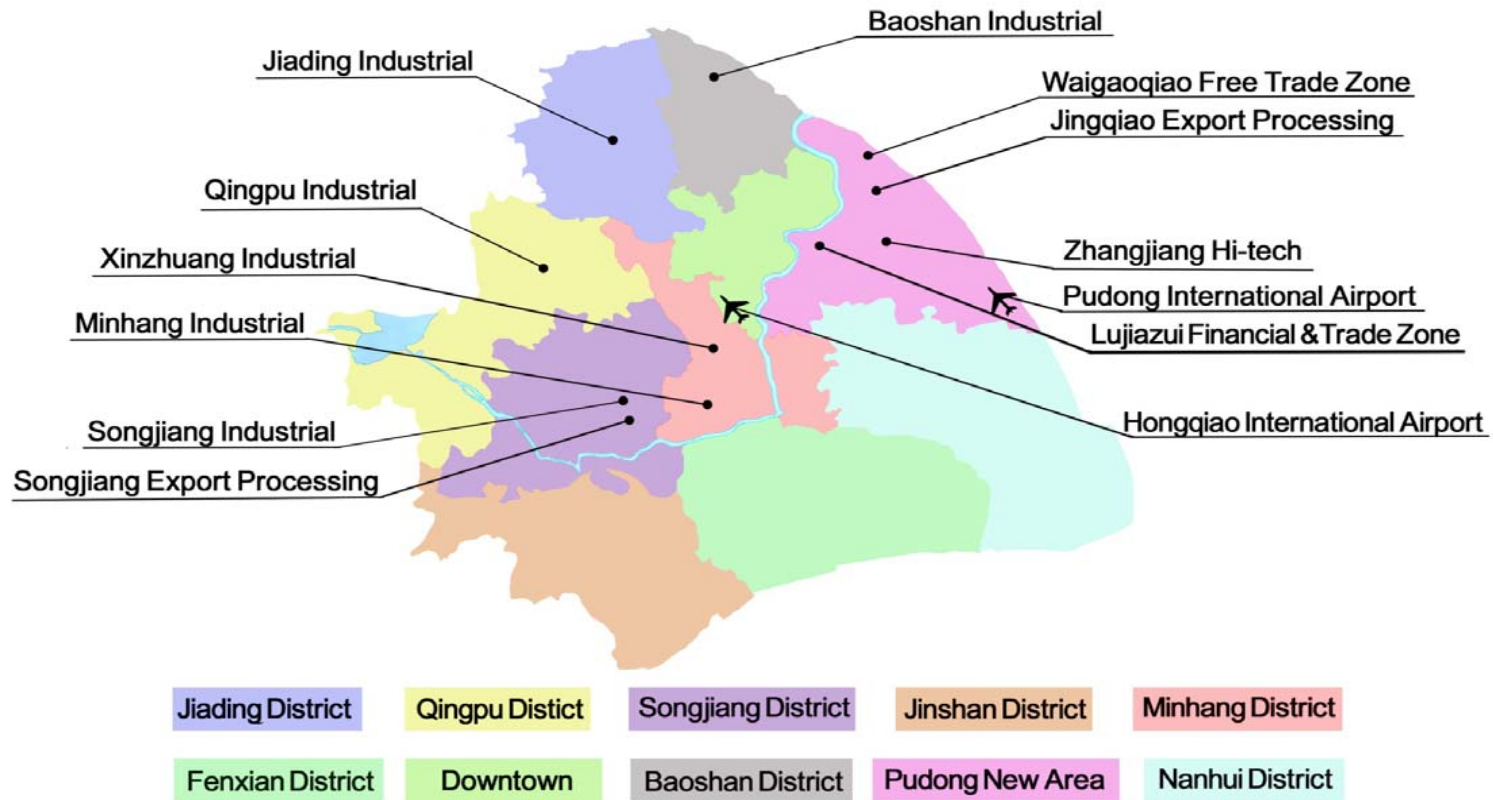


Brief Introduction
Of
Shanghai
Development Zones

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General Review of Distribution of Major Industry Areas in Shanghai



Shanghai Minhang Economic & Technological Development Zone



Shanghai Minhang Economic and Technological Development Zone, which is managed by Shanghai Minhang Joint Development Co. Ltd., was approved in August 1986. The zone now has developed an area of 3.5 square kilometers.

Geographical location

The Minhang Economic and technological Development Zone is located in Shanghai, China's economic, financial and trade center, and is only 30 kilometers away from the city center.

Climate

The Development Zone is of a subtropical marine climate with an annual average temperature of 16.5 centigrade, an annual average precipitation of 1200 mm and a frost-free period of 230 days a year.

Communication and Transportation

Water Transportation

The cargo wharf of the Zone is located by the Huangpu River. 15 kilometers away from the Zone, there is the 10-thousand-ton Longwugang International Sea Terminal, and the 10-thousand-ton Zhangxinbang International Container terminal is 43 kilometers away. Thus, the Zone is connected to many major ports in the world.

Road

The Humin Expressway, connected to the national highway network, runs nearby to the downtown. The Huning Expressway, the Huhang Expressway and the loading and unloading area of the extension of the Xinmin Railway are also close by, thus connecting the Zone to the national highway and railway networks.

Airport

The Zone is 27 kilometers away from the Hongqiao International Airport, a 30 minutes' drive along the Hu Min Highway and the Qixin Highway. A direct access to Pudong International Airport is also available via the Shanghai outer ring road.

Human Resources

Shanghai enjoys rich resources in education and scientific research, and is one of the cities in China with a high concentration of various types of talent and thus a high quality labour force. Many colleges and universities and scientific research institutes are located in the zone.

Investment Priorities

The Development Zone will lay emphasis on the development of the mechanical and electrical equipment industry as represented by rail transportation, the modern biological and pharmaceutical industry as represented by blood products, the beverage industry and the leisure food industries. The establishment of R&D units and high-tech enterprises are also encouraged.

Shanghai Hongqiao Economic and Technological Development Zone



Hongqiao Development Zone is a new pattern of commercial area centered by foreign trade authorities, foreign trade promotion center, foreign trade companies and exhibition venues and high-rise office buildings.

Geological Location

Shanghai Hongqiao Development Zone is located in the west part of the urban area of Shanghai, to the east of Zhong Shan Road, west of Gu Bei Road, north of Xian Xia Road, south of Hong Qiao Road, with a total area of 65.2 hectares.

Communication and Transportation

HETDZ enjoys convenient transportation. Within the Zone, all the roads are connected to each other, and outside the Zone, the Inner Ring, the Outer Ring, and the Yan'an Elevated Highway run nearby. The Hongqiao International Airport is only 5.5 kilometers away.

Pillar Industries

Shanghai Hongqiao Development Zone is characterized as a foreign trade center, and is the sole commercial and trade development zone in China that integrates the businesses of exhibition, office service, residence, catering and shopping.

Development Planning

Hongqiao Economic & Technological Development Zone covers an area of 65.2 hectares, with a construction area of 31.09 hectares, a greenery area of 19.54 hectares and a road area of 14.39 hectares. It plans to construct 300,000 sqm exhibition and displaying place, office building, hotel and restaurant, commercial and building, complementary facilities. A foreign consular area has been established in the Development Zone.

Shanghai Caohejing New Technology Development Zone



The zone is one of the first state-level economic and technological development areas and high- and new-tech industrial zones in China that are mainly engaged in attracting foreign capital, introducing advanced technology from abroad and developing high- and new-technology.

Climate

Shanghai Caohejing New Technology Development Zone is of a humid monsoon subtropical climate, with four distinctive seasons, plenty of rainfall and rich sunshine. The average temperature is 16.6 degrees centigrade and the annual rainfall is 1226.2 millimeters.

Communication and Transportation

Shanghai Caohejing New Technology Development Zone is situated to the southwest of the Shanghai downtown, 7 kilometers away from the Shanghai Hongqiao International Airport, 14 kilometers away from the Shanghai Railway Station, 4 kilometers away from the Southern Shanghai Railway Station, 2 kilometers away from elevated light railway, 5 kilometers away from the subway station, and 14 kilometers away from the Shanghai Lujiazui financial area.

Human Resources

Shanghai has a large gathering of all-round talents with ability and thus a high quality labor force. Among the 42,000 employees working at the Caohejing New Technology Development Zone, 35 percent are scientific and technical professionals. More than 20 universities and colleges and over 120 R&D institutions are located nearby, including Shanghai Jiaotong University, Huadong Normal College, China Academy of Sciences Shanghai Branch, China Academy of Sciences Shanghai Biological Engineering Research Center, and China Academy of Sciences Shanghai Micro-electronics R&D Center.

Industrial Structure

Shanghai Caohejing New Technology Development Zone has attracted a large number of high- and new-tech companies, covering industries such as micro-electronics, photoelectron, computer and software, new materials, and spaceflight and aviation, and has by and large established four functional centers, namely the R & D center, the network operation center, the financial data center and the scientific and technological innovation center, which makes the New Technology Development Zones a major window of Shanghai's opening up and a very important base for the development high and new technologies. \

Investment Priorities

The Shanghai Caohejing New Technology Development Zone is committed to developing high and new technologies in areas such as electronics, computer (software and hardware), communications, laser, biological engineering, new materials and traditional industries with high content of science and technology.

Shanghai Jinqiao Export Processing Zone



Shanghai Jinqiao Export Processing Zone was approved in 1990 and enjoys the same preferential policies with these state-level economic and technological development zones.

Geographical Location

The Jinqiao Export Processing Zone (JEPZ) is in the middle of the Shanghai Pudong New Area. About 4 kilometers to its west is the Huangpu River, and 12 kilometers to its northeast is the Yangtze River. To the west of the JEPZ is the Lujiazui Financial and Trade Area, to the north the Waigaoqiao Bonded Area, and to the south the Zhangjiang Scientific & Technological Park. Inside the JEPZ, the eastern part is the industrial area, and the western section is the living quarters known as the Jinqiao International Community.

Climate

The JEPZ is of the subtropical marine monsoon climate, with the average yearly temperature at 15.5 centigrade, and an average annual rainfall of 1,088 millimeters.

Communication and Transportation

Road

The west part of the JEPZ is directly linked to the Inner Ring Road (48 kilometers long), while the Outer Ring Road (89 kilometers long with eight lanes) passes by the eastern side of the park. The Jinqiao Export Processing Zone is well-connected with Puxi district through the Yangpu and Nanpu Bridges, and the Yan'an Donglu Tunnel.

Airport

The JEPZ is 25 kilometers away from the Hongqiao International Airport, half hour's drive following the overhead Inner Ring Road. It is 30 kilometers from Pudong International Airport, 30 minutes' drive on the highway.

Harbor

The JEPZ is 9 kilometers away from the Waigaoqiao Harbor, where a 900-meter container wharf has set up with four 10,000-tonnage berths and 2.4 million tons handling capacity a year. The Wuhaogou Harbor under construction is 7 kilometers to the northeast of the JEPZ, with designed annual shipping capacity of 50 million tons.

Industrial Structure

The 4 pillar industries in the JEPZ include information electronics, automobile and its components, modern household electric appliances and biological medicines.

Pudong New Area

Lying in the east of Shanghai and at the east edge of the Yangtze River Delta, Pudong New Area (hereafter referred to as Pudong) is located at the estuary of the Yangtze River on the west side of the Pacific Ocean, connecting both Nanhui District and Minhang District in the south and looking on to the other side of the river where lie the districts of Xuhui, Luwan, Huangpu, Hongkou, Yangpu and Baoshan both in the north and west of Shanghai.

Within the area there is a coastal line of the Yangtze River of 46.43 kilometers with the port area of the Waigaoqiao at its northern end, and a coastal line of the Huangpu River of 43.5 kilometers.

Across the Huangpu River sit four bridges of Nanpu, Yangpu, Lupu and Xupu, and running through the river are the five tunnels for auto traffic of the Dapu Bridge, the East Yan'an Road with a side line, Dalian Road, the Outer Ring Road and the East Fuxing Road, and one tunnel for sightseeing of the Huangpu River. There are also fifteen ferries for people and bicycles and two ferries for other vehicles.



The main traffic lines running east and westwards include the Longdong Avenue, Zhangyang Road, Pudong Avenue and Huannan No.1 Highway (Highway A1), and running south and northwards are Huandong No.1 and No.2 Highway, South Pudong Road, Chuansha Road, Yanggao Road, the Far East Avenue, Luoshan Road, Hunan Road, the Pudong section of Metro No. 2 Line and the maglev line. Light Rail No. 6 has started under construction and is estimated to go into operation in 2006.

Connecting the outside world are such hubs of communications as the Pudong International Airport, Waigaoqiao port area, Bailianjing Bus Station and Chuansha Bus Station for long distance travel. The main rivers include the Huangpu River, Chuanyang River, Zhangjia River, Pudong Canal and Caojia River.

Pudong covers an area of 570 square kilometers with a population of permanent residence of 2.6 million, among which 1.92 million are registered for their permanent residence. Under the Administration are 11 sub district offices and 13 townships.

Within the area there are four development zones of state-class: the Waigaoqiao Free Trade Zone, Lujiazui Finance and Trade Zone, Jinqiao Export Processing Zone and Zhangjiang High Tech Park, and three development zones of city-class: Huaxia Culture and Tourism Zone, Sunqiao Modern Agriculture Development Zone and the Spark Development Zone(located in the District of Fengxian but administered by Pudong). The historical points of interest in the area include a segment of the ancient wall of Ming Dynasty in Chuansha and a corner of the old Baoshan City.

For religious belief, there are the Emperor-allowed Shrine, Chaoyin Temple and St. Luther's Cathedral and in memory of the history, there are the historical residences of Zhang Wentian, Huang Yanpei and Wu Changshuo Museum.

There is a diversity of touring sights such as the Oriental Pearl TV Tower, Shanghai Science and Technology Museum, Shanghai Ocean Aquarium, Shanghai Geological Museum, the two bridges of Nanpu and Yangpu, the central Greenland of Lujiazui, the Riverside Boulevard, the Century Park, Sunqiao Modern Agriculture Development Zone, the seaside tourism zone of Sanjia Port. The GDP accomplished in 2004 amounted to 178.979 billion yuan, 16.4% up over the previous year and the fixed assets totaled 65.19 billion yuan, 8.3% more than that of the previous year.

Zhangjiang Hi-tech Park

Zhangjiang Functional Area occupies an area of 119.3 square kilometers, two national development zones: Zhangjiang High-tech Park and Sunqiao Modern Agriculture Development Area are located within it.

It emphasizes the combination of technology and teaching, the integration of production, study and research, with technological innovation and its transformation and industrialization as its leading function. The industries encouraged for development are: integrated circuits, software, biopharmaceuticals, bankcards, information security, semi-conductor illumination, cultural originality and modern agriculture etc.

Zhangjiang High-tech Park was set up in 1992 with the planned area of 25 square kilometers. The Park's two leading industries are information technology and modern biotechnology and pharmaceuticals.

It has the largest integrated circuits base around China, and has formed the preliminary industrial and innovative chains for integrated circuits in chip design and production, chip encapsulation and testing and equipment production, with 170 enterprises related centered around it.

It has national bases for the software industry, technology incubation, and the information security industry. (Companies such as SONY, OMRON, Bearing Point, Citi Bank, TATA, Satyam, Infosys, Kyocera, Kingdee, LENOVO, ZTE, AmoiSonic, Utstarcom have been brought in)

The regional headquarters of many transnational corporations and their research and development centers are also centered around here (Such as the Asia-Pacific R & D center of Infineon, the global R & D center of GE, the Asia-Pacific headquarters and its R & D center of Honeywell, the global R & D center of DUPONT, the global R & D center of Amway, etc)

It has the National Shanghai Biotech & Pharmaceutical Industry Base, with more than 200 biopharmaceutical enterprises as Roche, GSK, Boehringer Ingelheim, Sankyo, Lilly, Tsumura, SK and more than 30 national research and development institutions of the field like the National Center for Drug Screening and the National Center for Safety Evaluation, etc.

Waigaoqiao Free Trade Zone

The Waigaoqiao Functional Area occupies an area of 97 square kilometers. It has the earliest and the largest bonded zone in the country-Waigaoqiao Free Trade Zone and the nation's first "zone-port integration" pilot area - Bonded Logistics Park.

It specializes in international trade and port logistics.

The planned area of the Waigaoqiao Free Trade Zone is 10 square kilometers. The industry of export processing, modern logistics, international trade and the exhibition of bonded commodities have become its peculiar characteristic.

The Waigaoqiao Bonded Logistics Park began operation in April 2004. It has the advantage of the beneficial policies allotted to free trade zones and the location of port area. Special efforts are made to bring in the world famous shipping enterprises, transnational purchasing centers and the third party logistics companies. Such industries and business activities as warehousing, modern logistics, international transference, international delivery, international purchase and international transit trade are encouraged to be developed, so that the coordinated development of the port and shipping industry and the modern logistics industry would be sustained.

Lujiazui Finance and Trade Zone

Lujiazui Functional Area occupies an area about 43.4 square kilometers, it covers the Lujiazui Financial and Trade Zone which is the sole national development zone in the country named after the financial and trade zone.

It specializes in finance and trade, modern commerce, exhibitions & tourism, leisure & entertainment and other modern service industries. It is one of the busiest CBD with perfect service, and it is developing itself to become the best CBD in the world.

There are up to 156 domestic and overseas financial and insurance organizations at branch level in this zone.

There are over 1800 professional service agencies for law, accounting, consulting and information and 21 hotels dealing with overseas business (with as many as over 8800 rooms).

There are over 700 Real estate companies, and 98 buildings over 8 stories high with commerce as their leading function, Jinmao Tower is the highest modern commerce building in China, and as many as 93% of its space is in use.



It is the main site for tourism and exhibitions in Shanghai.

Shanghai Qingpu Industrial Zone

It is a Shanghai municipal level industrial development zone established in Shanghai, China, in November 1995.

Located in Qingpu District, Shanghai, it is a transportation hub of Jiangsu, Shanghai and Zhejiang and a heartland of the industrial chain of the Yangtze Delta Economic zone.

Beside the beautiful Dianshan Lake with an area of 130 square kilometers (50 square miles), the zone has a total area of 56.2 square kilometers (21.7 square miles) under planning.

The unique natural environment and regional advantages have contributed to a green and ecological industrial zone.

The efficient comprehensive service has created distinctive investment advantages for the rapid development of the zone.

The infrastructure including roads, water supply, power supply, industrial gas supply, telecommunication, steam supply, sewage treatment, etc. The ecological environment has reached the international standards.

In 2003, the zone passed ISO 90001 Quality Certification System and ISO 14000 International Environmental Certification.

Development Orientation & Guidelines for NETDZ Under the New Situation

The year 2004 marks the 20th anniversary of NETDZ. Approved by the State Council, the NETDZ work meeting was held in Beijing on Dec. 14, 2004 by the Ministry of Commerce, Ministry of Land and Resources, Ministry of Construction jointly. Premier Wen Jiabao gave a significant instruction, Vice Premier Wu Yi delivered an important speech, and Minister Bo Xilai made a work report, representing the three ministries.

Central governor's instruction, remarks and spirit of the work meeting further make clear the developmental direction and guidelines of NETDZ. The central leaders placed emphasis that establishing NETDZ was an important decision made by CPC Central Committee and the State Council. Under the current situation of the global industrial restructuring and the acceleration of international capital flow, NETDZ has become the carrier for the new-round reorganization of the international economic essential factors, as well as a key receiver for industrial transfer. It is possible and also a responsibility for NETDZ to create new experience in terms of taking the way of new-type industrialization, changing the way of economic growth, helping economic restructuring and regional coordinated economic development, and greatly developing intensive economy. NETDZ's development should be continued and better administrated under the new situation.

In the new development stage, NETDZ should implement the scientific development concept, making efforts to realize the transition of economic systematic reform and economic growth mode transformation, strictly carrying out all the policies for development zones, and summarizing experiences carefully. Emphases should be put to restructuring and industry upgrading, technology introduction and innovation, the projects' quality and economic returns, and treasuring and rationally utilizing the land resources, so as to enhance the development level of NETDZ. The guidance for NETDZ's future development is as follows: guided by the important ideas of Deng Xiaoping Theory and "Three Representatives", NETDZ should fully implement scientific development concept, and insist on the principle of "focusing on improving the quality of attracted foreign capital, developing modern manufacturing, and optimizing the structure of exports, dedicating to developing high-tech industries and high value-added service sector, and promoting the development of the park into a multiple-functional comprehensive industrial park". NETDZ should bring its leading role and ripple effect into full play so as to help form some new economic growth points and further make new contributions to our country in building a well-off society in an all-round way. This guiding principle points up the road for NETDZ's future development, giving new meanings and is the extension and innovation of the former principle of "three focuses and one commitment". Guided by this principle, NETDZ will make greater contributions to our country in the course of building up a well-off society in an all-round way.

Tax Polices Concerning Foreign Enterprises in China's Development Zones

Polices		State Regulations	Special Economic Zones	National Development Zones				Open cities and areas (including those along seas and rivers, inland and border) and provincial Development Zones
				Economic & Technological Zones & Export Processing Zones in which	High-tech Industrial Zones	Free Trade Zones	The Border Economic Cooperative Areas	
Enterprises Income Tax Rate	1.Productive enterprises	30%	15%	15%	15%	15%	24%	24%
	2.Non-productive enterprises	30%	15%	30%	30%	30%	30%	30%
	Knowledge intensive and technology intensive projects and Technology Development Center; Projects with a long investment rewarding period	30%	15%	15%	15%	15%	* (15%)	15% (Including those industrial projects encouraged by the government in middle western areas)
	Export-oriented enterprises with its export value of the year equals or exceeds 70% of its output value of the same year after the exemption-reduction period is over	15%	10%	10%	10%	10%	12%	12%
	Financial institutions with foreign operation capital above 10 million US\$ and an operation period of 10 years or more	30%	15%	15% (Approved by the State Council; including Shanghai Pudong)				
	Projects concerning energy, transportation, port or projections engorged by the governments	15% (including those enterprises engaging in infrastructure construction in Shanghai Pudong)						

The following polices apply to all the zones if not made specifically

Pre-withdraw income rate	1.Profits derived from interests, bonus stock, rent, licensing rights fees and other gains from various zones if foreign businessmen don't set up any organizations in Chinese territory(except those exemptions according to the laws)	10% from Jan 1st, 2001
	2.For those provide advanced technology or preferential conditions	Granted an exemption by the approval of the state council or at a rate lower than 10% by the local government
	3.Profits derived from foreign-funded enterprises	Exempted
The exemption-reduction period of the enterprise income tax(The operation period is over ten years, commencing from the year in which the enterprises make profits)	1.Productive enterprise, high-tech enterprises or technology development center	An exemption for the first and second year and a reduction by half from the third to fifth year
	2. The newly established enterprises undertaking transportation, electric power, water conservancy, postal service, broadcasting and television, etc in middle western regions	An exemption for the first and second year and a reduction by half from the third to fifth year
	3.Non-productive enterprises	In the Special Economic Zones, the service business enterprises with foreign operation capital above 5 million US\$ and an operation period of 10 years or more. In the Special Economic Zones or other regions approved by the State Council, the financial institutions with foreign operation capital above 10 million US\$ and an operation period of 10 years or more; An exemption for the first year and a reduction by half from the second to third year

	4. Technology advanced enterprises	Granted a reduction by half for 3 more years as long as it remains advanced-technology-oriented after the exemption-reduction period is over. (Not less than 10%)
	5.Middle Western Areas	For the foreign-invested enterprises of encouraged type, it can enjoy an extended 3 years reduction at 15% income rate after the exemption-reduction period is over.
	6.Enterprise who engaged in the construction of port and ducks with an operation period of 15 years and above	An exemption for the first to fifth year and a reduction by half from the sixth to tenth year
	7.Enterprises which engaged in agriculture, forestry and animal husbandry, and those in undeveloped border areas	By the approval of state supervising department, it continues to enjoy a reduction of 15%-30% of its due tax within 10 years after the exemption-reduction period is over; The agricultural specialty for the purpose of protecting the environment in middle western areas are granted an exemption from agricultural specialty tax within 10 years
	8.Added-investment projects	The foreign party with their investment projects conforming to encouraged type of "Guiding Catalogue for Foreign Investment Industries" can enjoy 2 years exemption and 3 years reduction by half of income tax if the added investment reaches stipulated amount.
Refund of Tax for reinvestment		The foreign investor of the enterprise with foreign investment that makes a direct reinvestment in their enterprise or in other enterprises scheduled to operate for a period of more than 5 years with foreign investment using profits obtained from their enterprises in return shall enjoy a refund of 40% of the paid income tax for the reinvestment.
		If the reinvestment is made in an export or technology advanced enterprises; the investor shall enjoy the entire refund of the said income tax for the part of reinvestment.
Customs Duties	1.Imported Equipment	For the foreign investment projects of "wholly directly export" which conform to "Guiding Catalogue for Foreign Investment Industries", the imported equipments are imposed custom duty and value-added tax according to the regulations. By examination, if they are indeed wholly directly exported, the tax will be refunded in five years.

		For the foreign investment projects of encouraged type and limited type B which conform to "Guiding Catalogue for Foreign Investment Industries" and transfer their technology, the imported non-utility equipments(including the technology, Kit piece and spare parts imported with the equipments according to the contracts)within the total amount of investment will be exempted from duty and value-added tax except goods listed in "Non-duty-free Imported Goods Catalogue for Foreign Investment Projects"
	2.Exported product	Exempted from export duties with the exception of those under state restriction; those products with its values increase by over 20% due to substantial processing may be exempted from export duties by the Customs as long as they are documented by the competent authorities concerned. The enterprises and managerial departments will enjoy an entire refund for the productive equipments, original material, spare and accessories parts, constructive supplies and office equipment purchased with Chinese territory.
Value-added Tax		Three types of rate at 17%,13%,6% respectively according to different products categories; granted exemption or reduction according to the national tax laws Exempted for the products sold in Special Economic Zones; common tax payer is levied at rate of 6% Exempted for the products made and sold in Free Trade Zones and Export Processing Zones
Investment adjusting tax of fixed assets		Exemption for investment of foreign-funded and foreign enterprises in Chinese territory
Foreign Exchange Control		The foreign-invested enterprise are allowed to change RMB into foreign exchange in the regular projects The enterprises in Free Trade Zones and Export Processing Zones are allowed to reserve foreign exchange The banking grantee system is not implemented for the processing trade in Free Trade Zones and Export Processing Zones

Policies approved by the local government (the details see the local investment guide or related regulations on development zones)	1. Local income tax	Levied at 10% according to the state regulations. It can have a reduction or exemption made by the government of province, autonomous regions or cities directly under the jurisdiction of the central government according to the specific circumstance.
	2. Enterprise income tax of national autonomous regions	Reduced or exempted by the approval of provincial government periodically
	3. Tax incentive	Stipulated by the local financial department; grant an incentive compensation to the foreign-invested enterprises which pay the income tax on time
	4. Depreciation	Stipulated by the local financial department; implement acceleration depreciation according to the item circumstance
	5. Real estate	Stipulated by the local financial department; reduced based on certain term and proportion
	6. Expenditure discount	Stipulated by the local government based on the section, scale, Technique level and way of payment of the foreign-funded projects, grant a reduction in the respects of the expense of land-use, house-rent, energy, headwaters, telecommunications, service, etc
	7. Loss compensation	Any losses incurred, enterprises could be made up with its gains of the next tax year, it may, in case its gains of the following tax year are insufficient, continue doing so year by year in succession within a period of no more than 5 years.

Notes:

1.* () means taking reference of the policies in open areas

2. The State Council stipulates, the policy of "refund the tax after payment determined by the local government" is terminated from Jan 1st.

3. The form above is compiled by the China Association of Development Zones on the basis of current valid regulations of the State Council and related department before 2002. The policies which are not listed above are performed according to the national regulations.

Management Organization Responsibilities of State Economic and Technological Development Zones

State-level Economic and Technological Development zone carries out some policies for China Special Economic Zones and new pattern management system under the guidance of local government. The administrative committee, assigned by the local municipal government, implements uniform management of development zones and cooperates with other departments.

The committee's work includes:

- I. To make the overall program and economic and social development plan as well as industrial development policies of development zone (under approval);
- II. Lay down the administrative regulations of development zone; perform preferential policies;
- III. Be responsible for the layout, expropriate, exploitation and management of land; for the construction and management of infrastructures and public utilities;
- IV. Administer the finance, tax revenue, labor and personnel and industry and commerce; protect legal rights of staffs;
- V. Examine and approve investment projects and provide consultation and service for investors;
- VI. Deal with general economic and foreign affairs
- VII. Administer the import and export operations
- VIII. Administer the environment protection work
- IX. Initiate education, science and technology, health, physical education and other commonweal
- X. Supervise and administer all kinds of enterprises and institutions;
- XI. Supervise, administer and harmonize filiations set up by departments of municipal governments;
- XII. Harmonize filiations set up by none-municipal governments;
- XIII. Set up streamlined organizations;
- XIV. Other functions and powers authorized by municipal government; Appoint and remove work staffs of administrative committee and its filiations.

Economic and Technological Development zones are under the guidance of the Office for Special Economic Zones under the State Council in the early days, Minister of Foreign Trade and Economic Commission (MOFTEC) from 1999 and Department of Commerce from 2003 since the restructuring of the State Council.

Advantages and Characteristics of State Economic and Technological Development Zones

Directly approved by the state council, Economic and Technological Development Zones (hereinafter referred to ETDZs) are pivot economic regions of China. The government offers supports in the fields of land, revenue and finance and makes special arrangements in economic and legal system, rights and important project examination and approval. Their advantages and characteristics are:

1. Economic regions with foreign investment most centralized
2. Regions with economic developing most rapidly
3. Regions with capital and technology intensive enterprises, hi-tech industries in the leading place
4. Regions with most development potential and obvious geographic advantages
5. Regions with advanced infrastructures and sound support system
6. Regions in line with international practice and regions of high standard of opening-up
7. Regions with good investment policies and legal environment
8. Regions with good economic system advantages

Over more than twenty years' construction, state-level Economic and Technological have spread from littoral to inland and become special economic regions. They are regions with foreign investment most centralized, economic developing most rapidly, most vigorous market, most mature investment environment, newest operative system and best economic benefits.

Economic regions with foreign investment most centralized

The 54 ETDZs have developed a total area of around 400 to 500 square kilometers, which is only a portion of country land with their accumulated foreign direct investment accounting for 15% of the whole country. In some cities, 30% to 40% FDI is from ETDZ. Statistics show that over 200 world famous transnational enterprises have invested more than 400 industrial projects and received generous returns.

Regions with economic developing most rapidly

It is widely recognized that state-level ETDZs have become new economic places. Throughout the past years, the major economic indices remained rapid increases, much higher than the average increases of the country. For example, In the year of 2002, 49 China's national Economic and Technological Zones (ETDZs) scored a GDP of 310 billion yuan, industrial value added of 220 billion Yuan (Accounting for 71% of GDP), total industrial output of 790 billion Yuan, tax revenue of 50 billion Yuan, foreign trade value of 53.6 billion US\$, of which export value of 27.5 billion US\$, contractual foreign investment of 15 billion US\$, actually-utilized foreign investment of 7.7 billion US\$, up by 29.4%, 28.3%, 25.5%, 23.1%, 36%, 33.8%, 31%, 23.4%, 10 to 20 percentage points higher than the national growth margin

respectively. The growth rate is obvious in 16 middle and western ETDZs in particular, even 10 to 20 percentage points higher than eastern ETDZs. In some cities, half of the economic growth is provided by ETDZs.

Regions with capital and technology intensive enterprises, hi-tech industries in the leading place

ETDZs lay emphasis on capital-intensive, technology-intensive, hi-tech and production export enterprises. The investment scale of every project in the zones is twice than that of the whole country. A large number of investment projects are large projects with investment capital over 10 million US\$, some of which over 30 million US\$ or even over 100 million US\$. Hi-tech production value occupies a large proportion in some ETDZs. The industrial structures become increasingly reasonable. At present, industrial chains are taking shape and all kinds of hi-tech industrial park and business pioneering park are emerging. Most of zones have established incubator, business-pioneering center. Moreover, some set up science and technology venture fund to support hi-tech projects.

Regions with most development potential and obvious geographic advantages

State-level ETDZs are located in the major economic cities and transportation pivots, boasting an apparent geographic advantage, convenient transportations, rich energies, water and human resources. These provide a profound base and huge development potential.

Nowadays, state-level ETDZs have formed a strong economic power. They are confident of prospect.

Regions with advanced infrastructures and sound support system

Over around ten years' development, the infrastructures in the zones are increasingly improved. An international standard investment environment and one-stop service system has been established. A large number of zones have passed the attestation of ISO140000. Moreover, the legal system in the zone is taking shape and all the service and social functions are becoming mature.

On the basis of '7 Circulations and 1 Level', the theory of 'New 9 Circulations and 1 Platform' is presented. 9 Circulations are circulations of information, market, rules, fittings, logistics, capital, talents, technologies and services. 1 platform is China economic platform in 21 century. Many ETDZs have established their own websites and implemented online government service. Developing finance and modern logistics, strengthening human third party industries, optimizing human environment and protecting natural resources are important goals of ETDZ.

Regions in line with international practice and regions of high standard of opening-up

ETDZs have grown up in the market economy, more adaptive to the rules of market economy and WTO. Under the macro guidance of the center government, ETDZs take a different economic operation mode to ensure enterprises in the zone have full freedom to determine their management. After China's entry into WTO, ETDZs further perfect their economic operation system, predigest approval procedures, reduce administrative fees, reinforce the role of intermediate agencies and enhance the service function of government organs. ETDZs have become regions in line with international practice and of high standard of opening-up.

Regions with good investment policies and legal environment

According to the law, all the productive foreign funded enterprises are levied by the income tax rate of 15% and allowed an exemption and reduce term. More details can be seen the preferential taxes table on this website. The provincial people's congresses have passed administrative regulations on economical and technological development zones, which provide a reliable legal guarantee for ETDZs. With the improvement of foreign economic and legal regulations, the legal environments in the ETDZs are optimized.

Regions with good economic system advantages

Their economic system has the following advantages:

1. State-level ETDZs are approved by the state council and authorized fully by the government. It Serves as "Windows and bases" in the fields of opening-up, capital attraction, export enlargement, hi-tech development and regional economy promotion.

2. As an assigned organization by municipal government, the administrative committee employs the economic rights, enjoying a comparative large limit of authority.

ETDZs set up streamlined organs, heighten working efficiency and economize administrative expenses.

4. The administrative committee focuses on economy, taking projects as lifeline and thinking everyone as investment environment.

5. ETDZs renovate the concept of land using and try out the way of land-using charge. ETDZs also have a solid financial basis to indirectly compensate high land exploiting costs.

6. ETDZs lay emphasis on their service function. All kinds of One Stop services have come out. At present, many ETDZs are established online foreign investment promotion and online government service system to create a real international investment environment.

7. ETDZs made reforms in labor management. A set of new measures has been carried out in the zone, which also fundamentally changed people's ideas of choosing a job. The profound transforms in ideology bring a huge potential for the sustained development of ETDZs.

8. In environment protection, a portion of ETDZs has passed ISO14000 environment management authentication standard, becoming regional environment protection demonstration zones.

9. To make full preparation for the entry into WTO, ETDZs positively carry through the transformation of government functions to meet the requirements of WTO rules.

Shanghai ABC

Natural Conditions

1. Geographic Location

Shanghai is located in the foreside of the Yangtze River Delta, which is the richest place of China. Bordering on Jiangsu and Zhejiang Provinces on the west, Shanghai is washed by the East China Sea on the east and Hangzhou Bay on the south. North of the city, the Yangtze River pours into the East China Sea. It also assumes the central location along China's coastal line. Thanks to its advantageous geographic location, Shanghai has today become an excellent sea and river port, boasting easy access to a vast hinterland. Shanghai has a total area of 6,340 square kilometers.

2. Climate

With a pleasant northern subtropical maritime monsoon climate, Shanghai enjoys four distinct seasons, generous sunshine and abundant rainfall every year. The average annual temperature is about 16 degrees Celsius.

3. Natural Condition

Except for a few hills lying in the southwest corner, most parts of the Shanghai area are flat and belong to the alluvial plain of the Yangtze River Delta. The average sea level elevation is about four meters. Dotted with many rivers and lakes, the Shanghai area is known for its rich water resources, with the water area accounting for 11% of its total territory. Huangpu River and Suzhou Creek are the main waterways in the Shanghai area. The city's Chongming Island is the third largest island in China.

Social Resources

1. Educational Conditions

Shanghai boasts not only an adequate educational system, which consists of various universities, colleges, middle schools, primary schools and adult education schools, for domestic education, but many schools for the children of working staff from overseas, Hong Kong, Macao and Taiwan. A survey in 2002 showed that there were 25 international schools covering kindergartens, primary schools, junior schools and senior schools in Shanghai.

2. Human Resources

Shanghai is divided into 18 districts and 1 county, encompassing 153 towns and 3 townships. Some 13.34 million people are the permanent residents and the city has a total population of 16.74 million (including the floating population). By the end of 2001, Shanghai had employed 7.52 million people. Of the total, 24.5% were hired by the state-owned enterprises and institutions, 35.5% were employed by collectively owned units, and 40% found jobs in foreign invested companies, private units and other economic entities.

Shanghai's talent qualification is at the leading position of China, and the productivity of unit human cost is rather high. Shanghai is well known not only as a city possessing abundant talent reserves, but also as one gathering talents from both at home and abroad. Some 50 universities and colleges are located in Shanghai and the students have exceeded 330 thousand. Shanghai has different level of the technical personnel up to 696.8 thousand, and in average there are 525 different kinds of technical personnel per 10000 persons. More than 1000 research and development institutions are located in Shanghai.

3.Talents Attracting

So far Shanghai has taken practical measures, with Talents Flexible Flow and Shanghai Green Card as the most famous ones, to attract demanded talents. Talents Flexible Flow encourages free-flow of talents, while Shanghai Green Card provides them with residence permit. In Shanghai there are over 32 thousand talents coming from overseas, accounting for 20% of the total in China and nearly 50 thousand permanent experts from overseas, Hong Kong and Macao, taking up 40% of the aggregate.

4.Public Health

With regard to medical security, there are about 4,600 medical institutes in various types, having more than 70 thousand sickbeds, including over 460 comprehensive hospitals, 26 CDCs, 10 women and children health centers. There are more than 100 thousand professionals in this field, including about 50 thousand doctors in Shanghai. Shanghai also has an extensive health care service network among the communities. So far, among the 18 foreign-invested hospitals and over 60 foreign-invested clinics approved by the government of China, 25 are located in Shanghai.

5.Urban transportation

Shanghai has built 2 subway lines and 1 light railway line. Furthermore, it has the 1st magnetic levitation railway in China. It is scheduled that the total length of rail transportation will increase to 233 kilometers in 2005 from the present 65 kilometers and the lines of rail transportation will grow to 15 with the length totaling 400 kilometers.

6.Foreigners in Shanghai

Shanghai is an ideal city to live in for foreign investors. According to the survey by the famous journal Economists, Shanghai has been appraised as the city that is most suitable for foreigners to live in.

At present, the number of foreigners living and working in Shanghai is far ahead of that in other cities of China. According to statistics, in 2002 lived in Shanghai about 100 thousand foreigners and 250 thousand Taiwanese, among which some 34,735 foreigners, coming from 126 countries, were employed.

There are 3 main reasons for so many foreigners choose to live in Shanghai: first, the relatively lower house price; second, convenient and leisure life; and third, they are optimistic about the future development of Shanghai.

7.Entertainments and Travel

As a historic city, by the end of 2001, there had been 16 state key protective relics, 110 city key protection relics, 21 historic memorial spots and 15 protective spots in Shanghai. Among the relics and spots, stand as the most famous the 1000-year-old Longhua Ancient Temple, the Three Kingdoms period built-in Jing'an Ancient Temple, the world-known Jade Buddha Temple, the famous eastern China's Garden Yuyuan, as well as Jiading Confucian Temple, Songjiang Square Pagoda and Songjiang Zuibai Pond, retaining the historic relics and preserving the typical Chinese garden elites that originated in the Dynasties of Tang, Song, Yuan, Ming and Qing.

Since the beginning of 1990s, many well-known functional buildings have been erected continuously, adding a fascinating modern city's scenery to Shanghai, as well as becoming the new sightseeing spots in Shanghai. The buildings include the People's Square, called the city green lung, the Oriental Pearl Broadcasting & Television Tower that has made 10 world records, the Jinmao Mansion, the highest building in China, Nanjing Road Pedestrian Street, the Shanghai Museum, the Shanghai Grand Theater and the Shanghai City Plan Exhibition Hall.

The residents of Shanghai enjoy rich entertainments, with operas and concerts visiting Shanghai constantly in a year and fireworks making up the city very well on holidays. In addition, there are over 20 golf courses and several hundreds gyms in Shanghai and around areas. What's more, Hengshan Road and Xin taindi, which are famous for their bars, often attract foreigners.

Transportation & Communications

1.Shipping

In the field of ocean transportation, Shanghai port has established shipping and trading connections with more than 600 shipping companies and 500 more ports in 200 countries and regions around the world. The throughput of Shanghai port reached 8.61million TEUs, which ranked the 4th in the world, only after Hong Kong, Singapore and Busan in 2002.

2.Overland Transportation

Shanghai also enjoys a developed inland transportation: you can reach all the railway terminals in China from Shanghai railway station. In terms of highway, Shanghai plans to build 650km of expressway network in 2005 when it takes 15 and 30 minutes from any major industrial zones, hubs of communications and satellite towns to the nearby expressway and downtown respectively. The total length of high way in Shanghai has reached 238Km. A comprehensive transportation network connecting Shanghai, Jiangsu, Zhejiang and even Yangtze Delta is coming into shape. Now starting from Shanghai, it takes only 4 hours to reach any of the cities in Yangtze Delta.

3.Air Transportation

In 2002, Shanghai's airfreight volume ranked the first and air passengers number ranked the second among all cities in China. In domestic air routes, Shanghai has flights with all the provinces, national autonomous regions (except Taiwan) in China while Shanghai has flights with 59 cities in the world in international air routes. 31 international airline companies now have operations in Shanghai.

4. Deep-Water Port Construction

In order to satisfy the increasing throughput in container transportation, Shanghai started the Dayangshan and Xiaoyangshan deep-water port project that is the focus of China's deep-water port construction in Yangtze River Valley and Delta. Its positioning is to be the hub port of northeast Asia, finally building a port with 15m deep, 50 more large container berths and 25 million TEU capacity. In the meantime, a 95km² harbor city holding 300 thousand residents will be built up as the complete project.

5. Airport Hub Construction

Shanghai will build a combination-style international airport hub with Pudong international airport as the core and Hongqiao airport as the supplement. Currently, Pudong international airport has an annual capacity for 20 million passengers and 750 thousand tons airfreight. It is planned to be preliminarily confirmed as the air port hub in Asia-pacific in 2005 and finally build up 4 4E-level runways, 200 parking berths, 80 million passengers and 5 million tons air freight. (As we know, general international airport hub requires over 2 runways, 30 million passengers and 1 million tons airfreight. Pudong airport will greatly surpass such standard).

6. Information Harbor Construction

Shanghai's digitalization is in the lead in China. It is planned that Shanghai's level will reach the average standard of the central cities in developed nations in 2005 and the framework of a digital city will be preliminarily built up in 2007.

Main and complete projects for Shanghai information harbor include intensive information pipelines projects, broadband network construction projects, 2 key application projects construction, and some complete application projects. Objectives to be realized in 2010 include:

- 1) Internet international access broadband reaches over 1000 million£»
- 2) Optical fiber coverage in building and residential area over 95%£»
- 3) Family broadband linking coverage reaches 50%.
- 4) Narrow band linking capacity over 60 thousand lines reaching 1 million users.
- 5) Local intranet bandwidth reaches over 100MB;
- 6) Family telephone coverage reaches 85%, mobile phone coverage reaches 23.8%, cable TV family coverage reaches 85.4%.

Economic Development

1. Macro-economic Indices

At the very beginning of last century, Shanghai was the biggest industrial city in China and the financial center in the Far East. In the 1990s, taking the opportunity of the development and opening-up of Pudong, Shanghai deepened the economic reform process and expanded opening-up, which have made great achievements. From 1998 through 2002, total GDP and per capita disposable income increased by two digitals. By 2002, the GDP of Shanghai had reached USD65 billion with per capita GDP standing at about USD5000. According to our expectation, by 2007, our per capita GDP will be USD7500. At the same time, the rate of unemployment will be below 3%-5% and the ratio of inflation below 2%-4%.

Shanghai's infrastructure input in 2002 amounted to RMB58.3 billion, which accounted for 27% of Shanghai's total fixed assets input and was much higher than that in other major Chinese cities. In the past 5 years, the average increasing rate for infrastructure input was 11% while the major fields fell within urban construction, transportation, post and telecommunications and public facilities construction.

2. Industrial Development

Shanghai used to be an industrial center and have a very solid industry base. In recent years, the tertiary industry has developed rapidly, with annual increasing rate at 12% and took up 51% of the GDP of Shanghai in 2002. Compared with other major foreign investment cities, Shanghai puts its priorities in industrial and service sectors. Six key industries (IT, motor, petrochemicals, fine chemicals, complete set of equipment, biopharmaceuticals) realized 58% of the total industrial output while the four primary sectors in the tertiary industry (finance and insurance, real estate, transportations, post and telecommunication, wholesale and retailing) achieved 62% of the total output in this industry, in which finance occupies 21%, staying first.

Shanghai boasts obvious advantages in many industrial fields and strong capability in processing. In the next five years, Shanghai will take measures to develop its secondary and tertiary industries under the direction of the policy of "Same Priority in the Secondary and Tertiary Industries", mainly focusing on IT, finance, trade and commerce, motors, real estate, complete set of equipment, cultivating new industries such as biopharmaceuticals, modern logistics, new materials, environmental protection and simultaneously developing fine steels, petrochemicals and fine petrochemicals. The added value of the six pillar industries will have reached 60% of the total GDP by 2005. IT will see a fastest growth rate of 21% annually. Finance will be core industry, accounting for 18% of total GDP. As for commerce, we will encourage chain operation and information management. What's more, 2010 Expo will bring enormous opportunities for complete set of equipment.

Focusing on the upgrade of industrial and commercial structure, Shanghai will fully promote four centers, which are respectively located in the north, south, east, and west part of Shanghai. The north will become the base for fine steels while the east IT base, west part as the comprehensive motor base and south part mechanical base. Those will bring a lot of investment opportunities. For example, by 2005, the total input will reach RMB160 billion in east part as IT base, RMB100 billion for south part as mechanical base.

3. Foreign Direct Investment (FDI)

I. Summary

In 1991, China's FDI only accounted for 20% of that in the United States, while in 2002 the FDI into China surpassed U.S. and China became the country most attractive to foreign capitals. In the past decade, the CAGR of China was as high as 25.4%, while that in U.S. was only 7.2%. Continuous growth of Chinese economy, the improving investment environment, competitive labor force and commitments made by China to WTO explain why FDI into China rises so greatly.

During the past decade, the Shanghai's FDI rapidly increased with a rate up to 36%, 10% higher than that in China as a whole. The increase rate in Shanghai has been the top one for many years. In 2002, Shanghai's FDI accounted for 19.3% of total fixed assets input.

II. Industrial Structure

As of the end of 2002, foreign investment in the tertiary industry accounted for 46.5% of the total, while in China the figure is 32.7%. Real estate accounted for half of the tertiary industry, mainly from Hong Kong investors, while investment in other fields like finance, insurance, culture and media was relatively small due to entry restriction. In the second industry, more than 95% of the investment is in manufacturing industry and in particular, the labor-intensive and assembly companies used 60% of the total foreign capital in the secondary industry.

III. Investment Modes

In 1991, WFOEs only accounted for 24%, and during the past years, the proportion of WFOE increased very rapidly, reaching 70% in 2002.

IV. Investment Sources

As for the source of investment, by the end of 2002, capitals from Southeast Asia had accounted for 50% of the total. The rest was mainly from Latin American, Europe and North America, accounting for 19%, 15% and 13% respectively. As for the countries and regions, Hong Kong, Japan and U.S. are the top 3. By far, totally 103 countries and regions have invested in Shanghai.

Different countries and regions have different features in investment in Shanghai, which can be described as:

(1) Project scale: scale of the individual project (average) from EU is the top one, up to USD7.08 million, while Taiwan ranks the last with only USD1.1 million;

(2) Leading fields: Hong Kong companies mainly invested in real estate, garment and textile, and trade, Japanese companies in automobile, semiconductor and precision instrument, U.S. companies in automobile, biomedicine, petrochemical and finance and retailing;

(3) Entry time: Asia countries and regions entered Shanghai comparably earlier due to geographical and cultural reasons, while many big projects from western countries gradually entered only after 1996.

V. Investment Returns

Compared with those in Shanghai industrial enterprises, the main economic indexes such as Ratio of investment returns, labor production and per capita profit of the foreign invested companies in Shanghai are all about 30% higher.

VI. New Features and Trend of FDI Utility in Shanghai

With China's accession to WTO, Shanghai's attraction to foreign capital will be more and more stronger, and the investment in future will show new features and trends: 1. Industry structure, Shanghai will focus on high tech industry and foreign-oriented economy, and proportion of tertiary industry will be greater, at the mean time we will take concrete actions to encourage foreign investment in the 6-pillar industry. 2. Ways of investment. We welcome WFOEs and foreign holding companies within permitted fields, and encourage investors using new ways like M & A to involve in the reform and restructuring of state-owned companies. 3. As for investment strategy, we encourage the investment in regional headquarters, R&D centers and purchasing centers, and hope the foreign investment can be more systematic and of more globally strategic significance.

VII. Economic Development Zones at different levels

Shanghai has planned some specialized economic development zones of all kinds for foreign investors.

Different development zones in Shanghai boast different features and preferential policies. Pudong New Area is the biggest development zone in Shanghai. Financial and trade Development Zones include Lujiazui Financial and Trade Zone and Hongqiao Economic and Technological Development Zone, Export Processing zones include Songjiang and Jinqiao Export Processing Zones. What's more, the main industrial zones in the suburban area are: Jiading Industrial Zone, Baoshan Urban Industrial Zone, Chongming Industrial Zone, Qingpu Industrial Zone, Songjiang Industrial Zone, Xinzhuang Industry Park, Kangqiao Industrial Zone, Shanghai Comprehensive Industrial Zone and Jinshanzui Industrial Zone. A lot of world-famous companies have made investment in these zones.

4. Urban Construction

Starting from the beginning of 1990s, the city has focused its urban construction on the development of functional and hub infrastructures. Shanghai invested a total of more than RMB360 billion in its urban construction projects, representing an average annual growth of 30.7%, accounting for 23.1% of the fixed assets investment of the same period. Featuring massive investment, high speed and large scale, Shanghai's endeavor in upgrading local infrastructure facilities has not only changed the city's skyline, but also markedly improved its investment environment. Shanghai has become taller and more beautiful than ever before.

Consisting of railways, interchanges, "three verticals and three horizontals" main roads, tunnels and bridges across Huangpu River, a modern, solid and multi-level

traffic artery network has taken its shape and covers almost the whole urban area of the city. Magnetic levitation railway is pushed into trial use. Shanghai has made remarkable progress in pollution control and environment protection. The city achieved the phase goal of getting rid of black color and stinking odor for the main sectors of Suzhou Creek. The quality of the main water body of the Huangpu River had also improved. Efforts have been taken to plant more trees and grass in the city and as a result, Shanghai's green area has increased in the last few years, with green area making up 30% of the city's urban area. The city's environment has greatly improved. A lot of public facilities for electric power, water supply, drainage, flood prevention, gas, and telecommunication have been completed sequentially.