu kingdom. The main peak, Jianque, is 338m above sea level and is the second highest peak in Suzhou, serving as a natural barrier to protect the former capital of the Wu kingdom. Dayangshan National Forest Park has two main scenic spots in the east and south: Wenshu Temple and the Botanical Garden.

The Wenshu Temple area covers 42 hectares, and is a popular walking and hiking area that

was officially open to the public in April 2012. Wenshu Temple was founded in the Eastern Jin Dynasty (approximately 340 AD) by Zhidun, an eminent monk. It was once known as the Hanging Temple and, with a history of over 1,600 years, is the oldest temple in Dayangshan. Indeed, there are many ancient Ming Dynasty paths, along with the Banshan Pavilion, Wenshu Hall, Yuri Pavilion, Jianque Peak, and other places of interest in this area.

The Botanical Garden was officially open in October 2014 and has an area of 111 hectares. It is the largest botanical garden in Suzhou, and is also known as the Suzhou Botanical Garden. Dayangshan Botanical Garden integrates education, leisure, and entertainment. With the Changpu Stream as its main axis, the garden is naturally split into northern and southern areas. Its 30,000 plants hail from more than 1,800 species, including rarities such as the Chinese yew, yellow pear wood, and Japanese podocarpus. The botanical garden also has a bonsai section, two greenhouses, the Yangyang ranch, and the Linquanli resort area.



SIHONG ECO INTELLIGENT INDUSTRIAL PARK



This section is sponsored by Sihong ECO Intelligent Industrial Park



In the first 11 months of 2019, Jiangsu province made use of US\$20.95 billion in foreign capital, ranking first in China. Jiangsu province is now China's top location for foreign investment. In 2019, Sihong county had a GDP of RMB 49.5 billion, an increase of 7% from 2018. In 2019, 136 projects were set up in county-level parks, a year-on-year increase of 72.2%, with a total investment of RMB 41.32 billion, a year-on-year increase of 288%. 94 of these projects – 69.1% of them – have received investment of more than RMB 100 million.

Sihong Economic Development Zone is a provincial-level advanced enterprise service park, a provincial-level economic development zone, and a provincial-level green industrial park. In 2019, it moved up 14 places in the comprehensive scientific development ranking for development zones within Jiangsu province. It now ranks 47th among 115 economic development zones in

Jiangsu province and 21st among 88 provincial-level development zones.

LOCATION AND ACCESS

Sihong is located in the developed coastal area of eastern China, in the north of Jiangsu province at the intersection of the Nanjing and Xuzhou metropolitan areas. It sits within the core industrial area covered by the Huanghuai Economic Zone, the Yangtze River Delta Economic Belt, and the Coastal Economic Belt, and covers a consumer market of nearly 300 million people within a two-hour drive. It is also fully covered by road and high-speed rail networks. It is 15 minutes away from the motorway, 30 minutes from the high-speed rail, 90 minutes from the airport, and two hours from Nanjing. It is 50km away from Suqian Port and 220km away from Lianyungang Port.

AVAILABILITY OF TALENT

There are 20 cities in Jiangsu, Shandong, and Anhui provinces within a 200km radius of the park offering access to nearly 200 million people. The park offers abundant talent reserves with a perfect combination of colleges and vocational schools, alongside a comprehensive staff training system.

LAND RESOURCES

The park's land resources are abundant and economical: 4,118 acres of land is available for use and the lowest land price in Jiangsu province is RMB 1,050-20,664 per acre.

BUSINESS ENVIRONMENT

The park offers its Five Zero Services:

- » Zero charge for the whole process
- » Zero charge for accessing supporting facilities
- » Zero distance to access services
- » Zero interference in business operations
- » Zero complaints regarding its service regulation

It also offers its Five Ones Working Mechanism:

- » One project
- » One leader
- » One team
- » One programme
- » One continuous service

ADVANTAGES OF THE PARK

Factory construction standards in the park are the highest in Sihong, offering eight features:

- » High-standard load-bearing facilities
- » Super-high ceilings
- » High capacity power supply (1,000KVA/m²)
- » Passenger and freight elevator separation
- » Independent loading and unloading
- » A green ecological park
- » A professional equipment lifting location
- » A roof terrace

KEY SECTORS AND COMPANIES

- » **Intelligent manufacturing:** Xinhong Industrial Group; Jiacheng Machinery; Qide Tech
- » **Electronic information:** Chilwee Group; Hongrun; Tai-Tech Group; Gelite Electronic
- » **New materials:** SDK; Fengyuan New Material; Shouyi Film
- » **Automotive parts:** Kinzo; Naiweier Car Accessories; Yonder Power

KEY POLICIES

The park enjoys multi-dimensional preferential policies offered by Sihong county, the city of Suqian, and Jiangsu province. Based on a company's status, support is provided in terms of the price of land, the cost of leasing, equipment subsidies, tax benefits, and funds to help the company grow.

» **Support for fixed asset investment:**

Projects that are newly registered in Sihong Economic Development Zone, Changsi Park, or Xinangang Industrial Park and that meet their contractual agreements and carry out investment within two years may receive financial support in phases according to the progress of their investment in project equipment. The level of support offered is 8-10% for the electronic and mechanical equipment and new materials industries, and 4-6% for other industries. For imported equipment, the amount of support provided increases in line with the scale of investment, industrial quality, and how advanced the equipment is. The specific criteria for the support detailed above will be determined by the park in which the project is located, based on the sum invested in the project and the quality of the industry.

» **Local contribution awards:** If an enterprise fulfils its contract within three years of beginning production, the government will give the enterprise support from the Industrial Development Guidance Fund calculated to 50% of the company's contribution to the local area. An enterprise's executives can also receive individual financial support to a value of 50% of the senior executives' local contribution for the year. There is a limit on the number of executives from an enterprise that can receive such benefits: for enterprises that pay less than RMB 2 million in annual tax, five people can receive these benefits; for enterprises that pay less than RMB 5 million in annual tax, eight people can receive these benefits; for enterprises that pay more than RMB 5 million in annual tax, 12 people can receive these benefits.

» **Encouraging the use of foreign investment:** For industrial foreign-invested projects that receive US\$500,000 to US\$1 million, US\$1 to US\$5 million, and US\$5 million or more in a given year, foreign investment support of RMB 3,000, RMB 4,000, and RMB 5,000 per US\$100,000 is available. For industrial projects that belong to leading industries, such as electromechanical equipment and new materials, on the basis of the standards listed above, additional support of RMB 10,000 per US\$100,000 received is available.



AN INTRODUCTION TO LONGYUAN TIANCE



Longyuan Tiance (LYTC), a subsidiary company of Longyuan Construction Group, was jointly established by Longyuan Construction Group and Tiance China, and is China's leading industrial operator.

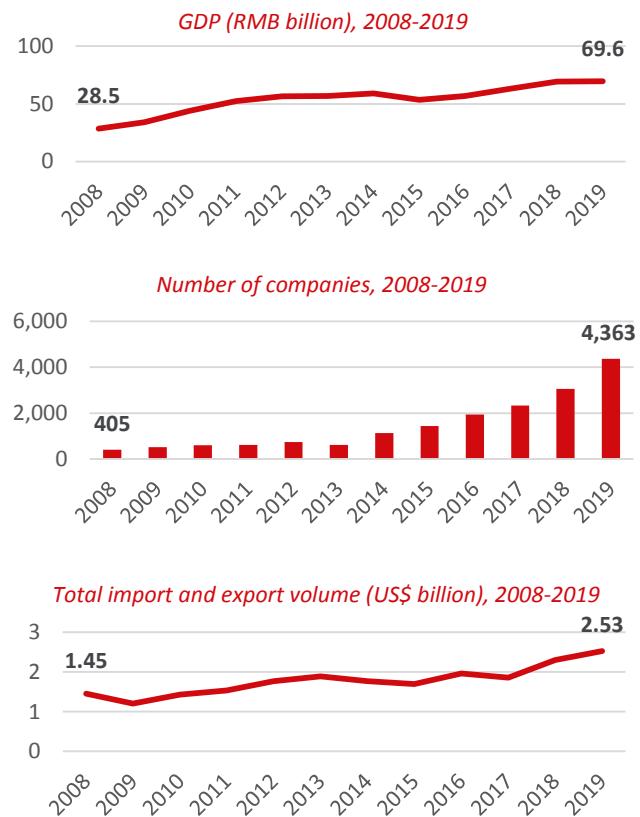
Focusing on industrial parks, industrial towns, and industrial space, LYTC provides integrated industrial development solutions,

including design and planning, investment and construction, and operation and management for local industrial development. LYTC promotes regional economic development to support industrial development and local industrial upgrading through global joint innovation, and builds specialised industrial clusters.

CHANGCHUN ECONOMIC AND TECHNOLOGICAL DEVELOPMENT ZONE

Changchun ETDZ was established in 1992. It was approved as a national development zone by the State Council in 1993 and was one of the first 49 national economic development zones. Changchun ETDZ's development is based around three leading industries – automotive parts, deep processing of agricultural products, and the modern service industry – and six strategic emerging industries: intelligent manufacturing, biomedicine, optoelectronic information, new materials, big data, and international trade.

Changchun Xinglong Comprehensive Bonded Zone, under the jurisdiction of Changchun Economic Development Zone, has integrated sea, land, air, and rail transportation, including the Changman Europe and Changchun Europe railways which offer a direct connection between Jilin and Europe.



KEY POLICIES

- » **District contribution subsidy:** Newly built and operational strategic emerging industry production companies may be subsidised to a value of 80% of their overall contribution at the district level during their first three years in operation. Light asset companies settled in professional parks may receive subsidies ranging from 20-100% of their contribution to the district, based on their number of years in operation and the annual growth rate of their overall contribution to the district.
- » **Rent reduction and exemption:** Major factory projects may enjoy rent reduction or exemption, which is awarded according to the scale of investment per unit area and the performance of the investment agreement. Strategic emerging industry projects with light assets enjoy rent reduction or exemption according to the contribution of the company's unit area (business income or district tax). For R&D and platform projects, rent reduction or exemption is awarded according to R&D achievements or unit area contributions, and they may also receive refurbishment subsidies or company check-in services to a maximum value of RMB 4 million. For light asset entrepreneurship, innovation, and incubation companies, rent may be reduced or exempted following a third-party evaluation.

- » **Land purchases:** Land purchase projects with a total investment of more than RMB 100 million may receive subsidies to a value of no more than 6% of the total fixed asset investment or the total investment.



KEY SECTORS AND COMPANIES

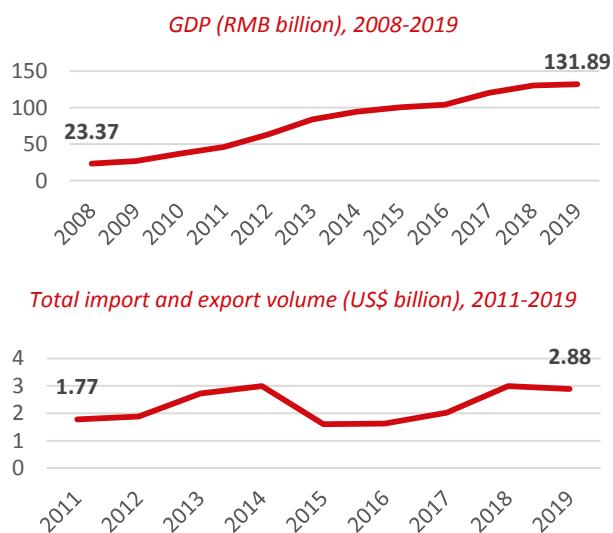
- » **Automotive parts:** Continental Automotive Electronics (Changchun), Changchun Magneti Marelli Automobile Lighting System, Valeo Compressor (Changchun)
- » **Deep processing of agricultural products:** Jiusan Group Changchun Soybean Technology, Jilin Cofco Biological Materials
- » **Modern services:** Ou Ya, Dazhong Duoyue Holdings Group, Beijing Ease Home Investment Holding Group
- » **Intelligent manufacturing:** Wanfeng Jinyuan Holding Group, Jilin Jike Modern Robot Manufacturing, China 17 AI
- » **Biomedicine:** Chuangchun BGI Sequencing, Changchun Ibio Biotechnology, Jilin Wutai Pharmaceutical Group
- » **Optoelectronic information:** Changchun Institute of Optics, Fine Mechanics and Physics, Changchun Changguang Yuanchen Microelectronics Technology
- » **New materials:** Jilin Cofco Biological Materials, Jilin Changde New Materials, Fuyao Glass
- » **Big data:** Changchun Inspur Cloud Computing
- » **International trade:** Jilin International Trade, Jilin Zhongxinhui Import and Export Trade, Jilin Furuiwo Trans-Korean Food Bonded Zone Processing Project

CHENGDU ECONOMIC AND TECHNOLOGICAL DEVELOPMENT ZONE

Chengdu ETDZ was approved in 2000 as the first national ETDZ in Sichuan province. Chengdu ETDZ incorporates a national demonstration base for the new industrial automobile industry, a national ecological industry demonstration park, a pilot demonstration base for Sino-German cooperation in intelligent internet-connected vehicles, the Chengdu Sino-French Ecological Park, and the Chengdu Green Intelligent Automobile Industry Zone.

A key goal for the area is the development of the advanced automobile intelligent manufacturing industry. The annual output of complete vehicles has increased from 16,000 in 2008 to 1,287,000 in 2018.

Chengdu ETDZ has become the automobile industrial base with the largest number of vehicle brands, the most comprehensive industrial chain, and the fastest increase in production among all of China's national economic development zones. In 2018, the



Ministry of Commerce published a comprehensive evaluation in which Chengdu ETDZ's strength in the automobile industry ranked sixth among all national automobile industry bases. In 2019, it was home to 600 companies.

KEY POLICIES

- » **Cultural and creative industries:** Cultural and creative talents engaged in relevant activities and/or the development of cultural and creative industries in the zone – such as brokers, managers, top creative engineers, designers, musicians, and inheritors of intangible cultural heritage – may reclaim 100% of their personal financial contribution to the zone.
- » **Business income:** If the annual main business income generated by a company in the local area exceeds RMB 100 million for the first time, it may receive RMB 100,000 in financial support; if the annual main business income exceeds RMB 500 million for the first time, the company may receive RMB 500,000; if the annual main business income exceeds RMB 1 billion or more for the first time, the company may receive a one-time subsidy of RMB 1 million for every RMB 1 billion (this subsidy can only be received once and cannot exceed RMB 10 million).

- » **Service sector:** For the first three years that a company is operational, it is eligible to reclaim 100% of its financial contribution to the zone if its annual financial contribution reaches RMB 500,000 (or RMB 200,000 for R&D and design companies and other technical services, information services, cultural services, and internet sales services companies.)



KEY SECTORS AND COMPANIES

- » **Complete vehicles:** FAW-Volkswagen, Geely Auto, Volvo Cars
- » **Automotive parts:** Bosch, Delphi, Aptiv
- » **Engineering machinery:** KOBELCO, Caterpillar, HERRENKNECHT
- » **Electronics:** Siemens, Hongke Electronics
- » **Food and drink:** Huiyuan Group, Wilmar International

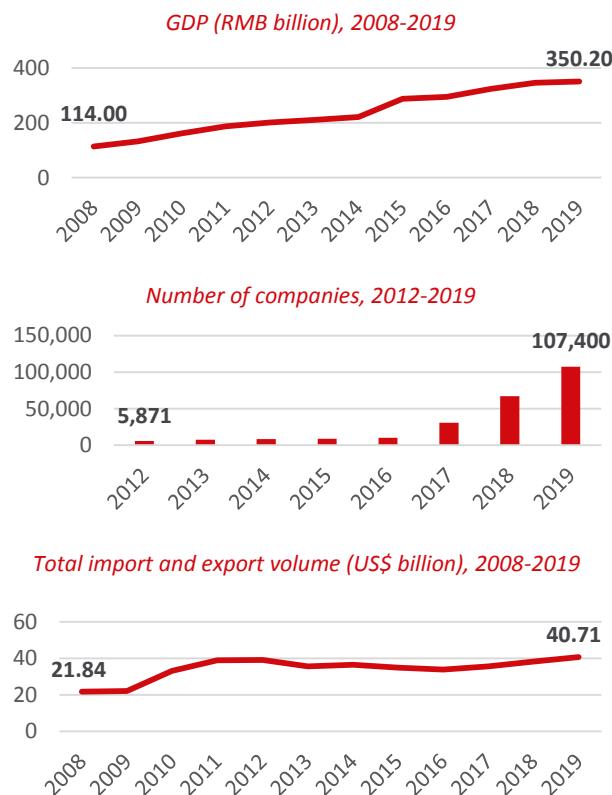


GUANGZHOU ECONOMIC AND TECHNOLOGICAL DEVELOPMENT ZONE

Guangzhou ETZ was established in 1984 and currently encompasses an area of 17.67km². It is located in Guangdong Province and the Pearl River Delta, adjacent to Hong Kong and Macao, and contains nine industrial clusters: electronic information, flat panel display, automobile and parts, chemicals, new materials, e-commerce, food and drink, biomedicine, and intelligent equipment. The total industrial output value of the electronic information, chemical, and automobile and parts industries surpasses RMB 100 billion. In addition to these industrial clusters, the zone has also become the largest incubator cluster in southern China. Equity investment institutions in Guangzhou are most active in this ETZ, where new and traditional financial institutions gather to provide services for rising enterprises.

KEY POLICIES

- » **Headquarters:** Approved newly established foreign-funded enterprises with registered capital of more than US\$10 million (restricted to companies that have received investment from world top 500 enterprises), more than US\$20 million, more than US\$100 million, or more than US\$300 million may receive RMB 3 million, RMB 5 million, RMB 8 million, or RMB 15 million, respectively.
- » **High-tech enterprises:** Newly settled high-tech and new technology enterprises above the designated size may receive a one-off subsidy of up to RMB 500,000. Approved investment agencies may receive a maximum one-time subsidy of up to RMB 500,000 for every new and high-tech enterprise above the designated size that they are able to attract.
- » **IT:** Newly established new-generation information technology major industry projects that are operationalised in accordance with the project investment agreement and filing and land transfer contract and have a total fixed asset investment of RMB 100 million, RMB 500 million, RMB 1 billion, RMB 2 billion, RMB 3 billion, RMB 5 billion, or RMB 10 billion may receive RMB 5 million, RMB 10 million, RMB 20 million, RMB 30 million, RMB 50 million, RMB 80 million, or RMB 200 million respectively upon verification. The maximum subsidy for each enterprise is RMB 200 million.





KEY SECTORS AND COMPANIES

- » **Automobiles:** Guangqi Honda Automobile, Dongfeng Honda Engine, Jiatco (Guangzhou) Automatic Transmission
- » **Electronics:** LG Display (Guangzhou), Jabil Circuit (Guangzhou), Guangzhou Skyworth Plane Display Technology
- » **Energy:** China Southern Power Grid, Guangzhou Branch of China Petroleum and Chemical Corporation, Guangzhou Hengyun Enterprises Holdings
- » **Chemical engineering:** Guangzhou Procter & Gamble, Amway (China), Kingfa Science & Technology
- » **Food and drink:** Mead Johnson Nutrition (China), Biostime Inc. Guangzhou, Guangzhou Uni-president Enterprise, Guangzhou Tingjin Beverage
- » **Electric apparatus:** Guangzhou Nanyang Cable, Guangzhou Zhiguang Electric, TWS
- » **New technology:** GRG Banking Equipment, CVTE, Comba
- » **Intelligent equipment:** GSK CNC Equipment, Guangzhou Tech-Long Packaging Machinery, PHARMAPACK
- » **Biological health:** Guangzhou Medprin Regenerative Medical Technologies, Guangzhou Wondfo Biotech, Guangzhou Xiangxue Pharmaceutical
- » **New energy:** China Southern Power Grid, Guangdong Electric Power Design Institute, Devotion Thermal Energy
- » **New materials:** Guangzhou Solderwell New Materials, Guangzhou Lushan New Materials, Guangzhou Tinci Materials

GUANGZHOU NANSHA ECONOMIC AND TECHNOLOGICAL DEVELOPMENT ZONE

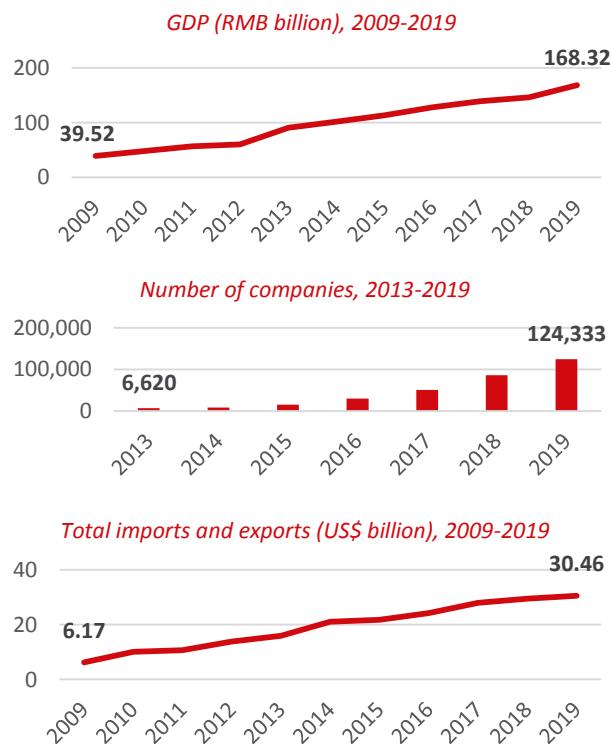
Guangzhou Nansha ETDZ was established with the approval of the State Council in May 1993. It is the hub port of the 21st Century Maritime Silk Road, an important import and export channel and cargo distribution centre in the Pearl River Delta. It is also one of the three major platforms for Guangdong-Hong Kong-Macao cooperation.

Key industries within this ETDZ include shipping logistics, high-end manufacturing, financial and business services, scientific and technological innovation, and healthcare.

In 2018, Guangzhou Nansha ETDZ was awarded 16th place in the Ministry of Commerce's comprehensive assessment and evaluation of the level of development of China's national ETDZs.

KEY POLICIES

- » **Manufacturing:** Newly settled foreign-funded non-headquarters advanced manufacturing companies with registered capital of more than US\$10 million, US\$30 million, or US\$100 million may receive RMB 5 million, RMB 8 million, or RMB 10 million, respectively.
- » **Service industry associations:** Service enterprises are subsidised to the value of 30% of their economic contribution to the district, depending on their annual income. Newly established service enterprises are entitled to a subsidy of up to RMB 1 million per year for office space expenses. Approved service industry associations and talent training and testing bases may receive a subsidy of up to RMB 500,000 per year.
- » **Talent:** High-end leading talents may receive a subsidy of up to RMB 10 million or an apartment of up to 200m². Key talents and executive talents are given special talent subsidies to the value of 40% of their personal economic contribution, and qualified senior management talents may receive senior management talent subsidies as part of the enterprise management contribution award. Guangzhou Nansha issues a talent card that provides high-quality services such as priority enrolment for children, priority household registration for the talent and any family members, priority medical treatment, free physical examinations, and consumer discounts.



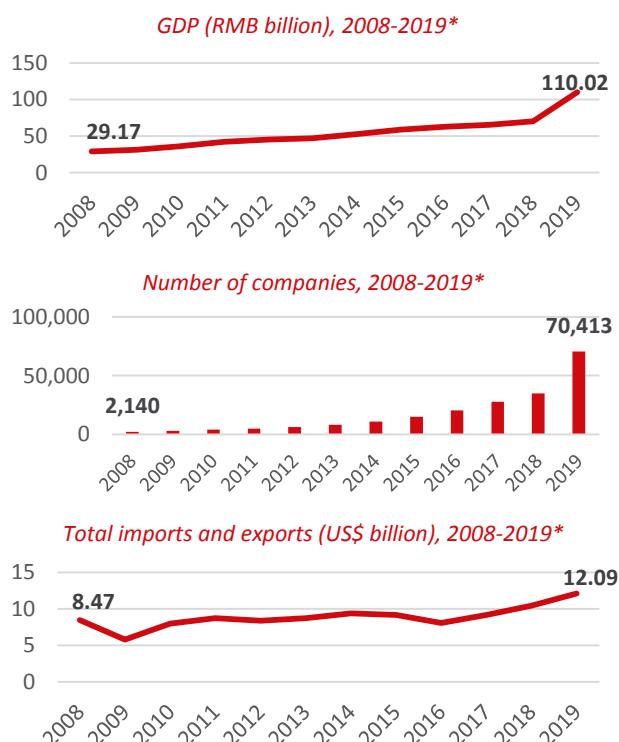


KEY SECTORS AND COMPANIES

- » **Automotive parts:** Denso Guangzhou Nansha, Haifeng Auto Parts; Yingtai Auto Accessories, Guangqi Toyotsu Steel Processing
- » **High-end manufacturing:** GAC Toyota Motor, Evergrande New Energy Vehicles, Linlux Electronics
- » **Intelligent manufacturing:** Guangzhou Nansha Wafer Semiconductor Technology, Guangzhou Tozed Kangwei Intelligent Technology
- » **Food and drink and FMCGs:** Vitasoy Milk, Wong Lo Kat Herbal Tea, Gantang Mingshan Restuarant
- » **AI:** Pony.ai, Cloud Walk, iFlytek, DMAI

HANGZHOU QIANTANG NEW AREA

In April 2019, the People's Government of Zhejiang Province approved the establishment of Hangzhou Qiantang New Area. This area includes the Hangzhou Dajiangdong Industrial Cluster Zone and the Hangzhou Economic and Technological Development Area. The new area houses three national brands of the Hangzhou Economic and Technological Development Area, and the Hangzhou Comprehensive Bonded Area and Linjiang High-tech Industrial Development Area, and follows a nationally mandated management system structure. In addition, the new area encompasses two districts and seven streets: Xiasha and Baiyang in Jianggan District, and Hezhuang, Yipeng, Xinwan, Linjiang, and Qianjin in Xiaoshan District; these areas are home to a resident population of 1.06 million. The total planned area is 531.7km², of which 436km² is on land and 95.7km² is along the Qiantang River.



*Please note: All figures from 2008-2018 are for Hangzhou Economic and Technological Development Area. Figures for 2019 are from after Hangzhou Qiantang New Area was formed.

KEY POLICIES

- » **Comprehensive bonded zone:** Hangzhou Qiantang New Area aims to support the construction of a comprehensive bonded zone, thereby accelerating the transformation and upgrading of traditional foreign trade, promoting the cultivation of new models of foreign trade, and establishing an international trade pattern of priority entry and exit.
- » **Cross-border e-commerce:** The New Area also aims to accelerate the economic construction of cross-border e-commerce parks and headquarters, focusing on expanding the scale of cross-border e-commerce exports, strengthening and optimising cross-border e-commerce import business, and improving cross-border electronics in the Qiantang New Area business ecosystem.
- » **Biomedicine:** The New Area intends to support the development of biomedicine by constructing a medical port, promoting the innovative development of the biomedical industry, building a world-class R&D innovation hub, and assembling a biomedical industry cluster.
- » **Wealth and tax:** The New Area plans to introduce tax policy to attract and motivate talents to innovate and start businesses in the area and assist companies to attract and retain talent to create a good atmosphere for innovation and entrepreneurship.



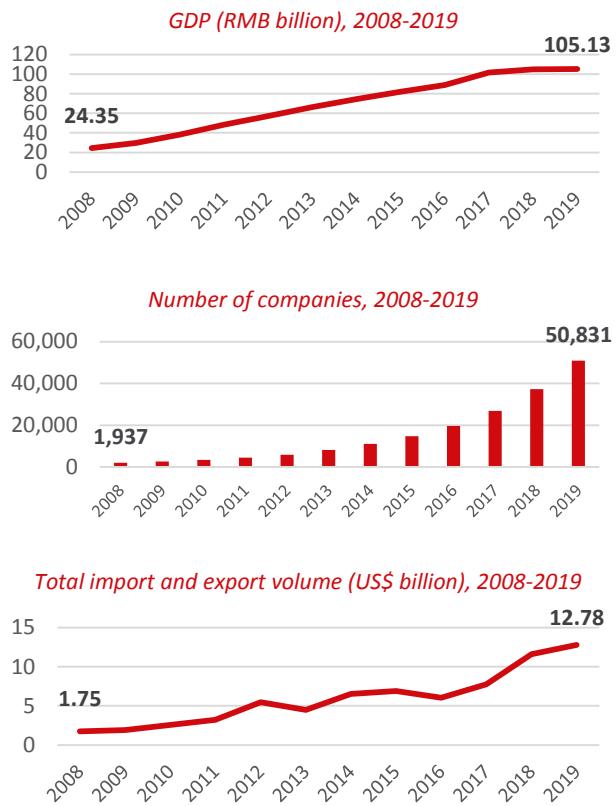
KEY SECTORS AND COMPANIES

- » **Biomedicine:** Pfizer, MSD, Huadong Medicine, Transcenda, Chinese Peptide, Huahai Pharmaceutical, Jiuzhou Pharmaceutical, Alltech
- » **New materials and new energy:** Hengyi High-tech Material, Foremost Material Technology, Dongnan Construction Mocai
- » **Automobiles and automobile parts:** Trumpchi, Changan Ford, Geely, Luxgen
- » **Aerospace and aviation:** Zhejiang University Aviation Equipment Research Center
- » **The digital economy and smart manufacturing:** Toshiba Information, Silan integration, Leon Microelectronics, Panasonic, Gree, JoYoung, Staubli, Siasun
- » **Food and drink:** Master of Kong, FERRERO ROCHER, Taigu Coca Cola, Wahaha, JDB, BE&CHEERY

HEFEI ECONOMIC AND TECHNOLOGICAL DEVELOPMENT AREA

Hefei Economic and Technological Development Area (HETDA) was established in 1993, and became a state-level zone in 2000, incorporating a Comprehensive Bonded Area and Hefei Airport Economic Demonstration Zone. It now plays host to new-generation electronic information, new energy vehicle, smart home appliance, high-end equipment manufacturing, and FMCG clusters. It is also home to 640 large-scale industrial enterprises, 320 national high-tech enterprises, 860 sci-tech SMEs, 512 foreign-invested enterprises, and 36 Fortune 500 companies. It is the world's largest laptop computer production base and China's largest R&D and production base for smart refrigerators, forklifts, excavators, hydraulic machine tools, and high-end equipment.

HETDA focuses on developing strategic emerging industries, including integrated circuits, new-energy vehicles, biomedicine and high-end medical devices, AI, and the modern service industries, and collaborates with leading educational institutes.



KEY POLICIES

- » **Industry development grants:** Upon reaching certain levels of revenue from their main businesses, an enterprise's management team may receive a one-time grant of RMB 50,000, RMB 200,000, RMB 500,000, respectively when, for the first time in a given year, revenue reaches RMB 100 million, RMB 500 million, RMB 1 billion, and RMB 1.5 billion. For each additional RMB 500 million in revenue, the enterprise management team may receive a one-time grant of RMB 100,000. For enterprises reaching operating revenues of RMB 50 million, RMB 100 million, RMB 300 million, RMB 500 million, and RMB 1 billion, the enterprise management team may receive a one-time grant of RMB 50,000, RMB 100,000, RMB 500,000, RMB 1 million, and RMB 1.3 million, respectively. For each additional RMB 500 million in revenue, the enterprise management team receives a one-time grant of RMB 100,000.

- » **Foreign-funded projects:** Foreign-funded projects are provided with specialist services. For newly-established foreign-capital enterprises, if this foreign capital reaches or exceeds US\$10 million, one-time support of RMB 100,000 shall be granted after confirmation of the amount of foreign capital. For every US\$10 million increase in foreign investment, an additional RMB 100,000 will be offered.



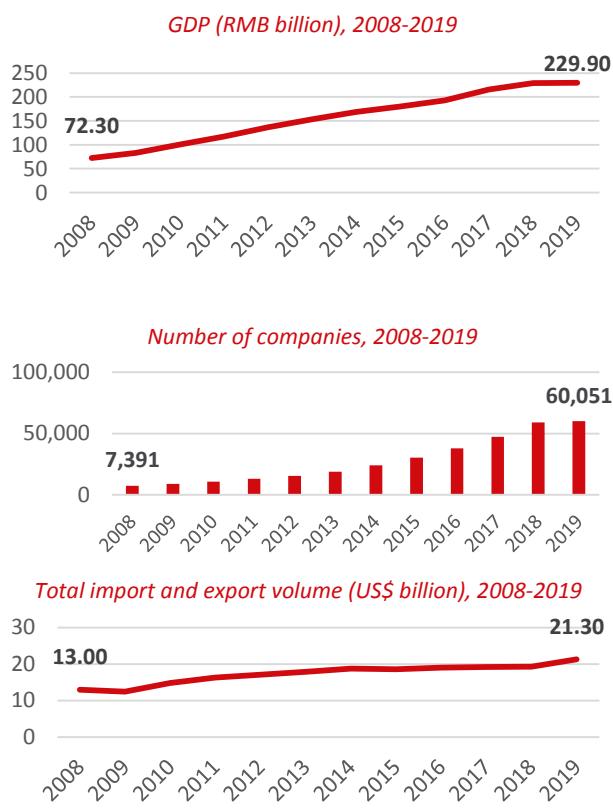
KEY SECTORS AND COMPANIES

- » **Smart home appliances industry:** Haier, Midea, Gree, Changhong, Meiling
- » **Electronic information and the IC industry:** Lenovo, ChangXin Memory Technologies, Mitsubishi, SAP
- » **Automobile and new energy vehicles:** Jianghuai, Volkswagen, NIO, Commins, Johnson Controls, Vsteon
- » **Equipment manufacturing:** Hitachi, ABB, Friedrichshafen, Heli, Yingliu
- » **FMCGs:** Unilever, Coca-Cola, Kao, Uni-president, Eastman
- » **Biomedical and medical devices:** NIpro, Tianmai Biotechnological, Sinopharm Holdings
- » **Innovation platforms:** College Town, China-Germany Education Cooperation Demonstration Base, Hefei Institute for Public Safety Research of Tsinghua University, HIT International Institute of Robot Innovation (Hefei)

QINGDAO ECONOMIC AND TECHNOLOGICAL DEVELOPMENT ZONE

One of the first 14 state-level development zones in China and named as the only Pilot Intelligent Industrial Park in eastern China, Qingdao ETDZ is also home to a range of other zones: Shandong Pilot Free Trade Zone Qingdao Area, Qingdao Comprehensive Bonded Zone, and Qingdao International Economic Cooperation Zone.

The outputs of four industries within Qingdao ETDZ – the home appliance and electronics, petrochemical, automobile, and marine engineering industries – each account for half of Qingdao's total output within these industries, while the home appliance and electronics industry has become the city's first cluster with a market value of over RMB 100 billion. Indeed, although Qingdao ETDZ only accounts for 5% of the area of Qingdao it generates 20% of the city's GDP and foreign investment, as well as 25% of its total industrial output.



KEY POLICIES

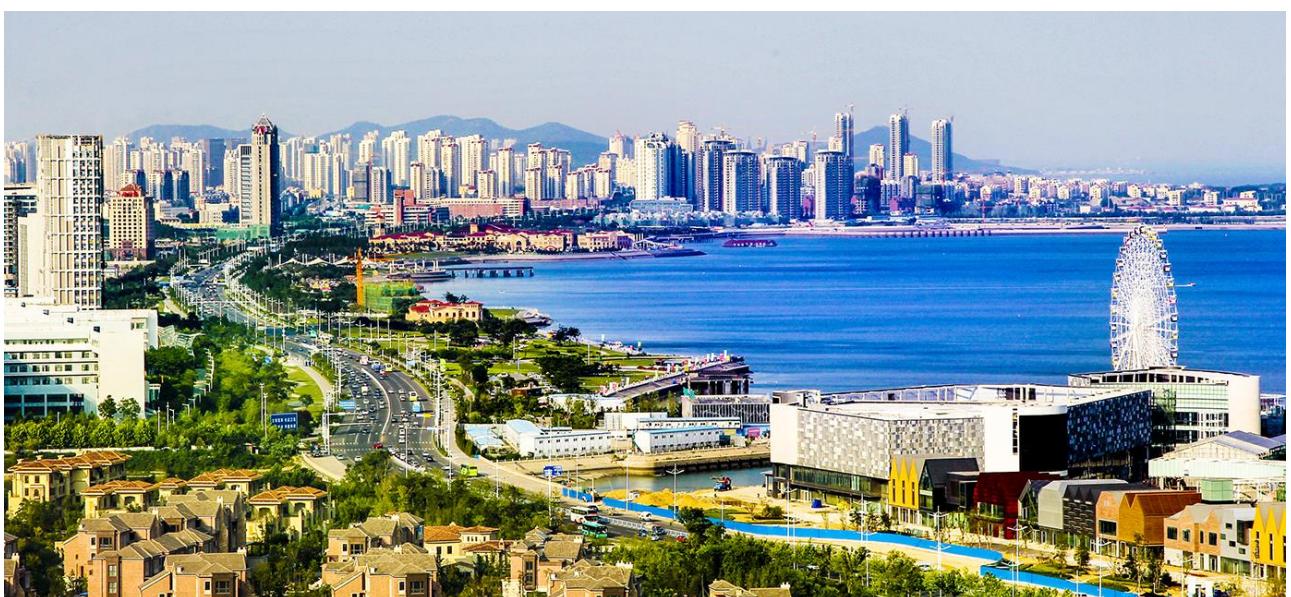
- » **Headquarters:** Newly introduced foreign-funded enterprises with a headquarters in the zone that receive foreign capital of US\$10 million or above will receive support worth 3% of the foreign capital received in that year. If the foreign capital received is US\$5 million (inclusive) to US\$10 million, they will receive support worth 2% of the foreign capital received in that year to a maximum of RMB 100 million.
- » **Shipping logistics:** Newly introduced shipping and logistics enterprises with a registered capital of RMB 50 million or more may reclaim 1% of the paid-in capital, up to a maximum of RMB 5 million. Well-known Chinese and international e-commerce platforms and networking companies may receive 1% of their annual main business income for three consecutive years, up to a maximum annual amount of RMB 10 million.

- » **Financial institutions:** Newly-established or newly-moved legally registered financial institutions may receive support worth 3% of their funds received, up to RMB 150 million. Legally registered financial institutions that receive an increase in their capital receive support worth 1% of the newly-added capital. Newly-established or newly-moved unincorporated financial institutions receive RMB 2 million. Newly-established or newly-moved independent tax accounting bank branches receive RMB 300,000. Securities business departments and futures company business departments receive RMB 200,000.



KEY SECTORS AND COMPANIES

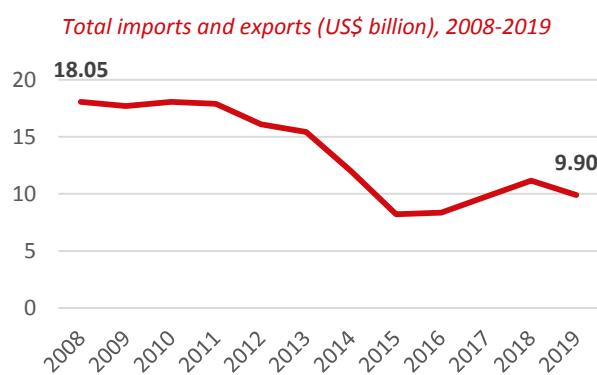
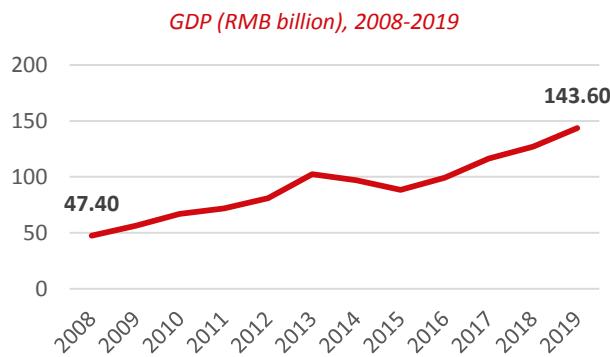
- » **Household electronics:** Panasonic, Hisense, Haier, Aucma, CETC, IFLYTEK, Fisher & Paykel, SANYO, Whirlpool
- » **Petrochemicals:** GSA, LG, Sinopec Group, Lidong Chemical
- » **Machinery equipment manufacturing:** LOVOL, KOTAI, Jotec, TAKEUCHI, DAIHEN
- » **Automotive parts:** SGMW, WABCO, Federal Mogul, SEAH
- » **Marine engineering:** CSIC, Wuchuan Shipbuilding Industry Group, Kvearner, Cooec, Wartsila
- » **The rubber industry:** SAILUN



SHANGHAI CAOHEJING DEVELOPMENT ZONE

Shanghai Caohejing Development Zone (CHJ) is a state-level ETDZ, as well as a High-tech Industrial Zone and an Integrated Free Trade Zone. It is home to more than 3,600 Chinese and international high-tech companies, including nearly 1,000 foreign-invested enterprises. In 2019, CHJ generated sales revenue of RMB 419 billion, a GDP of RMB 144 billion, and imports and exports worth US\$9.9 billion.

In terms of industrial focus, CHJ follows its '1-5-1' structure, which specifies electronic information technology as its main industry; new materials, biomedicine, high-end equipment, automotive R&D support, and new alternative energy as its five key industries; and modern services as its supporting industry. Newly-emerging strategic industries also play an important role within CHJ, with around 300 companies in the AI industry alone having a presence there.



KEY POLICIES

- » **Headquarters:** Newly-introduced or certified regional headquarters, headquarter-type institutions, R&D centres, and trading headquarters of multinational corporations receive:
 - › Depending on their functions and the amount of investment they generate, each of those entities may be granted support of up to RMB 5 million upon certification. Newly-introduced headquarter-type financial institutions and functional financial institutions may also be granted an organisation cost subsidy of up to RMB 10 million upon certification.
 - › Each such entity that rents offices for its own use may be granted a rental subsidy totalling no more than RMB 6 million for a maximum of three consecutive years. Upon certification, the entity may receive comprehensive support for up to five years.
- » **R&D:** The establishment of leading companies in various industries' R&D institutions is encouraged. Following evaluation, a subsidy of up to 30% of the total investment and up to RMB 3 million is available. For specific industries, there are also special industrial capital support policies, with AI industry projects receiving up to RMB 10 million in capital support as an example.

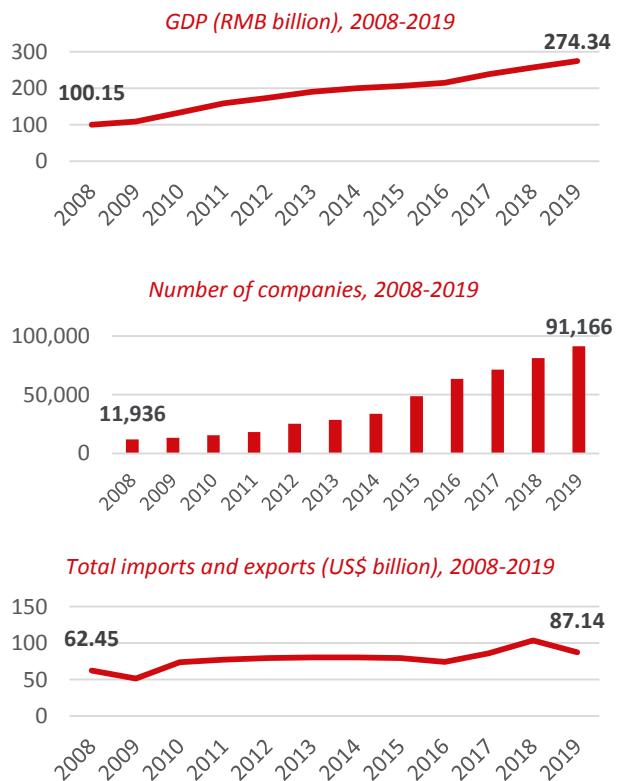


KEY INDUSTRIES AND SECTORS

- » **Information technology:** Cisco, Corning, Montage Technology
- » **New materials:** 3M, Wacker, Milliken
- » **Biomedicine:** Johnson & Johnson, Abbott Laboratories, MSD
- » **High-end equipment:** Aviation Industry Corporation of China, Rockwell, China Aeronautical Radio Electronics Research Institute, Softbank Robotics
- » **Automotive R&D and supporting businesses:** SPIC, AREVA, Mingyang Smart Energy
- » **Modern services:** SGS, Intertek, CTP
- » **AI:** SenseTime, HIKVISION, ARM

SUZHOU INDUSTRIAL PARK

The Suzhou Industrial Park (SIP) was first established in February of 1994 as the China-Singapore Suzhou Industrial Park, a collaborative project between the Chinese and Singaporean governments to give support to local innovation and high-tech enterprises. It is located in Jiangsu province and covers an area of 288km². The SIP's key industries include high-end equipment manufacturing, intelligent manufacturing, food and drink and FMCGs, manufacturing, biomedicine, nanotechnology, and AI. Among the projects housed at the SIP, more than 156 were initiated by Fortune 500 enterprises, and there are approximately 30 world-class educational and research institutions in joint operation with foreign universities including the Oxford Suzhou Centre for Advanced Research and Xi'an Jiaotong-Liverpool University.



KEY POLICIES

- » **Equipment and manufacturing:** If an approved enterprise's annual investment in equipment reaches or exceeds RMB 5 million, or its investment in scheme design and software reaches or exceeds RMB 1 million, it may receive financial support of up to 10% of the value of the equipment or software investment, to a maximum value of RMB 10 million. Enterprises that purchase the hardware equipment, integration schemes, or software of enterprises registered in the park (excluding business enterprises) may receive an investment valued at up to 15% of the purchased equipment, integration scheme, or software (not to exceed RMB 15 million).
- » **Technological transformation:** Enterprises with a registered capital increase of US\$10 million (or the equivalent in RMB) or above (subject to the actual amount) that is primarily used for technical transformation and production expansion may receive a one-time subsidy of between RMB 500,000 and RMB 3 million if their main business income increased by more than RMB 100 million, RMB 200 million, RMB 500 million, or RMB 1 billion, respectively. Priority support is given to enterprises that are applying for technological transformation, scientific and technological projects, and energy conservation projects.

- » **Talent:** Scholars from the Chinese Academy of Sciences or Chinese Academy of Engineering, scholars from developed countries, recipients of the highest national science and technology award, and Nobel Prize winners that settle in the park may receive a housing purchase subsidy of up to RMB 5 million.



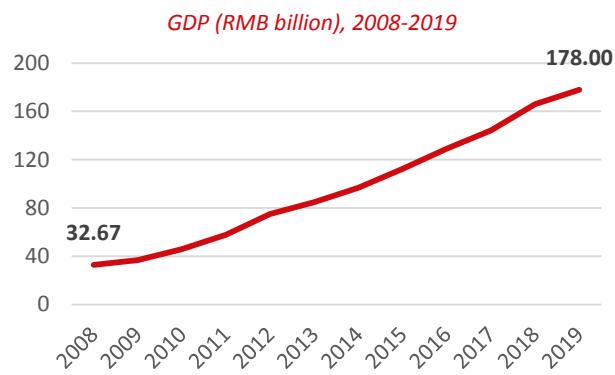
KEY SECTORS AND COMPANIES

- » **Automotive parts:** Bosch, Delphi/Aptiv, Nexteer
- » **High-end equipment manufacturing:** GE, Safran, Caterpillar
- » **Intelligent manufacturing:** Samsung, TE Connectivity (formerly Tyco), Panasonic, Chipmore, Siliconware Precision Industries
- » **Food and drink and FMCGs:** Adidas, L'Oreal, Mondelez, Nestle (Wyeth)
- » **Biomedicine:** Roche, Johnson and Johnson, Sanofi, Innovent Biologics, CStone Pharmaceuticals
- » **Nanotechnology:** Suzhou Nanometer Institute of Chinese Academy of Sciences, China Wafer Level CSP, Ulvac, Natd Optoelectronic Material
- » **AI:** Microsoft, Siemens, Huawei, AISpeech, DiDi

WUHAN ECONOMIC AND TECHNOLOGICAL DEVELOPMENT ZONE

Wuhan Economic and Technological Development Zone, located in the southwest of Wuhan, began construction in May 1991 and was approved as a national ETDZ by the State Council in April 1993. After 28 years of development, Wuhan ETDZ has formed an industrial cluster supported mainly by the automobile and parts, electronic appliances, and biomedicine industries. A total of 72 global top 500 enterprises have settled in the zone and there are nearly 1,000 foreign professionals working there.

In the Ministry of Commerce's 2018 evaluation of the comprehensive development level of national development



zones, Wuhan ETDZ ranked 12th overall and first among the development zones of central and western China.

KEY POLICIES

- » **Settlement subsidies:** World top 500 enterprises, enterprises under the central government, China's top 500 enterprises, China's top 500 private enterprises, and multinational companies with an operating revenue exceeding US\$5 billion in the previous year may receive a one-time subsidy for settling down if they are established in Wuhan as an independent legal entity; have paid-in registered capital of no less than US\$10 million (or the equivalent in RMB); manage the investment, operation, marketing, and other functions of more than three affiliate organisations (including subsidiaries and branches) outside the city of Wuhan; and have made an outstanding contribution to Wuhan's economic development. This includes one-time settlement subsidies of RMB 5 million for functional institutions established by overseas world top 500 enterprises, and one-time settlement subsidies of RMB 4 million for functional institutions set up by other enterprises.
- » **Academia/R&D cooperation:** World top 500 enterprises, enterprises under the central government, China's top 500 enterprises, China's top 500 private enterprises, and multinational companies with an operating revenue exceeding US\$5 billion in the previous year may receive a one-time subsidy of RMB 3 million if they cooperate with domestic and international institutions of higher learning or well-known scientific research institutions, have established an independent legal entity in Wuhan, and have been recognised as an industry R&D institution.



KEY SECTORS AND COMPANIES

- » **Automotive parts:** Peugeot Citroen, Honda, Renault, Nissan, Castrol, Getrag, Cummins, Valeo, Dongfeng Motor
- » **Electronics and electrical appliances:** Midea, Gree, Haier
- » **Biomedicine:** China Resources Pharmaceutical, Tongji Pharmaceutical, Hiteck
- » **Food and drink:** Coca Cola, Tingjin Food

XI'AN NATIONAL CIVIL AEROSPACE INDUSTRIAL PARK

In 2006, Xi'an Municipal Government, Shaanxi Provincial Government, and the China Aerospace Science and Technology Corporation jointly established the Xi'an National Civil Aerospace Industrial Base (XCAIB), a cluster area of aerospace technologies and nationally strategic emerging industries. In 2010, XCAIB became the Shaanxi National Aerospace Economic and Technology Development Zone. After 14 years of development, XCAIB has established four pillar industries: aerospace, new energy, big data and cloud computing, and AI.

In the next five years, XCAIB aims to deliver national projects like lunar exploration, manned space flight, deep space exploration, and the high-resolution observation of the earth. XCAIB adheres to the overall strategy of 'one city, five areas and one foundation,' which further promotes supply-side structural reform, develops the real economy, cultivates emerging industries, builds new forms of sustainable development, and strives to pave the way for high-quality industrial development.

KEY POLICIES

- » **Aerospace:** Commercial aerospace enterprises may receive financial support not exceeding RMB 1 million to a value of 20% of their R&D investment. Enterprises that have been established for less than three years may receive starting capital support of up to RMB 1 million, following approval. Enterprises going abroad to participate in exhibitions or participating in international exhibitions held in China may receive a 30% cost subsidy (not to exceed RMB 300,000 per company per year).
- » **Tech innovation:** Individual R&D platforms that build innovative R&D platforms for domestic and foreign well-known enterprises, institutions, universities, and research institutes; carry out disruptive and forward-looking technical research; and accelerate the application of major technological achievements may receive a maximum investment of no more than RMB 5 million valued at 30% of the project's local investment.
- » **5G and cloud services:** Companies' annual investment in 5G base station construction projects is subsidised at a rate of 30% to a maximum of RMB 5 million. To support cloud platform development, enterprises are encouraged to build and operate public service cloud platforms and industry cloud platforms. Following approval, a one-time subsidy may be granted at a rate of 30% of the platform's R&D and construction costs to a maximum of RMB 5 million.

KEY SECTORS AND INDUSTRIES

- » **New energy and new materials:** LONGI, SPIC
- » **Commercial aerospace:** GALAXYSPACE, Interstellar Glory Space Technology, TIANTA
- » **Modern services:** DIDI, Tencent
- » **AI:** Huawei, JD.com

INSIGHTS FROM TRICOR

ETDZs AS THE LANDING POINT FOR FIEs



Mr. Zhang Hailiang is the CEO of Tricor China. Tricor Group is a leading business expansion specialist in Asia with headquarters in Hong Kong and presences in 13 cities in mainland China. Tricor China is committed to providing one-stop solutions for foreign investors to enter and operate in mainland China and for domestic companies to accelerate their growth in Asia and beyond. Here, Mr. Zhang shares his insights about the overall development of Economic and Technological Development Zones (ETDZs) and, in particular, how they can act as a landing point for foreign-invested entities in mainland China from both practical and operational perspectives.

FEATURES AND REGIONAL COMPARISONS

ETDZs in mainland China have a history of more than 30 years, meaning that compared with other types of development zones their management and administrative systems are more mature and well-established. Due to the focus on technologically-intensive development seen in the economic policies at the beginning of mainland China's reform and opening up, ETDZs began to be widely favoured by foreign investors and became known as nationally important areas of economic growth. Although other types of development zones (such as High-tech

Industrial Development Zones and State-level Border Economic Cooperation Zones) have since emerged, new policies subsequently introduced mean we still believe that the advantages of ETDZs are clear and that they play a unique role in mainland China's economy.

ETDZs in each area of mainland China have their own characteristics. Most ETDZs located in eastern China are situated near the east coast, which is also where ETDZs were first set up. With the advantage of easy access to maritime transportation, ETDZs in eastern China have primarily developed by focusing on industries like high-end manufacturing and high-tech services. In addition to their maritime access, ETDZs in eastern China also benefit from that area's nationally-leading talent cultivation abilities, foreign communication skills, and high-quality infrastructure. It is true, however, that operational costs in eastern China are higher than in other parts of the country.

ETDZs in each area of mainland China have their own characteristics.

Mainly focusing on the development of the equipment manufacturing and petrochemical industries, the construction of ETDZs in

north-eastern China followed closely behind their construction in eastern China. However, industry in north-eastern China is not as varied as in eastern China, with a weaker talent pool available and slower economic development experienced. It is also the case that foreign investment there is mainly concentrated in the coastal areas.

The construction of ETDZs in central China and western China started relatively late, and these ETDZs tend to focus on labour-intensive and agricultural product processing industries. Being inland, their operational costs are lower than those in other areas but the transportation options there are less developed and there are no clear advantages in either the infrastructure or the talent bases available.

Precisely because of the diversity highlighted above, the unique environments and different developmental levels of different areas seen in mainland China offer a wide range of choices and possibilities for foreign investors to choose from.

SUGGESTIONS FOR REGIONAL SELECTION AND FUTURE PROSPECTS

When foreign investors are choosing which ETDZ to start with when entering the mainland China market, the process is not always a straightforward one and the following factors should be considered:

- » In addition to considering the characteristics of each ETDZ itself, the geographic location, surrounding facilities, industry clusters, and urban development planning should also be taken into account. We do not recommend looking only at regional differences to choose an address, and we do not necessarily believe that first-tier cities are always the best choice. Indeed, the best choice is the choice which meets the most requirements and demands of foreign investors after all of the factors mentioned above have been taken into consideration.
- » It is particularly important for foreign investors to make the right choice of a location when beginning the incorporation and setup of a manufacturing plant. This is because changing a company's registered address within mainland China is not an easy process. In mainland China, the government usually adopts the principle of territoriality to supervise a company, such that the local market supervision and administration department, as well as the tax department, directly supervise the daily operations of and tax collections from a company. Upon changing its registered address, a company needs to liaise with the relevant authorities for daily supervision (including, but not limited to, actions concerning the tax settlement paid in the initial location) for final confirmation that there are no pending affairs with the authorities in the initial location, and should also prepare to establish suitable communication channels with future regulatory authorities, which can be a lengthy and unpredictable process.

» Plans for coordinated development between regions should be comprehensively considered. For example, in recent years, the Chinese government has put forward macro-development strategies including the joint development of the Beijing-Tianjin-Hebei Region (also known as Jing-Jin-Ji), the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, and the integrated development of the Yangtze River Delta, all of which can help to give a clearer profile of a certain area.

The Government Work Report (2020) notes that, facing tremendous global changes due to the Covid-19 pandemic, mainland China continues to adhere to further expanding its opening to the outside world, shortening the foreign negative list, launching new policies regarding negative lists for cross-border services trade, building a fair market environment, and promoting trade and investment liberalisation and facilitation, and

is also committed to strengthening economic and trade cooperation with other countries to achieve mutually beneficial win-win results.

During the process of investing in mainland China, ETDZs continue to be the best choice for foreign investors due to the completeness of their supporting facilities, a long history of development, and the preferential policies they offer. ETDZs will continue to bring together groups of high-quality foreign investors and multinational enterprises to foster rapid development, while their history proves the success and value of the supportive policies and innovative business environments that they offer. Looking at what actions administrative bodies could carry out, the relevant departments for ETDZs could adjust policies to adapt to the needs of enterprises and foreign investors, which would further help to create a more optimised investment environment and more dynamic ETDZs.

INSIGHTS FROM KING & WOOD MALLESONS

DOING BUSINESS IN THE SPECIAL ECONOMIC ZONES: FACT AND FICTION



By Mark Schaub & Shawn Hu

An increasing number of international companies are looking at China not only as a means to expand their footprint but also as a new revenue stream. There is undoubtedly genuine interest in China and especially so in the country's Special Economic Zones (SEZs).

The Shenzhen SEZ in Guangdong province was the first of its kind and was approved by the 15th Standing Committee of the 5th National People's Congress in August 1980. Shenzhen has subsequently been transformed from a sleepy fishing village into a bustling metropolis, which may in time become part of the world's largest metropolitan area. Prior to its formal establishment, Shenzhen was part of Bao'an County. In 1984, the GDP of Bao'an County was RMB 100 million, and in 2019, Shenzhen's GDP had increased to around RMB 2.6 trillion.

The advantages of SEZs tend to be:

1. High-quality infrastructure
2. Competent and transparent authorities
3. Strong local support

Despite the success of SEZs, it must be noted that there is no magic wand that makes the traditional challenges of China market entry

disappear. We discuss some of these issues below.

INTELLECTUAL PROPERTY

The most common (and also the most preventable) mistake is the failure to register intellectual property (IP). This is especially relevant for international companies who establish a presence in an SEZ for its import/export or manufacturing incentives, as trademark pirates can enforce their rights at customs to prevent you from utilising 'their' IP.

Despite the success of SEZs, it must be noted that there is no magic wand that makes the traditional challenges of China market entry disappear.

For most brands, IP protection includes registering trademarks for the brand name, logo, and key products. China employs a first-to-file system for trademarks. In many cases, Chinese trademark squatters will file trademark applications after researching a

brand with the purpose of reselling it to the owner. Needless to say, it is cheaper to register a trademark than to buy one back, which in turn is usually cheaper than litigation. Lastly, it is advisable to register both the English and Chinese versions of those marks.

CHINESE PARTNERS

To some degree, international companies will consider establishing their China presence in SEZs so they can go it alone and/or lessen their reliance on working with a Chinese partner. The truth, however, is that most businesses will invariably require a Chinese partner (not necessarily a joint venture partner) to fill in knowledge and expertise gaps, such as those relating to logistics (China is big), e-commerce (China is digital), or general market trends (China is competitive). Even for Fortune 500 companies, an experienced Chinese partner can advise on expansion in China (China is big) or support government relations (China is bureaucratic).

There is a veritable gold rush for the best Chinese partners and your brand and performance will sway potential partners' interest in cooperating. If your business is not highly ranked, then it is important to find a unique selling point. This may include flexibility in business operations, how projects are managed, and how to proceed with contracts.

CONTRACTS

You can have the world's best contract but if you select the wrong jurisdiction, it is for naught as you will not be able to enforce your hard-won rights. Legally it is possible under Chinese law to have an agreement governed by another jurisdiction (such as

your home country). However, enforcement will depend on the discretion of the Chinese court and in most cases, Chinese courts will exercise discretion not to enforce overseas judgments. To take payment disputes as an example, even enforcement of an arbitration award against a Chinese partner will still need to proceed via Chinese courts unless that party has assets outside China.

In respect of contracts, there should be no cause for concern in selecting Chinese law. The world's second-largest economy has built a clear basis for contracts and contract law does not have any bias against foreign entities. An advantage of selecting Chinese law is that there is no uncertainty as to where English law ends and mandatory Chinese law starts. However, the greater advantage is that having an essentially 'onshore' agreement facilitates enforcement by both Chinese courts and Chinese administrative authorities. In practice, concerns of international businesses will be more effectively dealt with by these measures than by offshore arbitration.

There are good reasons for making use of Chinese courts but most readers will not be convinced and rather plump for arbitration. If the choice of going through the Chinese courts remains a step too far outside your comfort zone then arbitration in Hong Kong is also a reasonable choice.

CONCLUSION

In China, nothing is easy but nothing is impossible. China's goal of establishing SEZs to streamline certain sectors or industries is a tried-and-true success story. However, many international businesses believe that these zones alone will minimise the risk inherent in their China project. Selecting a jurisdiction is only one of a laundry list of issues that needs

attention when looking to establish your China operations.

A LITTLE BIT ABOUT US

King & Wood Mallesons (KWM) is an international law firm headquartered in Asia. With 13 offices in China and an office in London, we help UK clients to open doors and unlock opportunities as they look to Chinese markets to unleash their full potential.



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