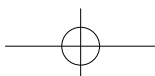
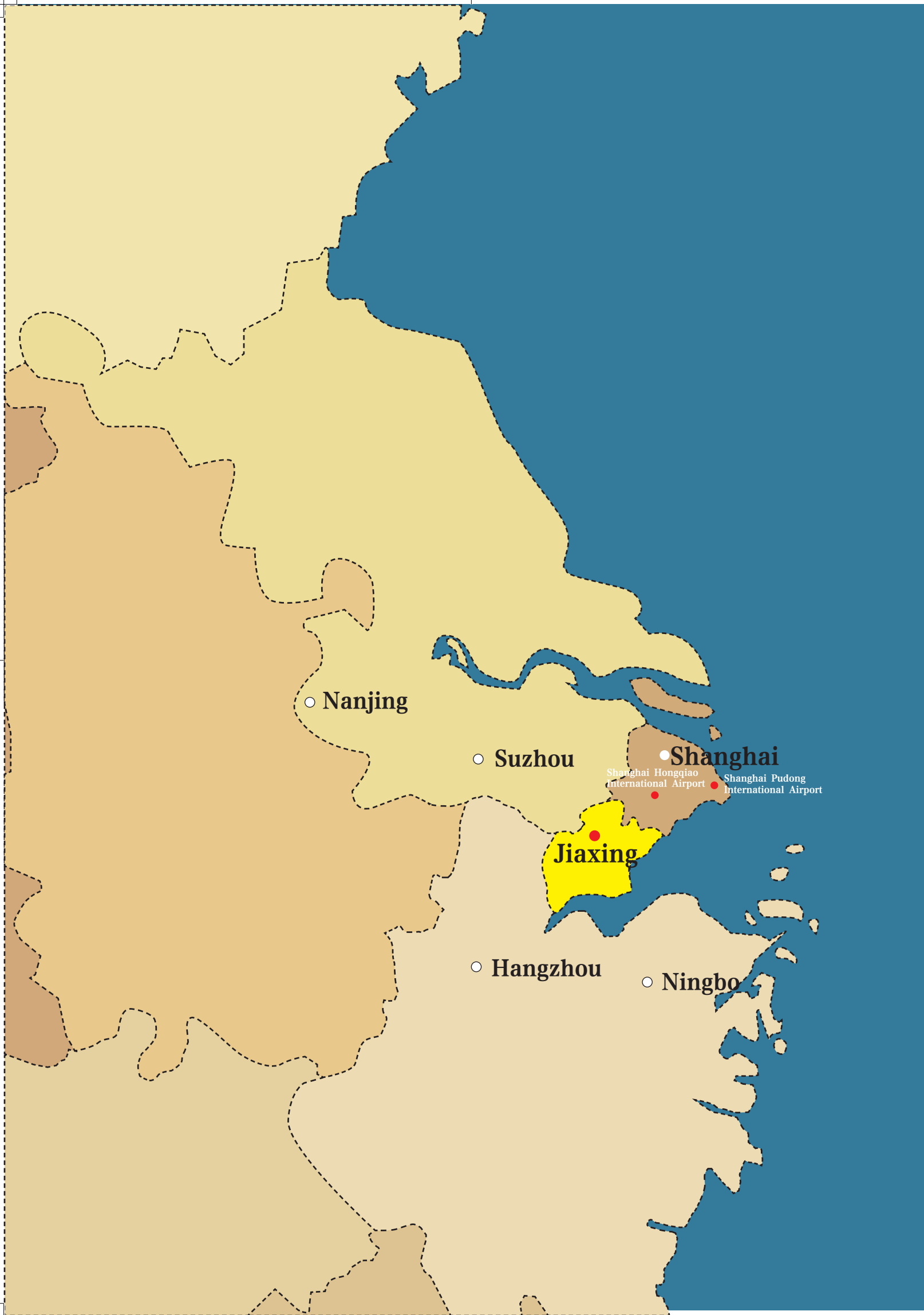


# Deloitte.

## 德勤

### Research Report on the Investment Environment of Jiaxing Economic & Technological Development Zone





# Introduction

Sitting on the southeastern shoreline of China, Jiaying (Zhejiang Province) is uniquely situated at the junction of Shanghai Municipality, Jiangsu Province and Zhejiang Province. This places Jiaying in the center of the economically dynamic Yangtze River Delta region and China's coastal economic belt.

Founded in August 1992, Jiaying Economic & Technological Development Zone (hereinafter referred to as "Jiaying Development Zone") was one of the first provincial economic development zones to be approved by the Zhejiang provincial government. In March 2010, Jiaying Development Zone, upon approval by the State Council, was upgraded to a national economic and technological development zone. At the beginning of 2010, Jiaying Development Zone was integrated with Jiaying International Business Park. By June 2010, mainly by capitalizing on Jiaying Development Zone and Jiaying International Business Park, Jiaying Modern Service Clustering Zone evolved into one of the largest provincial level development platforms for industry clustering. With a planned area covering 110 km<sup>2</sup>, the zone is under the management of Jiaying Development Zone and Jiaying International Business Park. The integration of the Jiaying Development Zone, the Jiaying International Business Park and the Jiaying Modern Service Clustering Zone are leading to future joint development efforts.

With the advent of the "12<sup>th</sup> Five-Year Plan (FYP)," China's economic development model is experiencing a historical transformation, switching from a labor-intensive structure to a knowledge-intensive, technology-intensive and capital-intensive structure. Since the beginning of the "12<sup>th</sup> FYP," Jiaying Development Zone has experienced rapid growth in the advanced manufacturing sector as well as excellent progress within strategic emerging industries. Meanwhile, traditional industries have continued to optimize production as the modern service sector has continued to expand.

Within the "12<sup>th</sup> FYP," 2014 serves as a critical and transitional year. Therefore, by utilizing such opportunities, Shanghai Deloitte Tax Ltd. (hereinafter referred to as "Deloitte" or "We") is pleased to present this research report to investors on the overall investment environment of Jiaying Development Zone, commissioned by the Supervisory Commission of Jiaying Development Zone. This report has been written from an objective and third-party perspective, and compiled utilizing professional research and analytical techniques.

This report has been prepared using quantitative and qualitative analysis based on our independent research of Jiaying Development Zone, including field studies, key corporate interviews and data collection. From investors' perspective, we have assembled a variety of attributes that gauge the quality Jiaying's investment environment, including various indicators proposed by the Ministry of

Commerce and other relevant departmental bodies involved with the evaluation of the investment environment. We have compiled this report from two perspectives, namely, importance and satisfaction, to systematically reflect the investment environment of Jiaying Economic & Technological Development Zone in the five special areas set out below:

- Government policies and services
- Business environment
- Infrastructure
- Human resources
- Living environment

Based on our research, the overall trend of the current global economy has enormously affected China's original export-oriented growth model. Therefore the optimal transformation of the economic growth model, along with resulting industrial upgrades, has become an inevitable trend for China's macroeconomic policies.

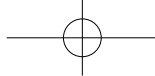
At a new historical starting point, Jiaying Development Zone is committed to vigorously promoting industrial transformation and upgrades, accelerating the development of emerging industries and continuing to improve systems and mechanisms that are beneficial to systematic development and transformation development patterns, therefore ensuring leapfrog development in the economy.

Our research indicates that Jiaying Development Zone is distinctive in the following aspects:

- Unique geographical advantage
- Transparent and efficient government services
- Advanced development planning
- Competitive investment costs
- Outstanding living environment

With its profound historical and cultural heritage, advantageous geographical location, and convenient transportation network, Jiaying Development Zone has attracted many domestic and overseas investors over the last 2 decades and is poised to confirm and enhance its competitive advantages for business investment in Yangtze River Delta region.

Looking to the future, Jiaying Development Zone will take full advantage of its inherent qualities and self-developed attributes to play an important role in developing the Yangtze River Delta region into a key international gateway to the Asia-Pacific, and a base for world-class cities. At the same time, Jiaying will evolve into one of the premier destinations for investments in advanced manufacturing and modern services.



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Business environment

Infrastructure

Human resources

Living environment

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I. Registered capital and total investment of foreign-invested enterprises (FIEs)

II. Main establishment procedures for foreign-invested enterprises

III. Timetable of main establishment procedures for foreign-invested services

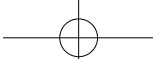
IV. Main taxes applicable to foreign-invested enterprises

V. Main government agencies for investment services

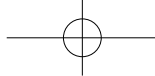
VI. Transportation guidelines of Jiaxing Economic & Technological Development Zone

Postscript

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# I. Overview of the City



# 1.1 Overview of the City

## Superior Location

Located in the northeastern part of Zhejiang Province, Jiaying is part of a strategically important plain-belt composed of Hangzhou, Jiaying and Huzhou, and serves as an important city in the Yangtze River Delta region. The ocean lies to the east of Jiaying, and the Qiantang River is located to the south, Lake Tai is situated to the north, and the water of Tianmu Lake comes from its west. The Grand Canal also runs through Jiaying as well. Jiaying is located at the convergence of rivers, seas and lakes, safeguards a strategic portal to the southern corridor of Lake Tai, and is less than 100 km from Shanghai, Hangzhou, Suzhou and Huzhou. Due to its geographical advantages, Jiaying is best known for its position between Suzhou and Hangzhou, where are well renowned as travelers paradises. <sup>①</sup>

## Solid Industrial Base

To date, there are over 1,000 industrial enterprises in Jiaying Development Zone, and there are over 500 foreign-invested enterprises. Five major leading manufacturing industries have been established in the region which include, auto parts services, high-end food, precision machinery, electronic information and high-end textiles. This concentration of industries started a trend that has led to the interactive development of advanced manufacturing, modern services and high-tech industries. <sup>②</sup>

## Huge Development Potential

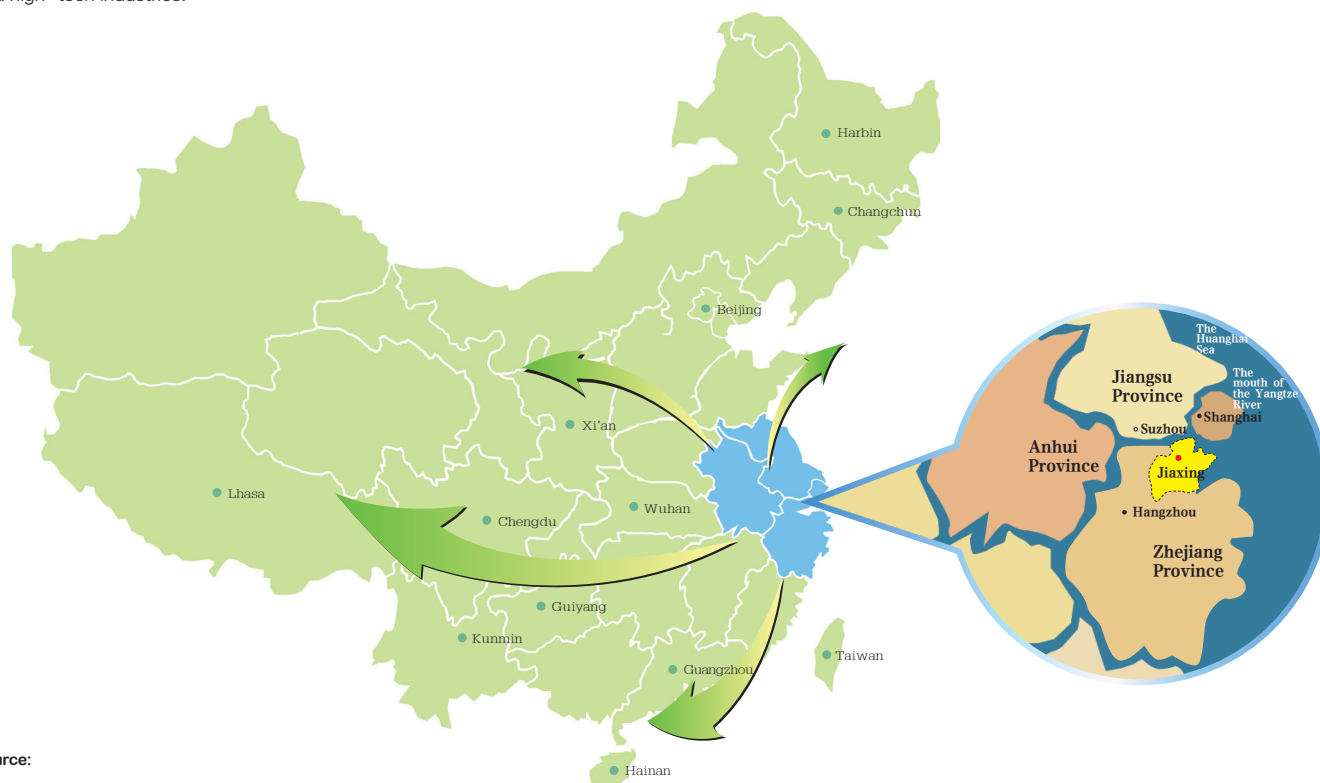
Jiaying has a total land area of 3,915 km<sup>2</sup>, of which urban area comprises of 968 km<sup>2</sup>.

As a provincial city in Zhejiang Province, Jiaying is made up of five counties (Pinghu, Haining, Haiyan, Jiashan and Tongxiang) and four districts (Nanhu District, Xiuzhou District, Jiaying Economic & Development Zone and Jiaying Port Zone).

## Remarkable Development Environment

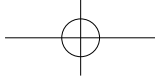
Situated at the southern edge of the northern subtropical belt, Jiaying falls in the East Asian monsoon region. Thus, it has four clearly defined seasons with a moderate temperature, ample rainfall and adequate amounts of sunlight. In recent years, the ambient air quality rating in urban areas has exceeded 90%.

Known as "the land of fish and rice and the home of silk and satin," Jiaying has few natural disasters and has an ample supply of food and clothing for its residents. Jiaying locals, being both well educated and well mannered, believe in living simply and following old customs, and have built one of the most safe and secure cities in the country. <sup>③</sup>



**Source:**

- ① Website of Jiaying Government
- ② Investment Environment Analysis Report of Jiaying Economic & Technological Development Zone
- ③ Investment Manual of Jiaying Economic & Technological Development Zone



## 1.2 Geographical Advantages

### Unique Geographical Location

Centrally located within the economically dynamic Yangtze River Delta region and China's coastal economic belt, Jiaxing lies at the intersection of Shanghai Municipality, Jiangsu Province and Zhejiang Province. Jiaxing is located 90 km from Shanghai to the northeast, 90 km from Hangzhou to the southwest, and 70 km from Suzhou to the north.

Given its convenient geographical location, Jiaxing enjoys an excellent supply of resources from neighboring ports. For enterprises that are focused on the East China market or require a relatively high export volume, investing in Jiaxing is a wise choice.

At the same time, following the "deindustrialization" trend that is taking place in Shanghai and other cities, Jiaxing Development Zone has become an ideal site for industrial enterprises to settle in.

– Philips (China) Investment Co., Ltd.

*As one of the largest electronics companies in the world, Royal Philips of the Netherlands is a leader in cardiac care, acute care and home healthcare, energy efficient lighting solutions and new lighting applications, as well as men's shaving and grooming and oral healthcare. In 2013, the Company ranked 347<sup>th</sup> on Fortune Global 500.*



Source:  
Investment Manual for Jiaxing Economic & Technological Development Zone

# 1.3 Macro-Economy

## Prosperous Regional Economic Development

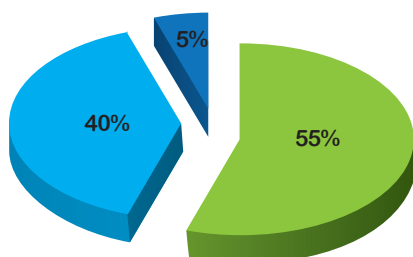
In 2013, Jiaxing realized a GDP of RMB314,766 million, representing an increase of 9.3% compared to the previous year. Of which, the value added within the primary industry rose by 0.8%; the value added within secondary industry rose by 9.9%; and the value added within tertiary industry rose by 9.4%.

## Continued Optimization of Business Entities

Following the implementation of reform policies, business entities in Jiaxing experienced improved development. The percentage share of the secondary and tertiary industry continued to increase, while industrial businesses and modern services reported robust growth. In 2013, the percentage proportion of Jiaxing business entities within the three industrial sectors, namely, primary, secondary and tertiary, were 4.9%, 54.9% and 40.2%, respectively.

## Percentage Proportion of the Three Industrial Sectors

- Primary Industry
- Secondary Industry
- Tertiary Industry



Note: According to the "Classification of Three Industry Sectors" released by the National Bureau of Statistics in 2003, the three industries are classified as follows:

The primary industry refers to agriculture, forestry, animal husbandry and fishing;

The secondary industry refers to the mining industry; manufacturing; the production of electricity, heat, gas and water suppliers; and construction;

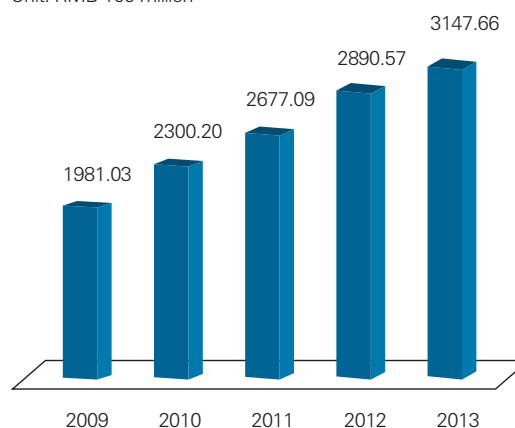
The tertiary industry refers to other businesses outside the scope of the primary sector and the secondary sector, which is mainly the service sector.

### Source:

Jiaxing City Statistical Communiqué on National Economic and Social Development for 2013

## Jiaxing's Total GDP from 2009 to 2013

Unit: RMB 100 million



## Rapid Growth in Foreign Trade

In 2013, Jiaxing's total import and export value came to USD 31,763 million, representing an increase of 10.5% from the previous year. From the total, exports rose by 9.8% to USD 21,512 million, while the imports rose by 12.1% to USD 10,251 million.

## Jiaxing's Total Import and Export Value from 2009 to 2013

Unit: USD 100 million





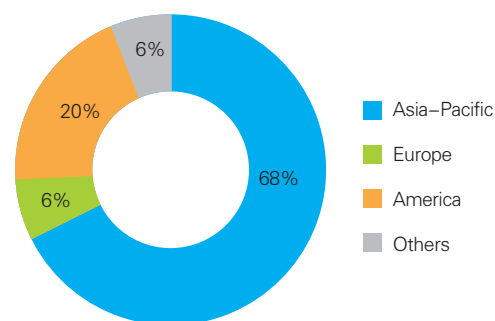
# 1.4 Foreign Investment

## "Fertile ground" for Foreign Investment

By the end of 2013, Jiaxing was home to over 6,000 foreign-invested enterprises, 50 of which were listed on the Global Fortune 500. <sup>①</sup>

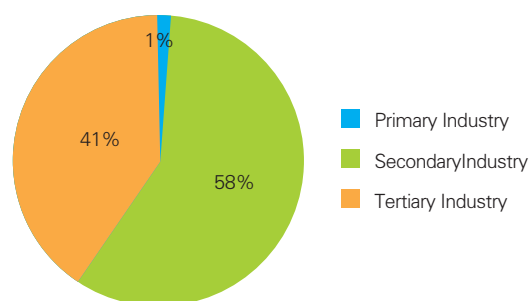
Investments in Jiaxing from Global Fortune 500 (partial)	
Royal Philips of the Netherlands	Metro AG
Abbott Laboratories	Mitsubishi Corporation
Sumitomo Electric Industries, Ltd.	Groupe Auchan SA
Hitachi, Ltd.	JFE Steel Corporation
Nippon Steel & Sumitomo Metal Corporation	Marubeni-Itochu Steel Inc.

## Origin of Foreign Investments in Jiaxing for 2013 (by investment value) <sup>②</sup>



According to the statistics, Jiaxing attracted a sizable amount of foreign direct investment in 2013. There were 248 projects related to new foreign-invested enterprises, representing an increase of 14 compared against last year. Foreign funds for newly approved contracts reached USD 3,391 million, with USD 2,207 million actually utilized.

## Industrial Distribution of Foreign Investments in Jiaxing for 2013 <sup>③</sup>



On 27 April 2014, Queen Margrethe II of Denmark attended the groundbreaking ceremony of Lego Toys Manufacturing (Jiaxing) Co., Ltd.

### Source:

- ① Analysis report on the investment environment in Jiaxing Development Zone (April 2014)
- ② Jiaxing City Statistical Communiqué on National Economic and Social Development for 2013
- ③ Information provided by Jiaxing Development Zone

# 1.5 Consumer Market

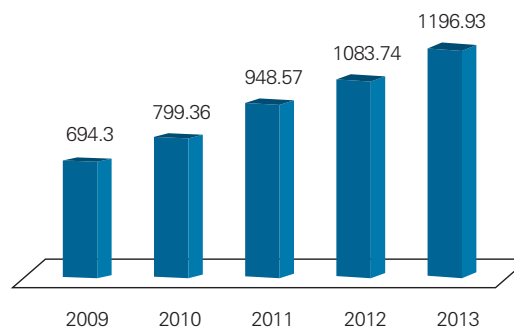
## A Dynamic Consumer Market

In 2013, total retail sales of consumer goods in Jiaxing City totaled RMB 119,693 million, representing a year-on-year increase of 13.1%. Retail sales in the urban market rose by 13.2% to RMB 102,601 million, while the retail sales in the rural market rose by 12.7% to RMB 17,092 million.

Retail value of wholesale and retail services (RMB 100 million)	Growth rate	Retail value of accommodation, food and beverage services (RMB 100 million)	Growth rate
1077.17	13.5%	119.76	10.0%

## Total Retail Sales of Consumer Goods from 2009 to 2013

Unit: RMB 100 million



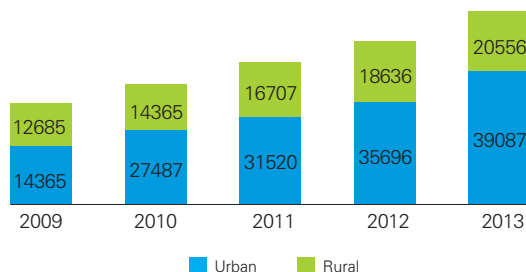
## Residential Income Growing Steadily

In 2013, the per capita disposable income for Jiaxing's urban residents was RMB 39,087, representing an increase of 9.5%. Discounting inflation, the actual growth rate was 7.7%. The net income per capita for rural residents came to RMB 20,556, representing an increase of 10.3%. Discounting inflation, the actual growth rate was 8.5%.

Following the steady growth in residential income, Jiaxing's urban and rural residents improved their purchasing and consumption power, laying a solid foundation for a prosperous consumer market in Jiaxing.

## Per Capita Disposable Income of Jiaxing Residents from 2009 to 2013

Unit: RMB 100 million



## Deloitte Perspectives

Despite challenges, China's economy has been able to maintain rapid growth over the last 10 years. The significant increase in the income of residents and the emergence of large group of middle-class consumers has spurred the precipitous growth of the retail sector.

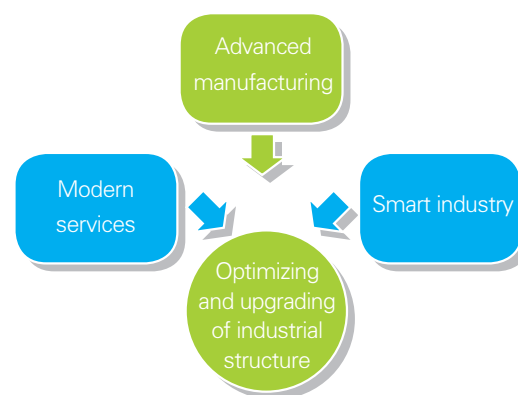
—Multi-format Retailing: Path of Future Development of Enterprises Focus on Retail Chains in China

Source:

Jiaxing City Statistical Communiqué on National Economic and Social Development for 2009 to 2013

# 1.6 Industrial Development and Planning

According to Jiaxing's summary on its "12<sup>th</sup> FYP" for national economic and social development, Jiaxing will accelerate industrial restructuring and optimize its industrial layout by prioritizing the development of modern services, upgrading leading industries, and expediting the cultivation and development of emerging industries. Jiaxing is aiming at its industrial structure shift, from an industrial economy to one based on advanced manufacturing and modern services, hence completing the transformation from "Made in Jiaxing" to "Created in Jiaxing."



In 2013, Jiaxing's gross industrial output value reached RMB 156,088 million, representing a comparable increase of 10.4% and accounting for 49.6% of the total output value. There were 4,409 large-scale industrial enterprises (whose major business revenue exceed RMB 20 million), representing an added industrial value of RMB 126,046 million at a growth rate of 11.5%. The added value of the heavy industry came to RMB 64,389 million, representing an increase of 14.3%; the added value of the light industry was RMB 56,258 million, representing an increase of 8.2%.

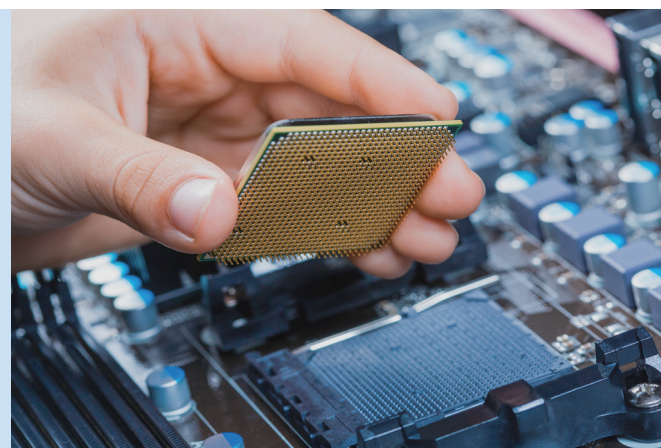
The added value of the tertiary sector was RMB 126,531 million, accounting for 40.2% of total output value, compared to 39.3% in 2012.

New product output value of citywide large-scale industries amounted to RMB 237,412 million, representing an increase of 26.2%. Additional investments in new technologies increased, and therefore, the development expenditure for the city accounted for 2.49% of the total output value. <sup>①</sup>

## Deloitte Perspectives

Chinese made products can be found all over the world. Given its capital accumulation and continued improvements in technological competence, China's product exports have shifted from low added-value products, such as low-end apparel and footwear, to high-tech products, such as machinery and electronics. According to statistics from the General Administration of Customs of the People's Republic of China, the export volume for mechanical and electrical products has gradually increased during the last ten years, rising from 42% to 58% of total exports.

—From "World Factory" to "Smart Manufacturing", How Far is it?  
Survey on enterprises engaged in smart manufacturing and its application in China



### Source:

① Jiaxing City Statistical Communiqué on National Economic and Social Development for 2013

# 1.7 Functional Deployment in the Zone

## Transformation and Upgrade Demonstration Zone

- Planned area: 24.73 km<sup>2</sup>
- Keywords: secondary development, introduction of high-end entities, elimination of low-end entities
- Key industries: auto parts, precision machinery, synthetic fibers and textiles, and electronic information

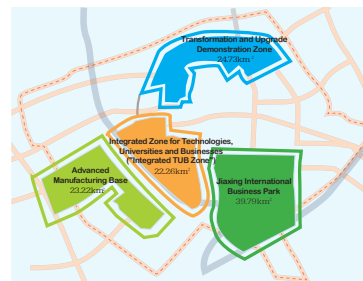
## Integrated Zone for Technologies, Universities and Businesses ("Integrated TUB Zone")

- Planned area: 22.26 km<sup>2</sup>
- Keywords: introduction of education and cultivation, and integrated promotion
- Key industries: scientific and technological innovation, trading and logistics, and higher education



## Functional Layout

Jiexing Economic & Technological Development Zone has created a practical industrial layout by integrating the original ten functional zones into three zones and one base, namely, "Transformation and Upgrade Demonstration Zone," "Integrated TUB Zone," "Jiexing International Business Park" and "Advanced Manufacturing Base."



## Advanced Manufacturing Base

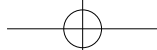
- Planned area: 23.22 km<sup>2</sup>
- Keywords: introduction of large scale industrial entities, cluster of industrial specialties
- Key industries: high-end food, equipment manufacturing and biomedicine

## Jiexing International Business Park

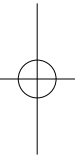
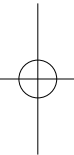
- Planned area: 39.79 km<sup>2</sup>
- Keywords: high-end industries and high-end property
- Key industries: headquarters economy, finance and commerce, and business events

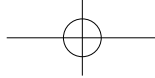
**Source:**

As provided by Jiexing Economic & Technological Development Zone



## II. Government Policies and Services





# Introduction

Systematic and practical government policies promote the zone's economic development and encourage industrial clusters. Pragmatic government services provide a highly efficient and transparent administrative environment for enterprises, allowing enterprises to focus on business development.

Jiaxing Economic & Technological Development Zone is focused on high-end enterprises that are principally engaged in the advanced manufacturing and modern services. By providing policy support, Jiaxing Economic & Technological Development Zone will reinforce industrial clusters in the entire zone while optimizing industrial deployment.

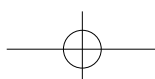
Following the concept of service-based government, by making pragmatic policies, improving service efficiency, the zone government therefore created an premier investment environment for the investors.

Compared to other development zones, Jiaxing Development Zone offers an excellent government services environment. Guided by sincerity, integrity, honesty and transparency, government leaders has always been honoring their promises made to investors.

Over the last ten years, we have steadily increased our investments in Jiaxing Development Zone. We originally started with USD 30 million. While today, we have invested more than USD 100 million, illustrating Hyosung's confidence in the development of the area.

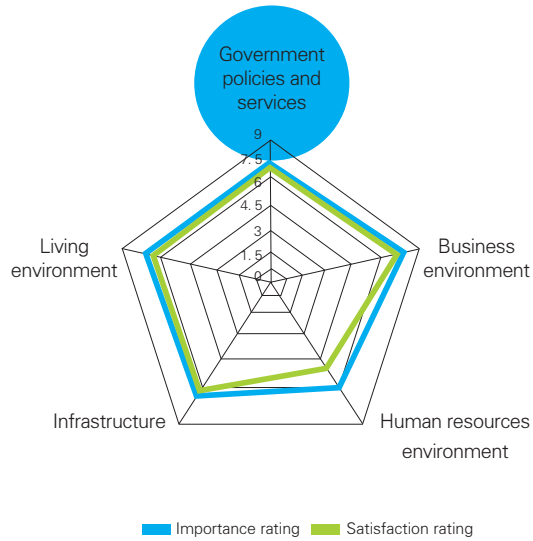
—Hyosung Chemical Fiber (Jiaxing) Co., Ltd.

*Hyosung Group, the parent company of Hyosung Chemical Fiber, is one of the top seven conglomerates in South Korea. Hyosung Group is principally engaged in five core industrial fields, including chemicals, fibers, heavy industries, trading and intelligence. It has established over 30 overseas companies around the world.*



# 2.1 Research Summary of Government Policies and Services

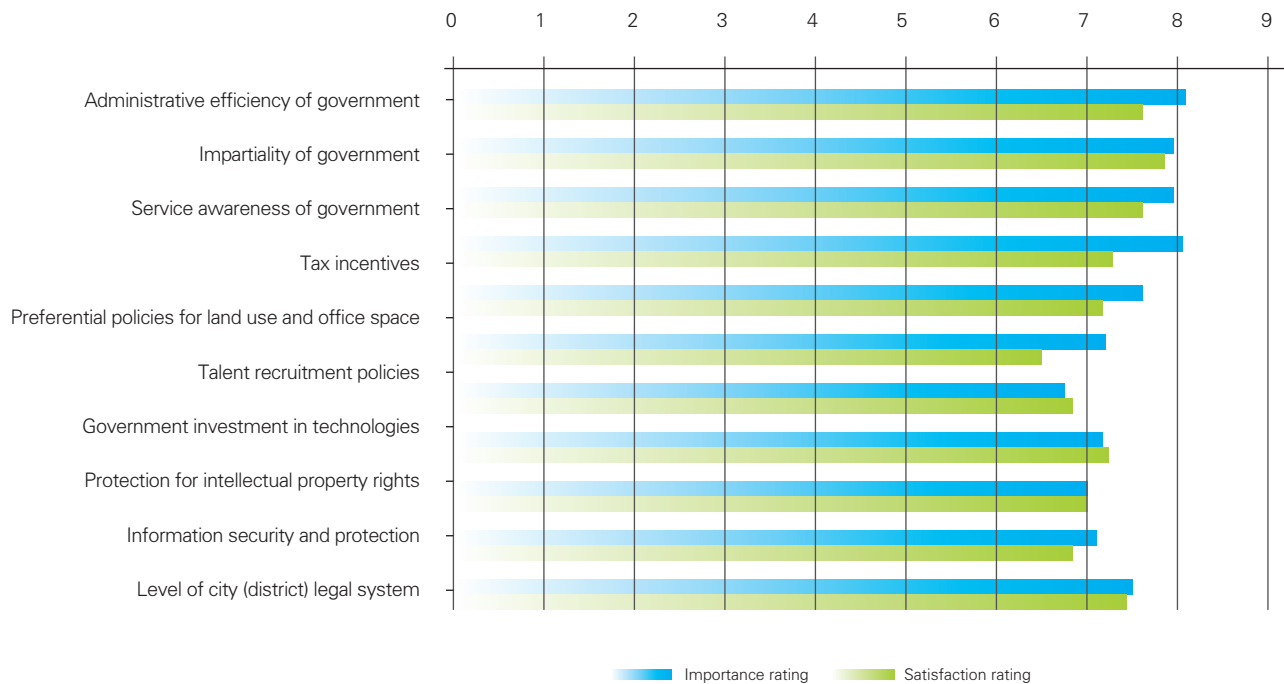
Levels of Importance/Satisfaction



Questionnaire Feedback

- Importance category scored 8.2 points (out of 9 points);
- Satisfaction category scored 7.9 points (out of 9 points);
- In this questionnaire, enterprises believed that tax incentives, the administrative efficiency of the government and the impartiality of the government were most important;
- In this questionnaire, enterprises were most satisfied with the impartiality of the government, the service awareness of the government and the administrative efficiency of the government.

Breakdown of Importance/Satisfaction



## 2.2 Government Policies and Services



### Initiative to Attract High-caliber Talent

Jiaxing Development Zone has introduced a strategic initiative to attract high-caliber talents and to reinforce the service system for those talents. This initiative, along with a “green channel”, provides comprehensive policy support for outstanding persons in innovation and business start ups.

Attracting high-caliber talents



### Enterprise-oriented Service Platform

A comprehensive service system and a complete public service platform provide support to enterprises in Jiaxing Development Zone. The government is continually taking steps to improve services and ensure an open and transparent climate for investors.

Efficient government services

Government policies

Encouraging business investment

With administrative openness and transparency, the government provides a wide variety of preferential policies which are implemented fairly and flexibly for the eligible enterprises. The government also does a good job on propagandizing the preferential policies so that the enterprises can make full use of them.

—Tokai Rubber (Jiaxing) Co., Ltd.

*Tokai Rubber is invested and founded by Tokai Rubber Industries, Ltd., a subsidiary of the Global Fortune 500 company Sumitomo Electric Group. Tokai Group is listed on both the Tokyo Stock Exchange and Nagoya Stock Exchange with over 20 subsidiaries around the world.*



### Government Incentives to Support Corporate Development

Jiaxing Development Zone formulates tailor-made policies for enterprises, which include special supporting funds, rewards for scientific and technological innovation and incentives for fiscal contributions. The government provides a beneficial policy environment to foster the development of investing enterprises in Jiaxing Development Zone.



## 2.3 Incentive Policies

Stimulated by the joint influence of national strategies and market mechanisms, Jiaxing Development Zone, with the target of speeding up the industrial structure optimization and upgrading, renders full-range support the following areas: financial funding, technologies, markets, human resources, finance and etc. and created an premium investment environment for the enterprises.

Preferential investment policies <sup>①</sup>
<ul style="list-style-type: none"> <li>Rewards to key investment projects by Industrial Development Fund;</li> <li>Incentives to enterprises based on their fiscal contribution by Industrial development fund;</li> <li>Special funds for science and tech innovation projects and energy saving projects;</li> <li>Special treatments for key enterprises or projects that make significant tax contribution, play a leading role in the industry, or have strong potential for future growth.</li> </ul>



### List of beneficial policies<sup>②</sup>

Rewards for investments in fixed assets	For newly added fixed assets in new projects, grant rewards based on the actual investment amount.
Technology transformation	For tech transformation equipment investment projects, grant one-off subsidies in the amount of 3% to 5% of the actual investment amount, not exceeding RMB 3 million.
Market exploration	One-off subsidies grant to enterprises that participate in overseas trade shows.
Cultivation of large enterprises	To encourage the scale expansion, grant rewards equivalent to 50% of the enterprise's fiscal contribution, not exceeding RMB 500,000, to eligible enterprises based on their core business revenue and growth rate, as well as growth rate of fiscal contribution;  To encourage the introduction of large projects, to major projects with a total investment exceeding RMB 100 million in key development areas such as advanced manufacturing sector and high-tech industries, grant one-off subsidies equivalent to 50% of admittance expenditures, not exceeding RMB 300,000.
Strategic emerging industries	For major projects identified as of municipal level strategic emerging industries, grant subsidies for tech transformation and fixed asset investment, not exceeding RMB 5 million
Information Technology	For projects involving information technology promotion, grant a special subsidy ranging from RMB 100,000 to RMB 500,000.
Industrial design	For certified industrial design bases, grant a one-off reward ranging from RMB 250,000 to RMB 1 million.

#### Source:

- Information provided by Jiaxing Economic & Technological Development Zone
- Measures for managing the industrial development fund of Jiaxing Economic & Technological Development Zone and Jiaxing International Business Park

# 2.4 Preferential Policies for Human Resources

## Attracting High-caliber Talent

Recognizing the importance of talent for its prosperous invigoration, Jiaxing Development Zone makes great efforts to attract and to retain high-quality and high-level professionals in line with scientific concept of development, providing a good environment for the personal pursuit of such talent.

## Entrepreneur Talent Attraction Plan

Jiaxing Development Zone makes premium beneficial policies to attract entrepreneur talent to make investment or work in Jiaxing Development Zone and launched "Entrepreneur Talent Attraction Plan" in 2011.



### Individual Subsidy

- Housing purchase allowance: housing allowances are equivalent to 50% of payment for the first house, not exceeding RMB 500,000;
- The management committee allocates a special talent fund of RMB10 million per year.

### Special Allowance

- Academicians of Chinese Academy of Sciences and Chinese Academy of Engineering are entitled to a monthly allowance of RMB 5,000;
- Members of the "Millions of Talents Project" and "Zhejiang Special Experts" are entitled to a monthly allowance of RMB 2,000;
- Experts receiving government special allowances are entitled to a monthly allowance of RMB 1,000.



### Entrepreneurs Preferential Treatment

- Individual income tax during the first three years refunded (annual income over RMB 100,000);
- Green Life Card related service: special treatment includes medical, child school enrollment, residency, automobile purchase, and etc..

### Innovation Team Preferential Treatment

Teams identified as "Leadership Elite Plan for Innovative Jiaxing" are entitled to the following preferential treatment:

- A startup fund of RMB 1 to 3 million;
- Work place of over 100 m<sup>2</sup> rendered for free for 3 years;
- Local portion of corporate income tax for the first three years fully refunded.

**Source:**

① Several opinions on strengthening the work of entrepreneurial and innovative talents in Jiaxing Economic & Technological Development and Jiaxing International Business Park (trial version)

# 2.5 Government Services

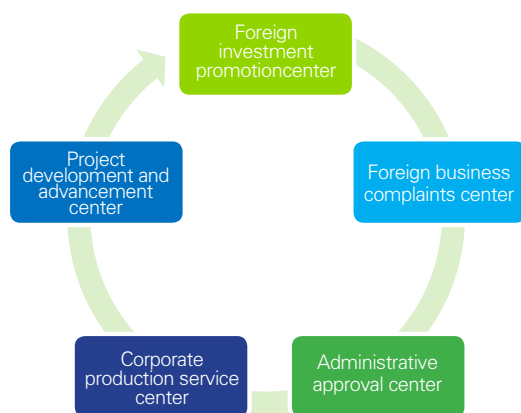
## No. 1 in Government Services

According to the inter-city ranking of government services in the "Report on Administrative Competitiveness of Municipal Governments in China" released by the Chinese Academy of Social Sciences in 2009, Jiaxing was ranked No.1.

- A full comprehensive range of services that extend from initial enterprise establishment to production and operations.
- One-stop approval and services
- The implementation of zero-charge policies for enterprises and comprehensive follow-up services for major projects

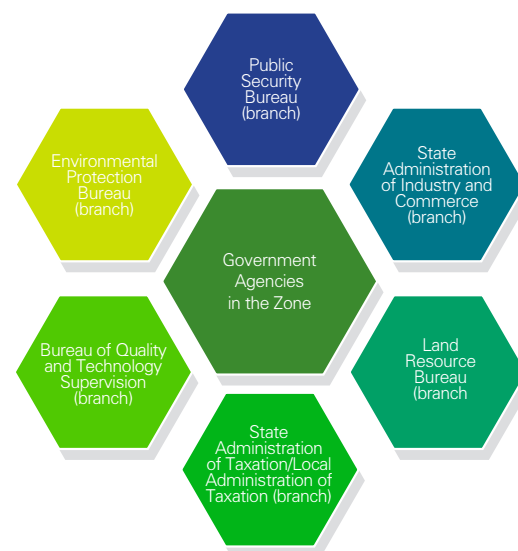
## Five Well-Established Service Systems

Over the last 22 years of development, Jiaxing Development Zone has created five well-established service systems to cater to its investors' needs. By constantly optimizing the quality of government services, Jiaxing Development Zone provides investors a highly efficient service platform.



## Primary Government Functions

The Jiaxing Development Zone government performs its primary government functions within an area of 110 kilometers.

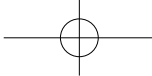


The Jiaxing Development Zone government is very service oriented. They continually maintain communication with Mars Foods, are mindful and understanding of appeals and complaints, and make the utmost effort to address practical issues. For instance, given the production and warehousing requirements of Mars Foods, Jiaxing Development Zone coordinated with the local power station to provide Mars Foods an continuous uninterrupted supply of power.

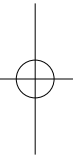
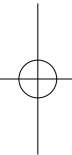
— Mars Foods (Jiaxing) Co., Ltd.

*Mars Foods (Jiaxing) mainly produces chocolate, candy and other foods. Its global parent company Mars (US) is one of the world's largest food manufacturers. Moreover, it is a world industry leader in chocolate, pet care, candy and other fields, carrying many world-renowned brands.*

Source: Investment Manual of Jiaxing Economic & Technological Development Zone



# III. Business Environment



# Introduction

A good business environment is essential to appealing sound business investments, human resources, and enhancing development potential. Moreover, it is one of the most important indicators for measuring regional competitiveness.

Jiaxing Development Zone is located at the intersection of Jiangsu Province, Zhejiang Province and Shanghai. It has been integrated into the Yangtze River Delta region development scheme and is actively implementing the strategy of "becoming integrated with Shanghai and Hangzhou as a metropolitan area". In parallel, Jiaxing Development Zone is creating an abundance of business resources, which has facilitated industry clusters of the modern service industry and advanced manufacturing sector.

The Jiaxing Development Zone government has been actively engaged in the zone's systematic and practical planning since its establishment. Mars (Jiaxing) is located in Jiaxing Development Zone's Advanced Manufacturing Base within the High-End Food and Pharmaceuticals Industry Zone, which ensures to a certain extent, the controlled environment surrounding the plant. This assurance is essential for the preservation and warehousing of Mars products.

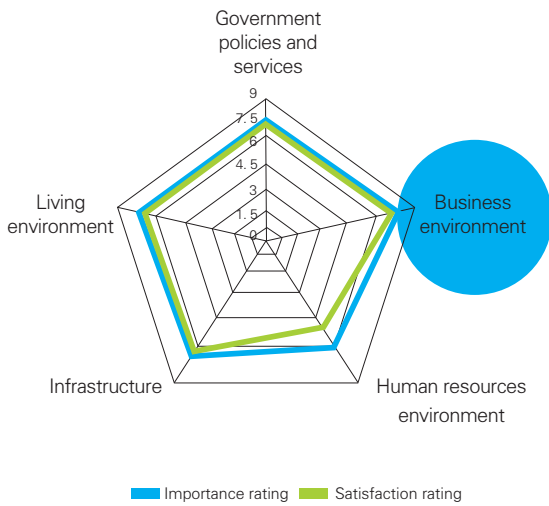
— Mars Foods (Jiaxing) Co., Ltd.

*Mars Foods (Jiaxing) mainly produces chocolate, candy and other foods. Its global parent company Mars (US) is one of the world's largest food manufacturers. Moreover, it is a world industry leader in chocolate, pet care, candy and other fields, carrying many world-renowned brands.*



# 3.1 Research Summary on Business Environment

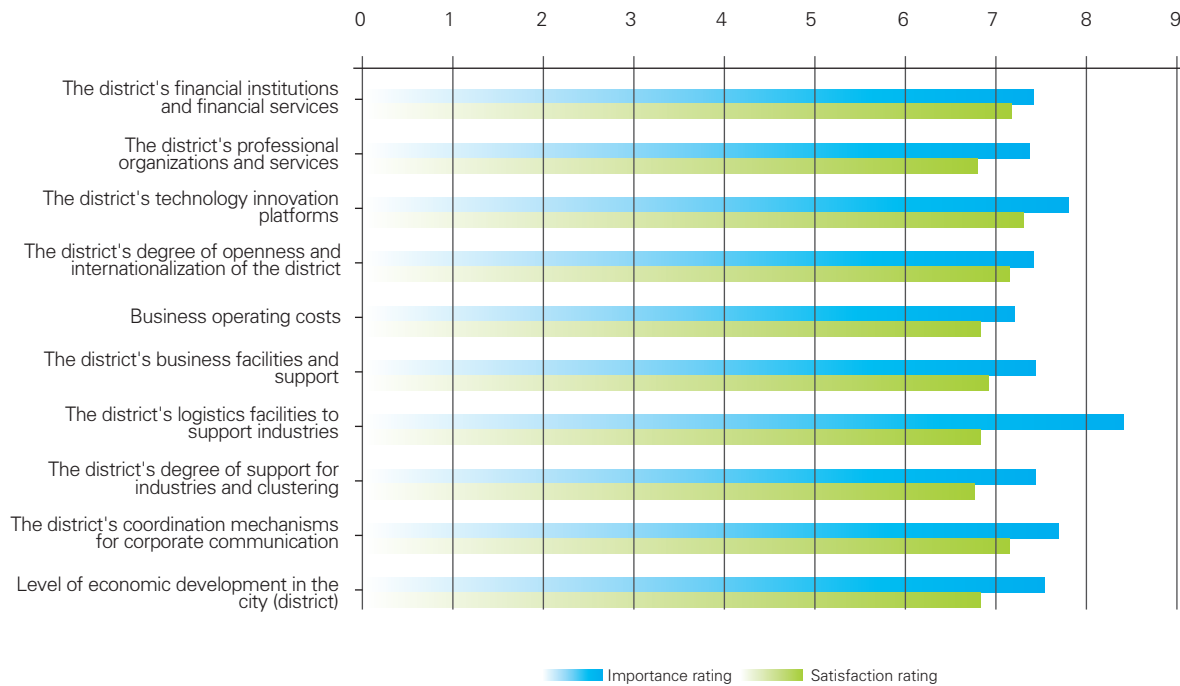
Levels of Importance/Satisfaction



Questionnaire Feedback

- Importance category scored 7.3 points (out of 9 points);
- Satisfaction category scored 6.9 points (out of 9 points);
- In this questionnaire, enterprises believed the district's logistics facilities to support industries, the district's coordination mechanisms for corporate communication, and the district's technological innovation platforms were most important ;
- In this questionnaire, enterprises were most satisfied with the district's technological innovation platform, the district's financial institutions and financial services, and the district's degree of openness and internationalization.

Breakdown of Importance/Satisfaction



## 3.2 Present Industry Clusters

### Five Key Industries

By the end of 2013, Jiaxing Economic & Technological Development Zone had over 1,000 industrial enterprises established, including more than 500 foreign-invested enterprises. Fifteen of the foreign-invested enterprises were listed on the Global Fortune 500. Today, five major leading manufacturing industries, namely, auto parts services, precision machinery, high-end food, electronic information and high-end textiles industries, have already formed.

### Auto Parts Services

- As a pillar industry within Jiaxing Development Zone, the auto parts services industry had an annual output value of RMB 8,292 million in 2013, accounting for 31.2% of the total output of the five major industries.
- By the end of 2013, more than 50 auto parts manufacturers were established in the zone, including Tokai Rubber (Jiaxing) Co., Ltd., Jiaxing Hongzhong Steel Processing Co., Ltd., Jiaxing Olsa-Murakami Corporation, Jiaxing Hella Light Co, Ltd., Hexas Precision Technologies Corporation, Hankook Tire, Jiaxing Eastern Steel Cord Co., Ltd., etc.

### Precision Machinery

- In 2013, the annual output value of the precision machinery industry reached RMB 5,822 million, accounting for 21.9% of the total annual output of the five major industries.
- By the end of 2013, more than 30 precision machinery manufacturers were established, including Babcock-Hitachi Dongfang Boiler Co., Ltd, Hardinge Group from America, Plaston Precision Injection Molding (Jiaxing) Co., Ltd., Litz Hitech Corp., EverRobot Robotics Co., Ltd., etc.

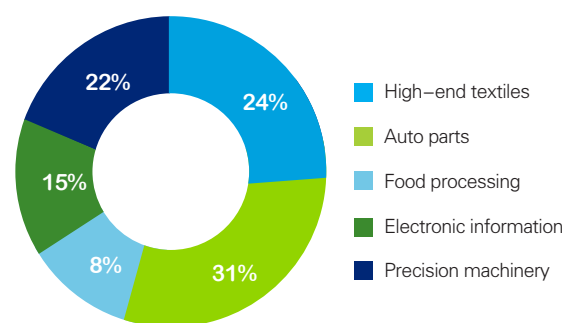
### High-End Food Processing

- In 2013, the output value of the high-end food-processing industry totaled RMB 2,060 million, accounting for 7.7% of the total output of the five major industries.
- By the end of 2013, more than 30 famous foreign-invested enterprises were established, including Abbott (Jiaxing) Nutrition Co., Ltd., Mars Foods, Lion Foods Co., Ltd. and etc.

#### Source:

- Research Report on the Investment Environment of Jiaxing Economic & Technological Development Zone
- Information provided by Jiaxing Economic & Technological Development Zone

### Comparison of the output value of the five major industries in 2013



### Electronic Information Industry

- In 2013, the output value of the electronic information industry reached RMB 3,952 million, accounting for 14.9% of the total output of the five major industries.
- By the end of 2013, more than 50 enterprises engaged in the electronic information industry were established, including SWCC Showa Holdings Co., Ltd., ESTec Electronics, Autonics Corporation, etc.

### High-End Textile Industry

- In 2013, the output value of the high-end textile industry totaled RMB 6,479 million, accounting for 24.4% of the total output of the five major industries.
- By the end of 2013, more than 50 chemical fiber textile manufacturers were established, including Hyosung Group, Cone Denim (Jiaxing), Ltd., Jiaxing Ideasilk Corp., etc.

Jiaxing Development Zone has a strategic insight for the zone positioning. By establishing a high-end pharmaceuticals and food manufacturing area to encourage the clustering of companies and production, Jiaxing Development Zone is attracting enterprises of similar industries to make investments.

—Abbott (Jiaxing) Nutrition Co., Ltd.

*Abbott Laboratories is a leading global provider of diversified medical and healthcare products. Its major business operations extend to nutrition products, medical equipment, diagnostic facilities, etc. Abbott (Jiaxing) has a total investment of USD 230 million, which is by far the largest investment Abbott Laboratories has made in China.*

# 3.3 Advanced Manufacturing Cluster

## High-End Equipment Manufacturing Park

- Park area: 2.70 km<sup>2</sup>
- Key developments: precision molding, precision machinery, aerospace equipment, rail transit equipment, marine engineering equipment and smart manufacturing equipment
- Established enterprises: Lego Toys Manufacturing (Jiaxing) Co., Ltd., and Babcock-Hitachi Dongfang Boiler Co., Ltd

## Alternative Energy and Advanced Materials Park

- Park area: 2.11 km<sup>2</sup>
- Key developments: alternative energy (other than monocrystalline silicon and polycrystalline silicon), advanced materials, electronic information, nanomaterials, advanced composite materials and ecological materials



## High-End Food Industrial Park

- Park area: 6.30 km<sup>2</sup>
- Key developments: high-end food and biomedical treatment
- Established enterprises: Mars Foods (Jiaxing) Co., Ltd. and Abbott (Jiaxing) Nutrition Co., Ltd.

## Business and Residential Service Park

- Park area: 4.03 km<sup>2</sup>
- Key developments: food and beverage, commerce and trades, business hotels

Source: Information provided by Jiaxing Economic & Technological Development Zone



# 3.4 Science and Commerce Complex

## Jiaxing Intelligence & Innovation Park

- Park area: 3.23km<sup>2</sup>
- Key developments: research and development of intelligent application, intelligent equipment manufacturing, application electronic, cloud computing and other industries. The park has successfully introduced more than 30 famous domestic and foreign companies , including Oracle, Vehicle Navigation & Cloud data Center Project, etc.

## Jiaxing Logistic Park

- Park area: 3.59 km<sup>2</sup>
- Key developments: modern logistics industry, emerging professional market, logistics information platforms



## Canal CBD

- Park area: 3.48 km<sup>2</sup>
- Key developments: business office, cultural leisure, entertainment center, business service center

## Yaojiadang Comprehensive Living Area

- Park area: 11.46 km<sup>2</sup>
- Key developments: ecological livable, comprehensive business service, living service center

Source: Information provided by Jiaxing Economic & Technological Development Zone

# 3.5 Jiaxing International Business Park

## Financial & Business District

- Park area: 6.53 km<sup>2</sup>
- Key developments: financial intermediation, insurance, security, commerce and trade, commercial residential

## Techventure & Commercial District

- Park area: 6.86 km<sup>2</sup>
- Key developments: international education training, international business, creative research and development, new generation information technology



## Integrated Business District

- Park area: 7.34 km<sup>2</sup>
- Key developments: business office, entertainment, high-end residential

## Core Area of High-speed Railway Station

- Park area: 7.33 km<sup>2</sup>
- Key developments: high end business services, exhibition services, small and medium-sized enterprises department, commercial building, hotel

Source: Information provided by Jiaxing Economic & Technological Development Zone

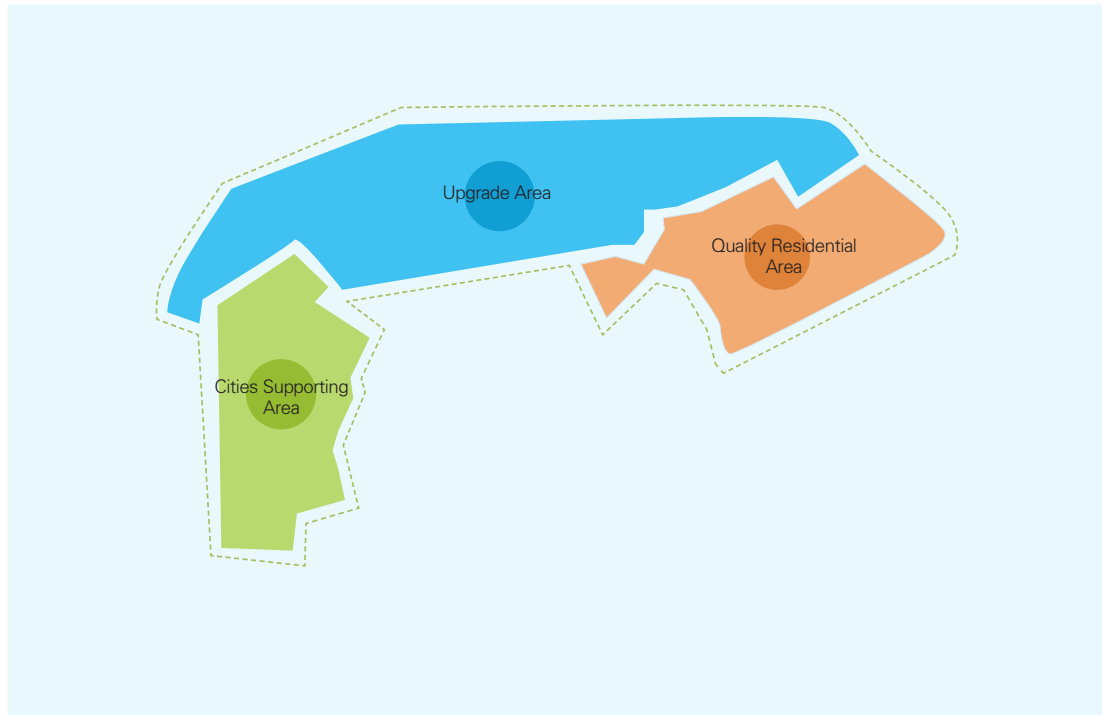
# 3.6 Transformation and Upgrading Demonstration Area

## Upgrade Area

- Park area: 13.68 km<sup>2</sup>
- Key developments: cultivates specialized industry, precision machinery as the focus, auto parts manufacturing as the core, and further optimizes the industrial structure of north industrial area, accelerates industrial upgrading and industrial agglomeration.

## Cities Supporting Area

- Park area: 6.09 km<sup>2</sup>
- Key developments: aimed at integrated business, vigorous entrepreneurship and ecological leisure, provides living and business support services



## Quality Residential Area

- Park area: 4.99 km<sup>2</sup>
- Key developments: leveraging the resources of Xiangjiadang Leisure Area, Zhang's Tea Garden and the scenic resorts along the Changqian River, this area focuses on developing leisure industry and bringing in high-end real estate, trade and cultural leisure industry.

Source: Information provided by Jiaxing Economic & Technological Development Zone

# 3.7 Professional Services

## Jiaxing's Financial Institutions

Jiaxing City is the heart of the metropolitan area on the southeastern coastline and the Yangtze River Delta region. Financial institutions in Jiaxing include all major domestic financial enterprises, including banks, credit unions, trust services, financial services, leasing businesses, securities businesses, insurance companies, etc.

## Jiaxing' Professional Service Enterprises

Jiaxing's service institutions, including law firms, accounting firms, tax agencies and guarantee companies, render support to financial institutions, thereby providing diverse and professional services to enterprises established within Jiaxing Economic & Technological Development Zone.

Accounting firms	Law firms	Appraisal firms
26	78	15

Data source: Provided by Jiaxing Economic & Technological Development Zone



## Capitalizing on Shanghai's Financial Might

In the current PRC financial market, Shanghai has the most well-developed financial system and the largest market. In terms of financial operations and innovation, Shanghai is the country's most formidable and dynamic city.

Positioned under the influence of Shanghai-based financial institutions and supporting service institutions, Jiaxing Economic & Technological Development Zone is poised to fully utilize Shanghai's comprehensive and mature financial market system. Banks in both Jiaxing and Shanghai have achieved local clearing of bills. Jiaxing can also benefit from services provided by many of Shanghai's top-notch international accounting firms and law firms.

Shanghai's modern financial market has a cluster of national businesses that include services in securities, futures, foreign exchange, currencies, bullion, oil, diamonds, etc. At the same time, the exploration of new financial market models and financial organizations, such as shipping finance, private equity funds, and financial futures, are continually taking place.

At the end of 2012, Shanghai had 1,124 financial institutions, including 208 foreign financial institutions.

Banking sector	Securities and funds	Insurance businesses	Accounting firms	Law firms
510	193	347	322	1163

Data source: 2013 Shanghai Statistical Report and the Official Website of Shanghai Certified Public Accountants

# 3.8 Research Environment

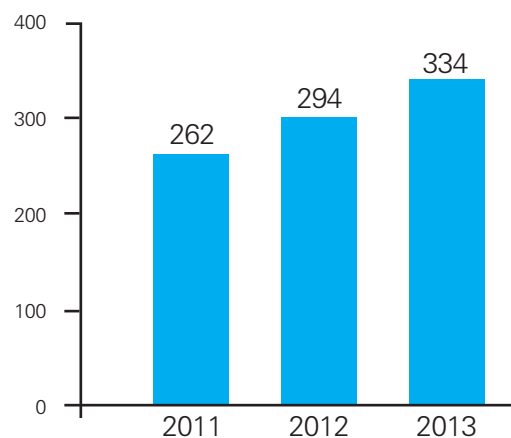
## High-Speed Growth in the High-Tech Industry

- In 2013, high-tech enterprises had a total industrial output value of RMB 140,433 million, representing a 25% year-on-year increase of the added value in high-tech industries, ranking 2nd in the province. The number of major nationally supported high-tech enterprises rose to 23, demonstrating the strong momentum and rapid growth of the high-tech industry.

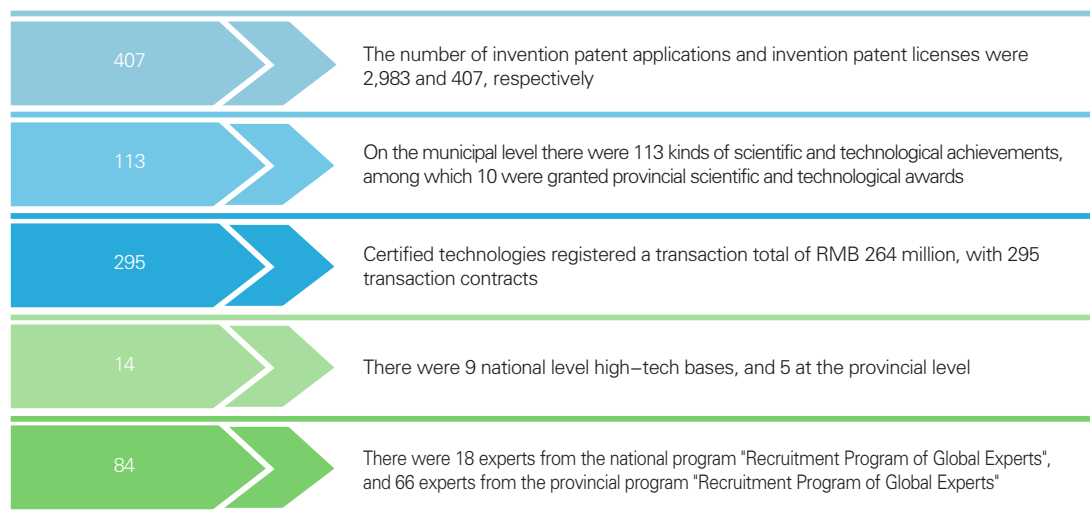
## Outstanding Scientific and Technological Resources

- Jiaxing serves as a sub-center in Zhejiang Province's innovation-driven regional system. The city itself and all counties under its jurisdiction are accredited as either a national role-model city or county in terms of their scientific and technological advancements.
- At the end of 2013, Jiaxing had 14 independent scientific research institutions and technological development institutions, four key provincial laboratories, nine major provincial scientific and technological innovation platforms. In addition, there were two national productivity promotion centers, 10 provincial corporate research institutions and 161 provincial research and development centers.

Number of high-tech enterprises in Jiaxing  
(Unit: entity)

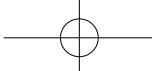


## Solid Foundation for Scientific Research (2013)

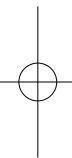


**Source:**

- ① Website of Jiaxing Municipal People's Government
- ② 2011-2013 Jiaxing City Statistical Report



# IV. Infrastructure



# Introduction

Comprehensive infrastructures and an efficient public service system are the prerequisites for highly efficient business operations.

The completion of an area's regional infrastructure is of vital importance to the steady long-term development of the region economy.

By the highly efficient development and management mode, Jiaxing Economic & Technological Development Zone is on its way to become a modern area that integrates manufacturing, living, commerce, and residence and helps the enterprises to capitalize on the resources and capture business opportunities effectively.

Jiaxing has a good investment environment and enjoys an outstanding advantage with regards to its location and transportation. By taking advantage of Jiaxing's ports, we can easily transport products to Japanese, Korean and Southeast Asian markets. Furthermore, our Jiaxing factory is only 100 km away from the Lego Asia Distribution Center that will be established in Shanghai in the near future.

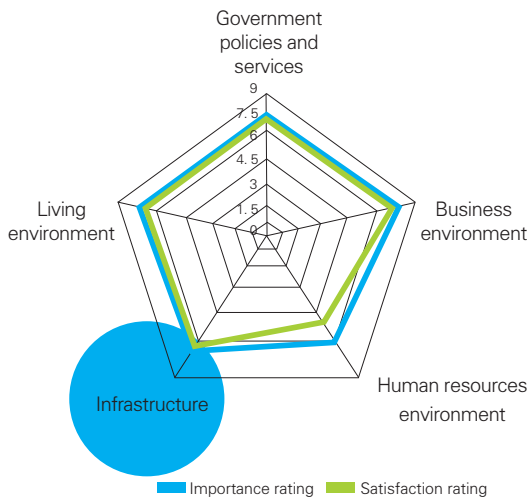
—Lego Toys Manufacturing (Jiaxing) Co., Ltd.

*Lego Group is a world-renowned toy company that focuses on the research, development and production of educational toys. Lego Toys Manufacturing (Jiaxing) Co., Ltd. is invested in by Lego Group, a company listed on the Global Fortune 500. The total investment is expected to exceed RMB 3 billion, which is the first investment Lego Group has made in Asia. This investment project will become the source of Lego toy supplies in the Asia region.*



# 4.1 Research Summary on Infrastructure

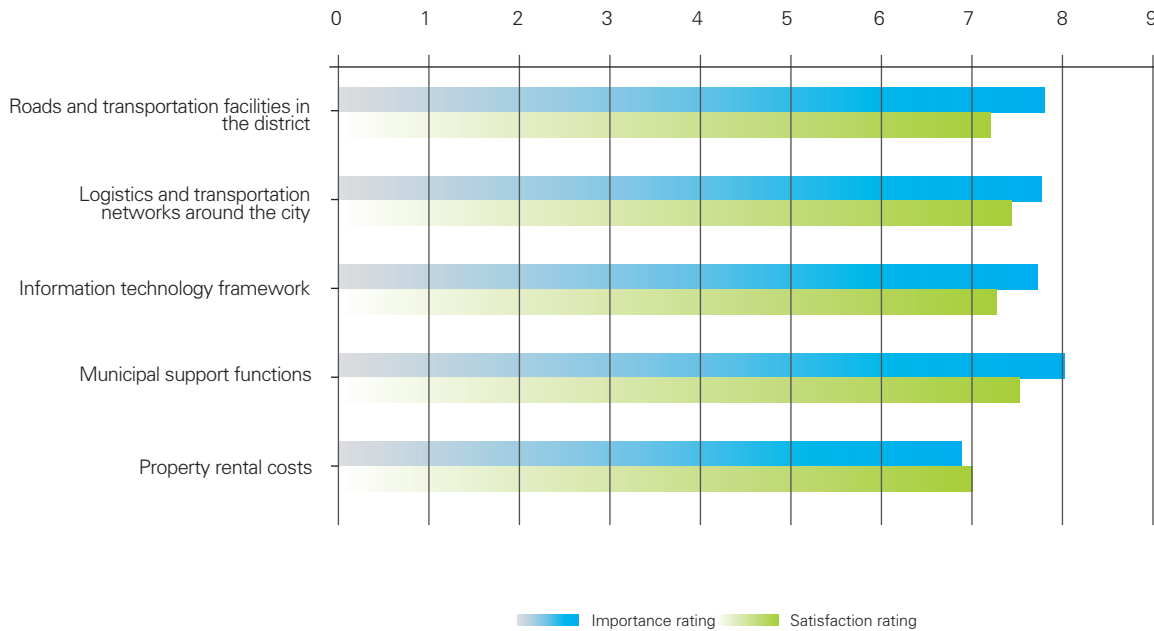
## Levels of Importance/Satisfaction



## Questionnaire Feedback

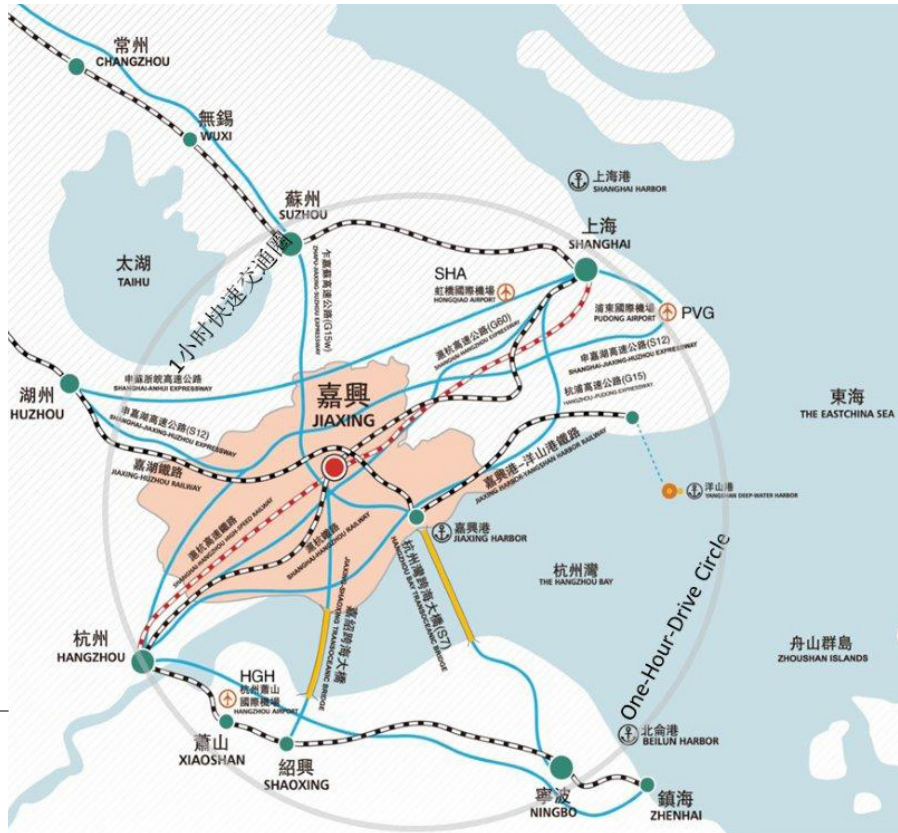
- Importance category scored 7.2 points (out of 9 points);
- Satisfaction category scored 7.1 points (out of 9 points);
- In this questionnaire, enterprises believed that municipal support functions, logistics and transportation networks (e.g. airports, highways, ports, etc.), and roads and transportation facilities in the district were most important;
- In this questionnaire, enterprises were most satisfied with municipal support functions, logistics and transportation networks (e.g. airports, highways, ports, etc.) and information technology framework.

## Breakdown of Importance/Satisfaction





## 4.2 Land Transportation



Centrally located in the economically dynamic Yangtze River Delta region and China's coastal economic belt, Jiaying lies at the intersection Shanghai Municipality, Jiangsu Province and Zhejiang Province. As an important and integral part of the Shanghai–Suzhou–Hangzhou metropolitan area, Jiaying enjoys a uniquely advantageous location for transportation.

As a gateway to Zhejiang Province that connects to Shanghai and Jiangsu Province, Jiaying has well-developed transportation arteries that lead in all directions. With roads, railways and waterways serving as the main national transportation arteries, there are also four airports within a radius of 120 km.

### One-Hour Transportation Loop

Jiaying has well-developed land transportation routes, which provide a variety of options. These include highways, railways, trans-oceanic bridges, etc. From Jiaying to its important neighboring cities, including Shanghai, Suzhou, Hangzhou, Ningbo and Shaoxing, travel usually takes an hour or less.

Four expressways, one national highway and one provincial highway pass through Jiaying, creating a transportation network of "three vertical routes, three horizontal routes and three connecting routes".

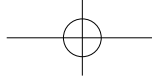
With the opening of the Shanghai Hangzhou High-Speed Railway, the travel time from Jiaying to Shanghai and Hangzhou has been shortened to only 23 minutes.

### Connecting through Hangzhou Bay Bridge

Via the Hangzhou Bay Bridge (Jiaying–Ningbo section), the travel time between Jiaying Development Zone to Ningbo is only a 90 minutes' drive.

In addition, the Jiaying–Shaoxing Sea Bridge and Jiaying–Xiaoshan Trans-Oceanic Tunnel also help facilitate convenient transportation.

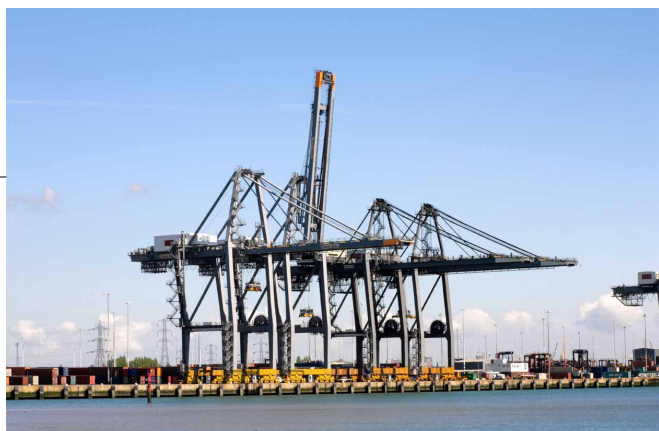
Source: Investment Environment Analysis Report of Jiaying Economic & Technological Development Zone



# 4.3 Airways and Seaways

## Neighboring Airports

Major transportation hubs	Distance from Jiaying Development Zone (Travel distance)
Shanghai Hongqiao International Airport	60 min
Shanghai Pudong International Airport	80 min
Hangzhou Xiaoshan Airport	60 min
Jiaying Nanhu Airport	Located within the Jiaying Development Zone (under construction)



## River Transportation

- The Grand Canal and its associated wharfs connect Jiaying to Shanghai, Hangzhou, Suzhou, Beijing and Jiaying Port. It is classified as a class III sea-route, capable of handling a 800-vessel tonnage.
- Jiaying Inland Container Port, which is approximately 5 km away from Jiaying Economic & Technological Development Zone, has 10 berths accommodating 1,000 tonnage with an annual throughput of over 100,000 TUEs.

## Sea Transportation

- Port of Shanghai: Located 130 km away from Jiaying Economic & Technological Development Zone, the Port of Shanghai has a docking capacity of 350,000 tons for seagoing vessels. The Port of Shanghai operates 14 seagoing routes, covering more than 300 ports around the globe.
- Yangshan Port in Shanghai: Located 100 km away from Jiaying Economic & Technological Development Zone, Yangshan Port accommodates 50 deep-water berths with an annual throughput of 45 million TEUs.
- Jiaying Port: Located 40 km away from Jiaying Economic & Technological Development Zone, Jiaying Port currently has 14 berths accommodating over 10,000 tons, and 7 berths accommodating over 1,000 tons. It has an annual throughput of 24 million tons, handling a 50,000-vessel tonnage.
- Beilun Port in Ningbo: Located 130 km away from Jiaying Economic & Technological Development Zone, Beilun Port has a docking capacity of 300,000 tons for vessels, with connecting routes to over 560 ports in over 90 countries around the world.

**Source:** Investment Environment Analysis Report of Jiaying Economic & Technological Development Zone

# 4.4 Land Resources

## Advantageous Land and Factory Supply

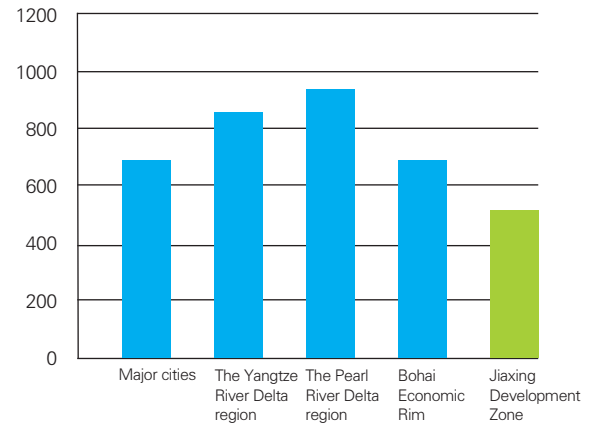
- Ample land reserves
- Competitive prices of land for industrial use and commercial use compared to neighboring cities of the same level
- Competitively lower rent for factories and office buildings compared to cities of the same level
- Factories can be custom-made for investors

Land lease/sale price in Jiaxing (RMB) <sup>①</sup>	
Industrial factories in the zone	Lower than 20 RMB per square meter per month
Dorm rental	400 RMB per room per month (accommodating 6–8 persons)
Industrial land transfer price	288 RMB per square meter (benchmark price)

## Price of Industrial Land

This diagram illustrates the average price for industrial land in major cities across the country for the first quarter of 2014. In addition, it shows a comparison between the average price of industrial land in the Yangtze River Delta region, the Pearl River Delta region, the Bohai Economic Rim, and the Jiaxing Development Zone <sup>②</sup>.

Unit: RMB/square meter



Jiaxing Development Zone built advanced factory plants at the time of zone development. That enabled ESTec to rent suitable plant when we set up a factory in Jiaxing and saved us a lot of time and energy.

—ESTec Electronics (Jiaxing) Co., Ltd.

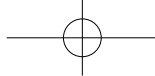
*ESTec Electronics (Jiaxing) Co., Ltd, the first wholly owned enterprise invested by ESTec Corporation in China, is engaged in the integration of production and international procurement businesses. ESTec Corporation is the largest speaker manufacturer in the Korean speaker market.*



### Source:

① Investment Manual for Jiaxing Economic & Technological Development Zone

② Information provided by the Department of Land Resources and Jiaxing Economic & Technological Development Zone

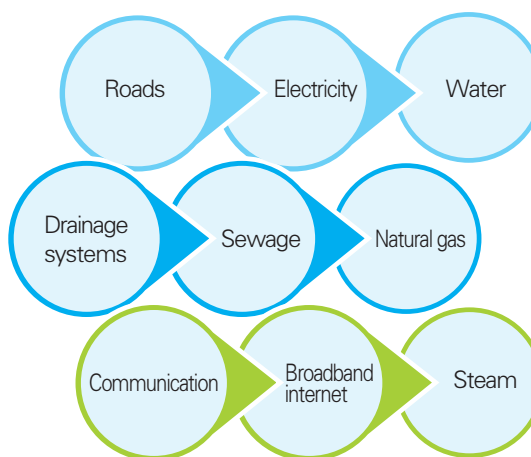


# 4.5 Energy Supply and Supporting Infrastructure

Jiaxing Economic & Technological Development Zone invests a considerable amount of capital into its infrastructure development every year. Currently, the zone provides investors with many forms of support infrastructure, including access to roads, electricity, water, drainage systems, sewage, steam, gas, communications, broadband internet, etc.

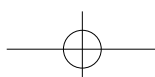
## Sufficient Energy Supply<sup>①</sup>

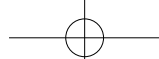
- Electricity in the Jiaxing Development Zone is directly distributed and supplied by the East China Grid at different frequencies and voltages.
- There are two water plants in Jiaxing Development Zone with a daily processing capacity of 150,000 tons and 300,000 tons respectively that provide national standard drinking water.
- The regional supply of steam, gas and natural gas in Jiaxing Development Zone is ample.



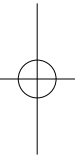
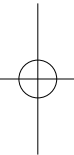
**Source:**

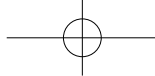
① Investment Manual of Jiaxing Economic & Technological Development Zone





# V. Human Resources





# Introduction

The philosophy of "Science and technology are the primary productive forces, while human resources are the primary resource" has been widely recognized by businesses. Human resources play a critical role in an enterprise's overall competitiveness, and serve as an important factor to consider when developing investment strategies.

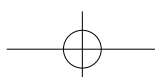
The Yangtze River Delta region, being one of China's three major economic circles, has always been an area of crouching tigers and hidden dragons. Located in the Yangtze River Delta, Jiaying attracts outstanding human resources from across the country by capitalizing on its unique geographical advantages, well-established talent training systems, excellent industrial development and urban construction, thus providing an adequate reserve of human resources for the enterprises.

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Jiaying serves as a role model for well-balanced development. Residents in Jiaying have prosperous lives, preserve a traditional lifestyle approach, and maintain a mindset of inner peace, which will benefit the long-term and sustainable development of local enterprises.

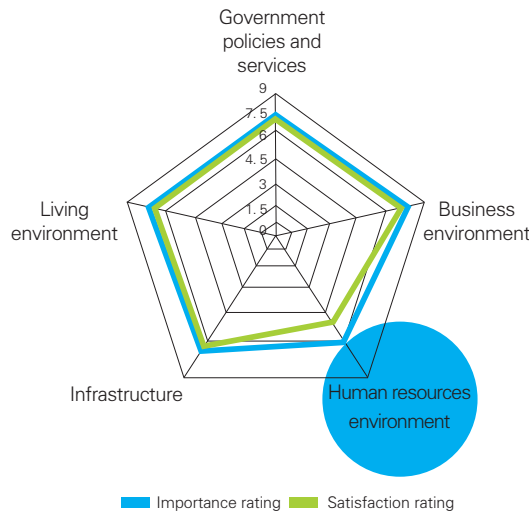
—Philips (China) Investment Co., Ltd.

*Royal Philips of the Netherlands, one of the largest electronics company in the world, is a leader in cardiac care, acute care and home healthcare, energy efficient lighting solutions and new lighting applications, men's shaving and grooming, and oral healthcare. In 2013, the Company ranked 347<sup>th</sup> on the Global Fortune 500.*



# 5.1 Research Summary on Human Resources

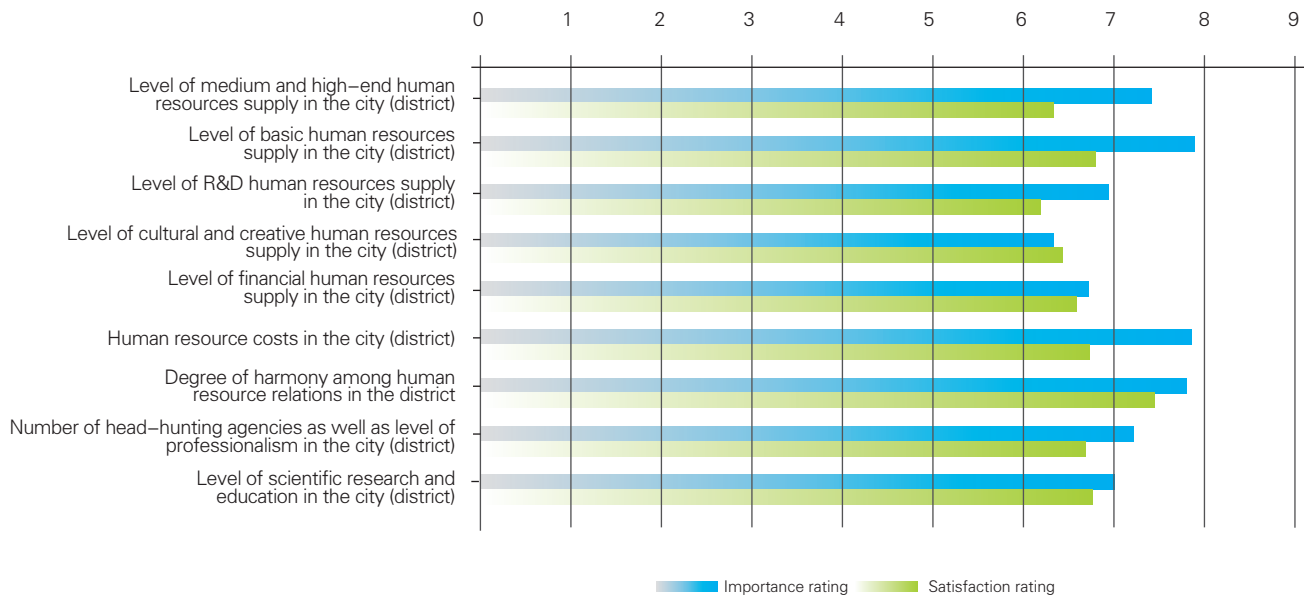
## Levels of Importance/Satisfaction



## Questionnaire Feedback

- Importance category scored 7.6 points (out of 9 points);
- Satisfaction category scored 6.4 points (out of 9 points);
- In this questionnaire, enterprises believed that the degree of harmony among human resource relations in the district, the human resource costs in the city (district) and the level of basic human resource supply in the city (district) were most important;
- In this questionnaire, enterprises were most satisfied with the degree of harmony among human resource relations in the district, the level of scientific research and education in the city (district) and the human resource costs in the city (district).

## Breakdown of Importance/Satisfaction



# 5.2 Talent Pool

Jiaxing attracts a large number of human resources by showcasing its good public security conditions, comfortable living environment and well-established legal system.

## Abundant Educational Resources and Deep Talent Pool<sup>①</sup>

There are eight institutions for higher education in Jiaxing, including Jiaxing University, Jiaxing Vocational Technical College, and branches of East China Normal University, Shanghai Jiaotong University, Beijing Normal University and Tongji University.

Furthermore, Jiaxing is located in an key area of the Yangtze River Delta region which has extensive higher education resources available within a two-hour drive.

Famous higher education institutions within a two-hour drive of Jiaxing (partial)	
Zhejiang University	Fudan University
Tongji University	Shanghai University of Finance and Economics
Shanghai Jiaotong University	Soochow University
Jiangnan University	Shanghai International Studies University

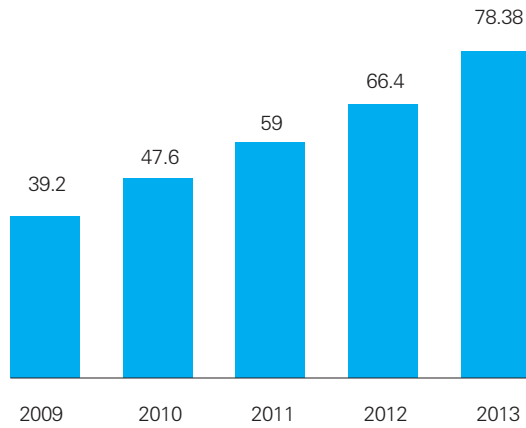
- 120'000** Full-time students
- 30'000** Graduates every year
- 20'000** Number of various talents introduced every year
- 2'000** Number of High-level talents introduced every year

## Scientific Research Investments<sup>②③④</sup>

Jiaxing is a sub-center of Zhejiang Province's regional innovation system, and one of the 10 strongest prefecture-level cities in the country based on comprehensive innovation. Jiaxing has 39 international and domestic scientific research and innovation platforms.

### Research and Development Expenditures in Jiaxing

Unit: RMB 100 million



## Jiaxing's key research institutions

- Yangtze Delta Region Institute of Tsinghua University, Zhejiang
- Jiangnan Research Institute under the Ministry of Industry and Information Technology
- Zhejiang Institute of Advanced Technology, Chinese Academy of Sciences
- The 36<sup>th</sup> Research Institute of China Electronics Technology Group Corporation



**Source:**

- ① Investment advantages for the manufacturing sector
- ② Investment Environment Analysis Report of Jiaxing Economic & Technological Development Zone (April 2014)
- ③ Information provided by Jiaxing Development Zone
- ④ Jiaxing City Statistical Communiqué on National Economic and Social Development for 2013



## 5.3 Human Resource Costs

### Labor Costs

In the modern era, human resource costs have gradually become one of the primary expenses for corporations. Within the overall cost of human resources, salary costs account for a major proportion.

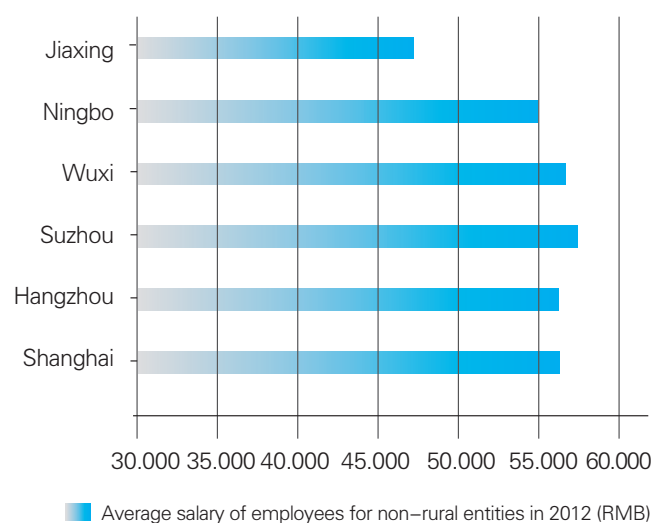
Jiaying's human resource costs currently remain at relatively low levels, enjoying an absolute advantage when compared to other cities in the Yangtze River Delta region.

In 2012, the Jiaying's average annual salary of employees for non-rural entities came to RMB 47,598, which was relatively low compared other major cities in the Yangtze River Delta region. <sup>①</sup>

#### Jiaying's average monthly salary for skilled technical professionals for 2013 <sup>②</sup>

Position	Work experience (year)	Average monthly salary (RMB)
Senior manager	3	5000-9000
Department manager	3	3000-5000
Senior engineer	5	5000-8000
Engineer	2	3000-5000
Senior technician	≥ 5	3200-5000
Experienced operator	2	2200-2500
Common operator	1	1500-2000

#### Labor Cost in the Yangtze River Delta Region for 2012 <sup>①</sup>



### Social Security Contribution Costs

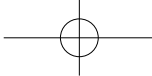
Enterprises operating in China, according to law, must contribute to social security for their employees, including medical insurance, retirement pensions and other basic types of insurance. In 2013, enterprises in Jiaying contributed 28.6% of salary totals to social security funds. <sup>②</sup>

Breakdown of social security contributions	Percentage undertaken by enterprises
Retirement pension	14%
Unemployment insurance	2%
Medical insurance	1%
Occupational injury insurance	0.8%
Maternity insurance	0.8%
Housing fund	10%

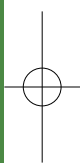
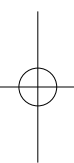
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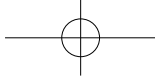
<sup>①</sup> 2013 Zhejiang Statistical Report, 2013 Jiangsu Statistical Report, and 2013 Shanghai Statistical Report

<sup>②</sup> Investment Environment Analysis Report of Jiaying Economic & Technological Development Zone (April 2014)



# VI. Living Environment





# Introduction

An urban living environment consisting of excellent educational support, medical services, culture, natural environment and other positive attributes, is an important factor to consider when people decide where to live and work.

Jiaxing offers well-developed living facilities, a strong atmosphere of literature and culture, and a wide variety places of interest to visit. In addition to a good ecological environment, Jiaxing has been effective in developing a modern city while attracting domestic and overseas talents to live and work. This process will in turn facilitate a new round of urban development.

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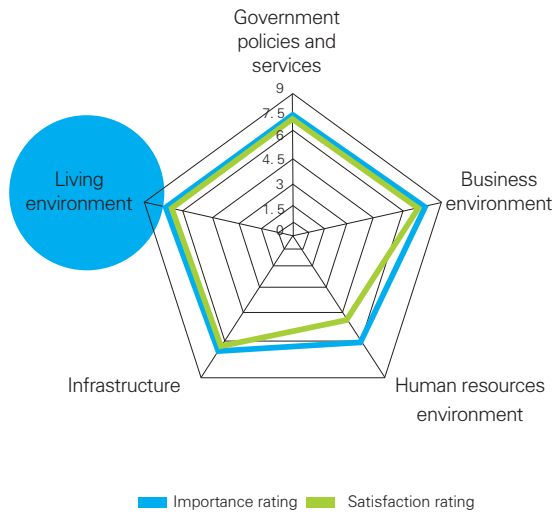
## Jiaxing's Various Honors and Awards

- National Civilized City
- National Hygienic City
- National Green Model City
- National Garden City
- National Outstanding Tourism City



# 6.1 Research Summary on the Living Environment

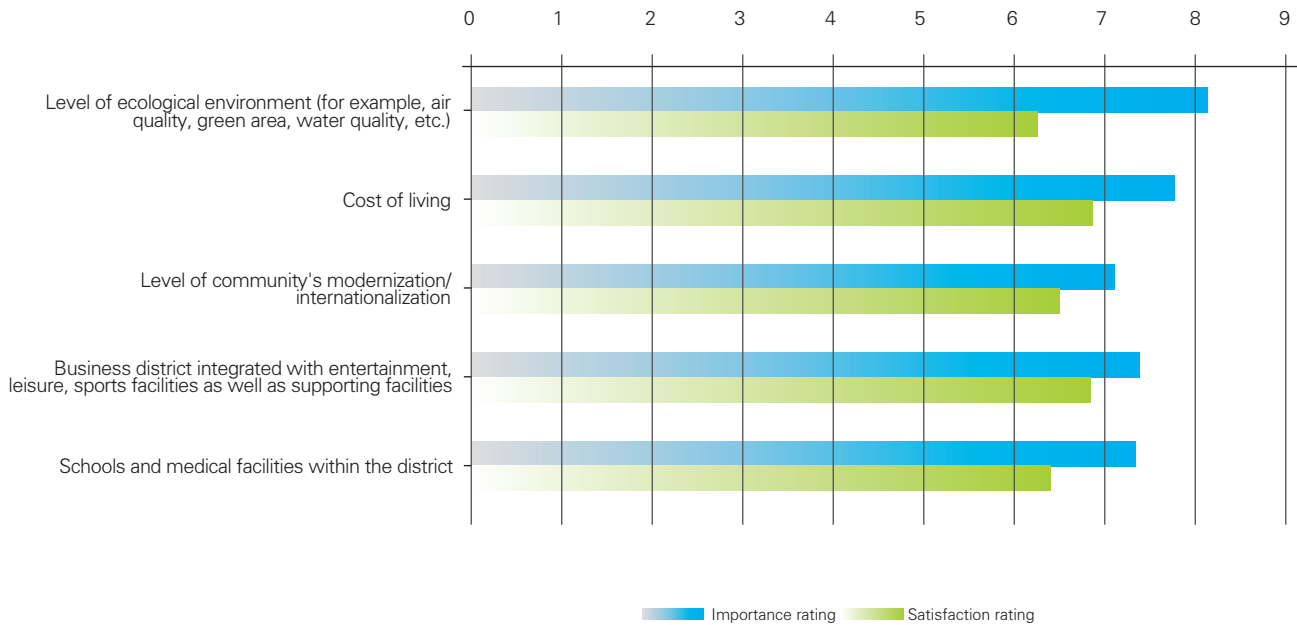
## Levels of Importance/Satisfaction



## Questionnaire Feedback

- Importance category scored 7.6 points (out of 9 points);
- Satisfaction category scored 7.2 points (out of 9 points);
- In this questionnaire, enterprises believed that the level of ecological environment (for example, air quality, green area and water quality), the cost of living, and a business district integrated with entertainment, leisure, sports facilities as well as supporting services were most important;
- In this questionnaire, enterprises were most satisfied with the cost of living, a business district integrated with entertainment, leisure, sports facilities as well as supporting services, and the level of community modernization/internationalization.

## Breakdown of Importance/Satisfaction



## 6.2 Abundant Education and Medical Resources

### Education Environment

At the end of 2013, there were 666 educational institutions (including kindergartens), which effectively accommodated all the students of different grades.<sup>①</sup>

Recently, an international school has completed its site selection, and started the negotiation process.

### Medical Resources

At the end of 2013, there were 1,340 medical and health institutions in Jiaxing, offering a total of 19,412 hospital beds. The average ratios of doctor and ward bed to every 1,000 people is 2.55 and 5.61, which provided a full-range of medical and health services for residents.<sup>①</sup>

Various data regarding schools in Jiaxing<sup>①</sup>

School Type	Quantity
Institutions of Higher education	10
High schools	36
Secondary schools	121
Primary schools	161
Kindergartens	305
Other private schools	33

### The First Hospital of Jiaxing

Founded in 1920 by a French Catholic church charity, the First Hospital of Jiaxing started operation under the name of Shengxin Hospital. The hospital is designed to offer 1,760 hospital beds and is currently the largest AAA comprehensive hospital in Jiaxing with a full-range of equipment and facilities, as well as strong technical expertise.<sup>②</sup>

### Zhejiang Sian International Hospital

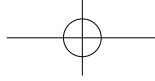
Officially opened on April 21st, 2009, Zhejiang Sian International Hospital is a large general hospital, and is jointly invested by Singapore IMDC Healthcare Group and Shanghai Sino-balan Investment (Group) Co., Ltd. The hospital offers 1,500 beds and is located 1 km away from Jiaxing Development Zone.<sup>②</sup>

**Recently, a second international hospital completed the site selection, and has started the negotiation process.**



#### Source:

- ① Jiaxing City Statistical Communiqué on National Economic and Social Development for 2013
- ② Investment Manual of Jiaxing Economic & Technological Development Zone (April 2014)



## 6.3 Quality of Life

Jiaxing has an excellent ecological environment. At the end of 2013, the city's green area coverage rate reached 42.52%, while the water coverage rate reached 10.31%.

### International Residential Community

Jiaxing Economic & Technological Development Zone has a full range of public support facilities, including hospitals, schools, large shopping centers, a central park, and high-end residential communities. Therefore, Jiaxing provides an excellent environment for entrepreneurship, residence and leisure. In addition, Jiaxing Development Zone plans to introduce a large theme park, Doraemon Amusement Park, to the region, which will eventually become a new highlight attraction for future leisure and entertainment.



### Sports

Jiaxing offers a variety of sports facilities, including tennis courts, badminton courts, soccer fields, basketball courts, sports stadiums, swimming pools, etc. Two international golf courses are located within a 30-minute drive of Jiaxing Development Zone.

### Culture and Entertainment

Jiaxing has many libraries and museums, such as Jiaxing Museum, that emit a deep cultural ambience. Water-town themed teahouses share local Jiangnan traditions, while folk tea restaurants showcase the customs of water towns along the southern side of the Yangtze River. An example of one such teahouse is "Graceful Water Folks", which is a folk tea restaurant located on Meiwan Street. There are also modern international movie theaters, such as Jiaxing Jinyi International Cinemas and Huacheng International Film City.

### Unique Food and Beverage Options

Jiaxing boasts very traditional southern specialties and a rich cultural heritage of southern restaurants. In an environment characterized by bridges and streams, man and nature blend together in perfect harmony. Jiaxing's residents can also enjoy the grand atmosphere of a large star-rated hotel, such as the Sun City Hotel and Rose Bay Hotel. There is no shortage of exotic restaurants to choose from which cater to Western, Korean or Japanese tastes, including Watermark Western Restaurant, Koreana Restaurant, Komiya Japanese Restaurant, etc.



#### Source:

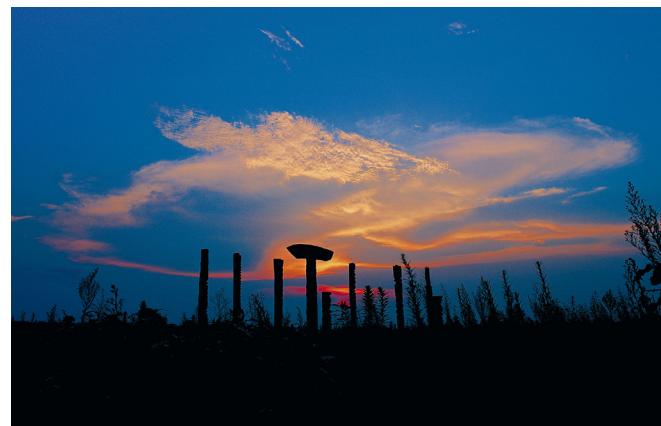
Investment Manual of Jiaxing Economic & Technological Development Zone (April 2014)

## 6.4 Culture and Nature

Known as “the land of fish and rice and the home of silk and satin,” Jiaxing has always been a place of affluence and prosperity throughout its history. Given its long history and mild natural environment, Jiaxing has developed its own unique culture and natural landscapes that share the character of the Jiangnan culture.

### Majiabang Scenic Area

Jiaxing is a cradle of China's Jianang culture. As early as six or seven thousand years ago, Jiaxing's ancestors created Majiabang culture, which is a type of early Neolithic stone culture in the Lake Tai Basin, downstream on the Yangtze River.



### South Lake

The South Lake scenic area is located in the South Lake district of Jiaxing and has planned regional area of 276.3 hectares, with the water area occupying 98 hectares. As one of the "Three Famous Lakes along the southern side of the Yangtze River", South Lake has a world renown for its captivating scenery.

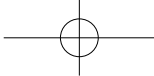
### Wuzhen Town/Xitang Town Scenic Area

Wuzhen and Xitang represent the most typical water towns on the southern side of the Yangtze River. With perfectly preserved architecture in the many different architectural styles of the Ming and Qing Dynasties, as well as ancient streets with unique charm, the towns attract many domestic and international tourists.

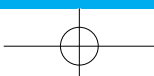
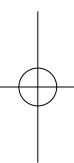


#### Source:

Official Website of Jiaxing People's Government  
Official Website of Jiaxing Tourism Office



# Appendix





# Appendix I. Registered capital and total investment of foreign-invested enterprises (FIEs)

## Capital Contributions<sup>①</sup>

Foreign investors can contribute capital with freely exchangeable foreign currency or tangible/intangible property, such as machinery and equipment, industrial property rights and/or proprietary technology, etc. Cross-border RMB also can be used for direct investment. Subject to the approval of the relevant authorities, foreign investors can make capital contributions using RMB profits earned by other FIEs that are set up in China.

## Proportion of Total Investment and Registered Capital<sup>③</sup>

Investors wishing to set up an FIE in China must comply with the rules governing the ratio of registered capital to total investment. Compliance with these rules also is required for an increase in capital, but not for the total investment after the increase.



## Contribution Requirements<sup>②</sup>

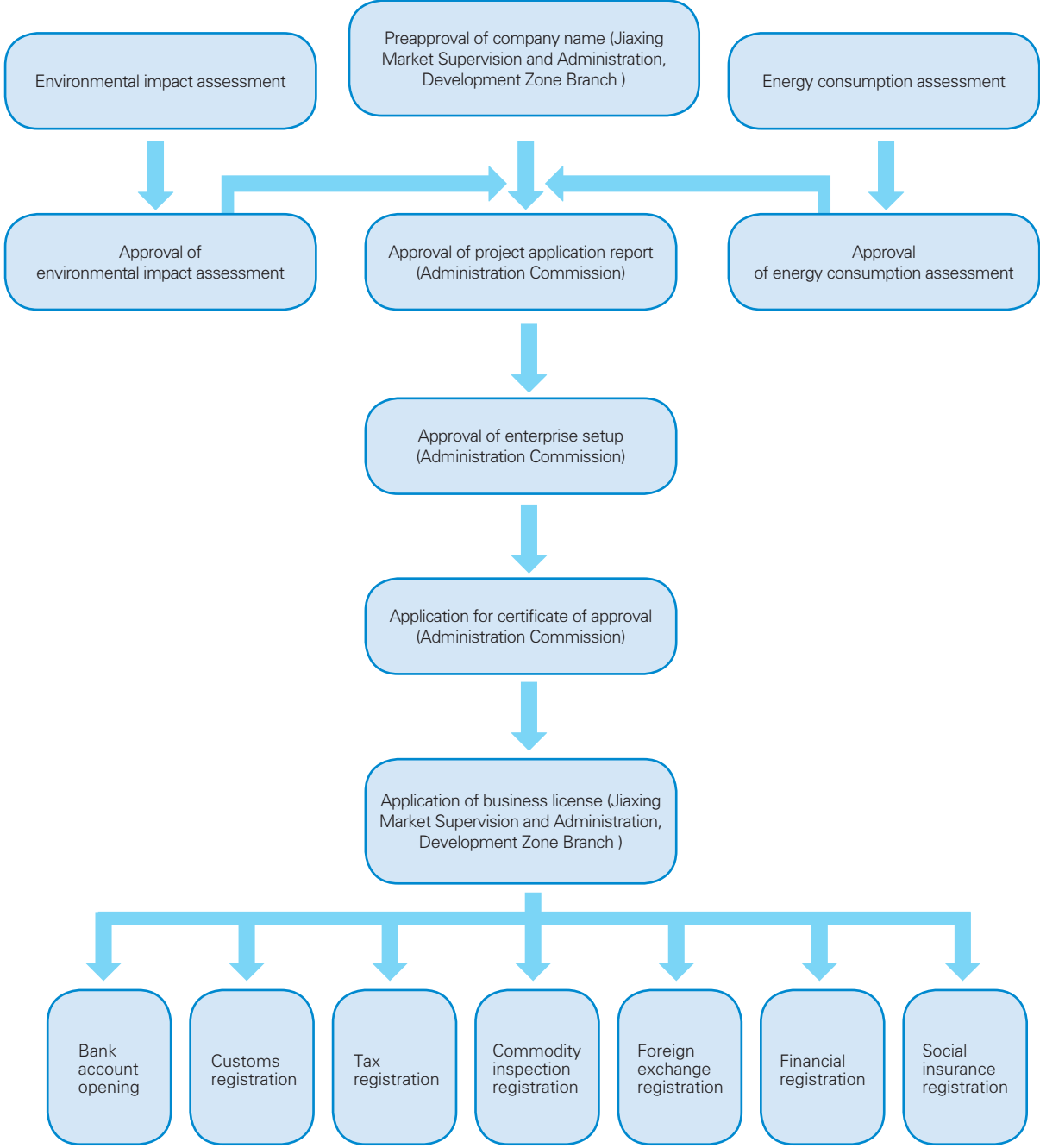
The registered capital of a limited liability company is the total equity or capital contributions to be paid in full by the shareholders, which is registered with the government authorities. The minimum paid-up value and the minimum registered capital of a limited liability company must be in compliance with administrative regulations and decisions of the State Council. Shareholders must fully pay their subscribed capital contributions as stipulated in the company's articles of association. Cash contributions must be deposited in the company's bank account. Noncash contributions must be made in compliance with the law. Shareholders that fail to make full payment of their capital contributions are jointly and severally liable for that amount to the company and other shareholders, as well as to creditors if the company is unable to pay its debts.

Total investment	Registered capital
Over USD 30 million	At least 1/3 of the total investment, but if the total investment of a project is less than USD 36 million, the registered capital must be at least USD 12 million
Between USD 10 million and USD 30 million	At least 40% of the total investment, but if the total investment of a project is less than USD 12.5 million, the registered capital must be at least USD 5 million
Between USD 3 million and USD 10 million	At least 50% of the total investment, but if the total investment in a project is less than USD 4.2 million, the registered capital must be at least USD 2.1 million
Less than USD 3 million	At least 70% of the total investment

### Source:

- ① Rules for the Implementation of the Law of the People's Republic of China on Foreign-Funded Enterprises (State Council Order No. 301 (2001))
- ② Company Law of the People's Republic of China (Chairmen's Order No. 8 (2013))
- ③ Provisional Regulations for the Proportion of Registered Capital to Total Amount of Investment of Joint Ventures Using Chinese and Foreign Investment (State Administration for Industry and Commerce No. 38 (1987))

# Appendix II. Main establishment procedures for foreign-invested enterprises



# Appendix III. Timetable of main establishment procedures for foreign-invested services

	Month	Days																													
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Establishing Enterprises	First month (project signed)	EIA Report												EIA approval									Certificate of approval								
		Energy assessment report												Energy assessment approval																	
Second month	Business license						Bank account opened, tax registration, etc.																								
Land Acquisition	First month (project signed)	Land surveying												Land evaluation									Approval of land supply								
	Second month	Organizing sales listing and transfer (announcement, listing, 20% prepayment for land, etc.)																													
	Third month	Organizing sales listing and transfer			Land delisted			Land contract signed						Land premium paid																	
	Fourth month	Tax deed paid and bidding of land certificate																													
Construction Project	First month (project signed)	Project unit commissioned to complete the project design																													
	Second month	Project unit commissioned to complete the project design																													
	Third month	Project unit commissioned to complete the project design												Extension of early trial and modification									Obtained land planning permit for construction								
	Fourth month							Determine property line and stake out property						Obtained construction planning permit									Determined construction and supervision units...								
	Fifth month	....registration tendered, appointment of quality supervision, review of construction plans, processing of construction permits																													

# Appendix IV. Main taxes applicable to foreign-invested enterprises

Income Tax	Taxable Scope	Tax Rate
<b>Corporate Income Tax</b>	Resident enterprises are subject to corporate income tax on their worldwide income. Nonresident enterprises are taxed on their China-source income and income related to their offices and/or facilities maintained within China.	Statutory tax rate: 25% Tax rate for small low-profit enterprises: 20% Tax rate for high and new technology enterprises: 15% Withholding tax rate: 10%
<b>Individual Income Tax</b>	Individuals who are domiciled in China or who do not have a domicile but have lived in China for at least one year are taxed on their worldwide income. All other individuals are taxed only on their China-source income. There are 11 types of income, including salary and labor compensation.	Statutory tax rate: 3%–45%
Turnover Tax	Taxable Scope	Tax Rate
<b>Value Added Tax</b>	VAT is levied on any person and/or organization engaged in the sale of goods, the provision of processing, repair and/or replacement services, and/or the import of goods within China, and the provision of transportation and modern services within the VAT pilot reform areas.	Statutory tax rate: 0%, 6%, 11%, 13%, 17%
<b>Consumption Tax</b>	Consumption tax applies to entities that produce, engage other contractors to process, import or sell 14 categories of consumer goods (cigarettes, wine, cosmetics, etc.).	Ad valorem rate: 1%–56%
<b>Business Tax</b>	Business tax is imposed on entities engaged in activities involving immovable property and intangible assets that are not subject to VAT.	Statutory tax rate: 3%–20%
<b>Duty</b>	The consignees of imported goods, consignors of exported goods and owners of any product brought into China are subject to custom duties.	Various
Other Taxes	Taxable Scope	Tax Rate
<b>Deed Tax</b>	Deed tax is imposed on the transferee of real property, calculated as a certain percentage of the total value of the property.	Statutory tax rate: 3%–5%
<b>Real Estate Tax</b>	The owner of real property located in urban areas is subject to the real estate tax, based on the assessed or rental value of the property.	Statutory tax rate (assessed value): 1.2% Statutory tax rate (rental value): 12%
<b>Land Value Increment Tax</b>	Land value increment tax is levied on the transfer of state-owned land and/or architectural buildings and fixtures, depending on the gain realized.	Statutory tax rate: 30%–60%
<b>Stamp Duty</b>	Stamp duty is levied on prescribed documents and taxable vouchers.	Statutory tax rate (As per the amount on the voucher): 0.005%–0.1% Stamp duty per document: CNY 5

Source: State Administration of Taxation (as of August 2014)



# Appendix V. Main government agencies for investment services

## **The Administration Committee of Jiaxing Economic & Technological Development Zone/ The Administration Committee of Jiaxing International Business Park**

Address: 1 Zhanwang Road, Jiaxing City, Zhejiang Province, PRC

## **Investment Promotion Bureau for Manufacturing Sector**

Telephone: 0573-82208501/82208716/82208719

Fax: 0573-82208570

## **Investment Promotion Bureau for Service Sector**

Telephone: 0573-83674809/82111567

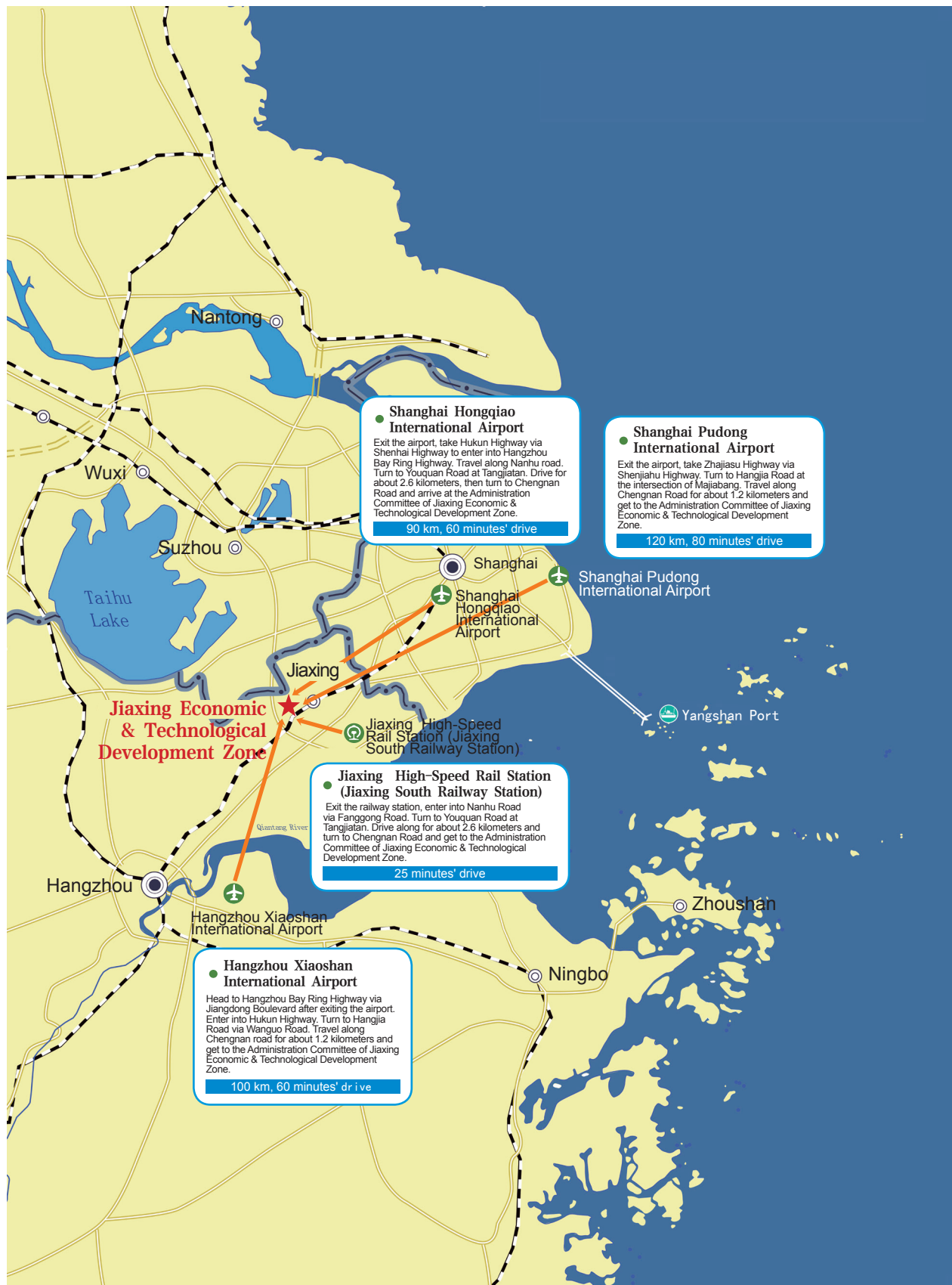
Fax: 0573-82113521

## **Investment Promotion Bureau for Smart Industries**

Telephone: 0573-82601666/89973703

Fax: 0573-82610009

# Appendix VI. Transportation guidelines of Jiaxing Economic & Technological Development Zone



# Postscript

This report, based on research and analysis of the Jiaxing Economic & Technological Development Zone's investment environment, summarizes several key elements that are most attractive to investors:

## 1. Unique Geographical Advantage

As a city situated in the center of the Yangtze River Delta region and coastal economic belt, Jiaxing serves as a transportation hub that connects Shanghai Municipality, Jiangsu Province and Zhejiang Province. With excellent roads, sea transportation systems and shipping resources, Jiaxing enjoys its unique geographical location and transportation advantages. While enterprises are faced with rising competition, Jiaxing's "one-hour transportation loop" provides outstanding transport advantages and boost the competitiveness of Jiaxing's enterprises.

## 2. Transparent and Efficient Government Services

By adhering to the philosophy of developing a service-based government, Jiaxing Development Zone is utilizing its 22 years of successful managerial experience to establish an integrated administrative platform that provides well-developed and high quality services. In Jiaxing Development Zone, enterprises are provided with open and transparent government policies as well as convenient one-stop government services. By virtue of a strong relationship, mutual trust and excellent communication between the government and enterprises, local enterprises have been given steadfast assurance of their long term sustainable development.

## 3. Advanced Development Planning

The Jiaxing Development Zone government, in accordance with the inherent characteristics of various industries, has been forward-thinking and systematic with the zone's layout. Located within various subdivisions, enterprises can operate in an environment most suited to their development. This in turn will encourage enterprises to make additional investments, and to expand the domestic and overseas markets and investment on this base.

## 4. Competitive Investment Costs

Compared to neighboring cities of the same level, Jiaxing Development Zone offers competitive pricing for industrial and commercial property as well as competitive leases for factories and office buildings. This attribute is playing a very significant role in lowering enterprise operating costs, increasing profits, and attracting talents to re-locate to Jiaxing.

## 5. Outstanding Living Environment

Known as "the land of fish and rice and the home of silk and satin," Jiaxing, throughout its history, has always been a place of affluence and prosperity and is a nationally-recognized historical and cultural city. Jiaxing offers its residents beautiful

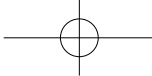
scenery, a good work/life balance, as well as harmony between economic development, nature and culture. Only when surrounded by such a picturesque ecological environment can investors truly understand life's beauty and harmony.

With the national government accelerating the implementation of its Yangtze River Delta region integration strategy, the Yangtze River Delta region features a well-developed industrial environment as well as an excellent geographical location and infrastructure. Furthermore, the region's open and transparent government policies and systems are attracting an increasing number of advanced manufacturing and modern services to cluster and relocate to the Yangtze River Delta region.

Jiaxing Economic & Technological Development Zone, at the heart of the Yangtze River Delta region, undoubtedly benefits from tremendously favorable conditions in terms of carrying forward the industrial resources transferred from large cities. To seize this rare and historical opportunity, the Jiaxing Development Zone government recognizes that their economic growth must fall in line with modern economic development trends. Therefore, in addition to accelerating the pace of innovation and transformation, Jiaxing Development Zone will promote the transformation of economic growth patterns, thereby acquiring additional advantages, and achieving greater advancement.

Simultaneously, Jiaxing Development Zone government also recognizes that their economic transformation and upgrade, and sustainable development goals will not only encounter many opportunities, but also face many tests and challenges along the way. Such challenges, for example, include the decreasing availability of high-quality low-cost labor, and improving the zone's level of internationalization.

Amid these opportunities and challenges, Jiaxing Development Zone will bank on the vast potential of China's national strategy, and ride the "eastern winds" of integration in the Yangtze River Delta region, and maintain the advantages of its traditional industries. From this standpoint, Jiaxing Development Zone will focus on developing the advanced manufacturing sector, the modern service sector and strategic emerging industries. In addition to making an effort to expand the development space, Jiaxing Development Zone will innovate development concepts and enhance the investment environment for sustainable business development. By continuing to enhance its urban competitiveness and local positioning, Jiaxing Development Zone's influence will radiate across the Yangtze River Delta region to both domestic and overseas markets, which will help the region become the number one choice for investors, and create even greater prosperity in the Yangtze River Delta region.



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