

# Nanjing Investment Environment Report

2009

This report was prepared by PricewaterhouseCoopers



# Preface

The Bureau of Foreign Trade and Economic Cooperation, Nanjing Municipality (“MOFCOM Nanjing”) engaged PricewaterhouseCoopers Consultants (Shenzhen) Limited – Shanghai Branch (“PwC Shanghai”) to assist them in performing a study of the overall investment environment of Nanjing.

This report is intended to reflect Nanjing’s existing investment environment and offer potential investors an overview of relevant elements for investing in Nanjing.

PwC Shanghai has performed interviews with key representatives of enterprises recommended by MOFCOM Nanjing. In addition, a detailed questionnaire has been used to collect information regarding Nanjing’s investment environment. The questionnaire addresses different perspectives to be considered when making an investment decision.

This report presents a summary of various aspects useful for potential investors considering investing in Nanjing. The report is structured with reference to the indicators used in the World Bank’s 2006 report on “City Competitiveness of 120 cities in China”. Several indicators and the characteristics of Nanjing’s macro-economic and business environment were put forward in the investment environment report carried out by the Ministry of Commerce and relevant government agencies of various regions. Taking into consideration the following eight key indicators including the living environment, the report aims to present Nanjing’s investment environment in a systematic manner:

- Geographical location and accessibility
- International integration
- Infrastructure
- Human resources
- R&D competency
- Financing
- Government support and administrative efficiency
- Living environment

The questionnaire included 4 to 5 questions on average per element. In total, 138 representative companies chosen by MOFCOM Nanjing participated in the survey. Among the participants, 10 companies from various industries were interviewed.

In order to give investors a clear understanding of Nanjing’s investment environment, relevant data was analysed and comparisons were made against other representative cities. The relevant data included items such as the price of land, factory rental costs, human resources, infrastructure covering the supply and cost of electricity, water and gas. These representative cities are located in various regions of China, including but not limited to Shanghai, Guangzhou, Suzhou, Hangzhou and Ningbo. The national economic data of these cities were collected via phone interviews and extracted from relevant government websites.<sup>Note</sup>

The research and analysis indicates that Nanjing has a sound and promising investment and business climate in that it possesses the main characteristics necessary for an advanced manufacturing base and sophisticated service industry base:

- Good geographical location
- Broad international cooperation
- Ample pool of talents
- Strong R&D competency
- Comprehensive financial environment
- Transparent and efficient government operations in line with international practice

Going forward, Nanjing plans to focus on maintaining and improving its investment environment. The Nanjing government is striving to enhance its transparent international attitude towards investors with a view to collaborate with enterprises and entrepreneurs to further develop and promote the economy of Nanjing.

**NOTE:** Unless otherwise specified, all the information in the report is compiled on or before 30 June 2009. The report does not incorporate the effects, if any, of events and circumstances which may have occurred or information which may have come to light subsequent to this date. Unless specifically mentioned in the report, all information is provided by MOFCOM Nanjing. PricewaterhouseCoopers assumes no responsibility for the accuracy of the data provided by MOFCOM Nanjing or any other party. PricewaterhouseCoopers assumes no duty of care or responsibility to the readers of the report. Potential investors are advised to consult MOFCOM Nanjing or their professional advisors before making any investment decisions. Furthermore, all photographs contained in this report are authorised for use by MOFCOM Nanjing or sourced from the PwC photo gallery.

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# City Overview

# 1.1 Introduction

Nanjing, the capital city of Jiangsu Province in the developed area of East China, is located in the Yangtze River Delta and 270 km away from Shanghai. Nanjing is the political, economic and cultural centre of Jiangsu Province, as well as the centre of commerce, finance and logistics in the Yangtze River Delta.

Well known as an important comprehensive industry production base in China<sup>①</sup>, Nanjing is also one of the most developed service industry cities in the Yangtze River Delta.

There are five state-level development zones, eight provincial-level development zones and several key industrial parks. Nanjing has set up several state-level export processing zones and the Longtan Harbour Bonded Logistics Centre (Type B). The development zones have become a hot spot for foreign investment.<sup>①</sup>

Nanjing covers a total area of 6,598 km<sup>2</sup>. It governs 11 districts – Xuanwu, Baixia, Gulou, Jianye, Qinhuai, Xiaguan, Yuhuatai, Qixia, Jiangning, Liuhe,

Pukou, and two counties – Lishui and Gaochun.<sup>①</sup> There are about 7.6 million permanent residents in the city.<sup>②</sup>

Nanjing is a modern city with strong overall competency and promising development prospects:

- Ranked fourth in the “Top 100 best commercial cities in Mainland China” by Forbes, 2008;
- Awarded the “Special Citation of the Habitat Scroll of Honour” by UN-HABITAT in 2008;
- Ranked third in the Sustainable Development Comprehensive Evaluation Report of Yangtze River Delta Cities, 2008;<sup>③</sup>
- In the survey of “The City with Strongest Soft Power in Mainland China, 2009”, Nanjing was selected “The City with Strongest Development Capacity in Education”;<sup>④</sup>
- The city with the highest satisfaction level with education in China, 2008.<sup>⑤</sup>



Panorama of Nanjing Image

Sources:

- ① Official Website of Nanjing Municipality
- ② Statistical Communique of Nanjing on the 2008 National Economic and Social Development
- ③ Development and Research Centre of Yangtze River Delta Cities
- ④ International Public Relations Research Centre of Fudan University and so on
- ⑤ Oriental outlook weekly of Xinhua News Agency

# 1.2 Macro Economic Conditions

## Steady growth of GDP<sup>①</sup>

From 2006 to 2008, Nanjing's total GDP achieved a sustained growth of over 12%. (See Chart 1.2-1)

In 2008, Nanjing recorded a total GDP of RMB377.5 billion, up by 12.1% compared to 2007, and higher than the 2008 national GDP growth rate of 9%.

Chart 1.2-2 shows that the development of the secondary and the tertiary industries has boosted the GDP growth in recent years.

## Rapid development of the tertiary industry<sup>①</sup>

According to the Nanjing industry structure of 2008, GDP produced by the tertiary industry rose from 48.4% in 2007 to 50% in 2008, and the industry production of the tertiary sector increased by 15.3%. (See Chart 1.2-2)

	The Primary industry	The secondary industry	The tertiary industry
2008 GDP growth	1.3%	9.6%	15.3%

## Optimization of industrial structure

According to the Eleventh Five-year Plan Outline for Nanjing's National Economy and Social Development, Nanjing is expected to focus its efforts on developing the service industry and optimise the tertiary industrial structure gradually. In 2008, after a series of measures, the proportion of Nanjing's service industry increased significantly and achieved the 50% mark in the total industry structure for the first time in history.

The Development Report of Yangtze River Delta Cities in 2009 states that except for Shanghai and Nanjing, the secondary industry of most of the cities in the Yangtze River Delta is larger than the tertiary industry.

The above change in the proportion of Nanjing's industrial structure enables it to endure the international financial turmoil and maintain sustainable growth.

Nanjing Total GDP (RMB in billions)

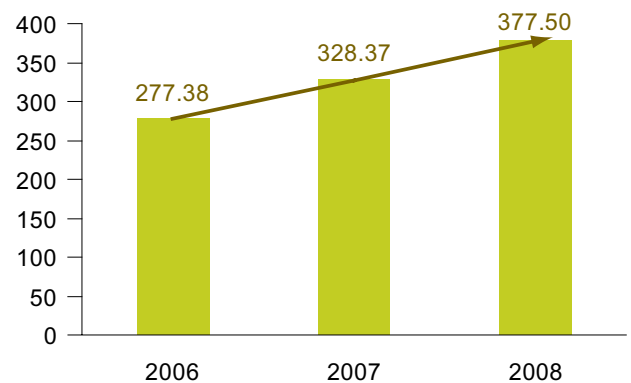


Chart 1.2-1

Source: Statistical Communique of Nanjing on the 2008 National Economic and Social Development, and Nanjing Statistical Yearbook

Industry Structure of Nanjing GDP

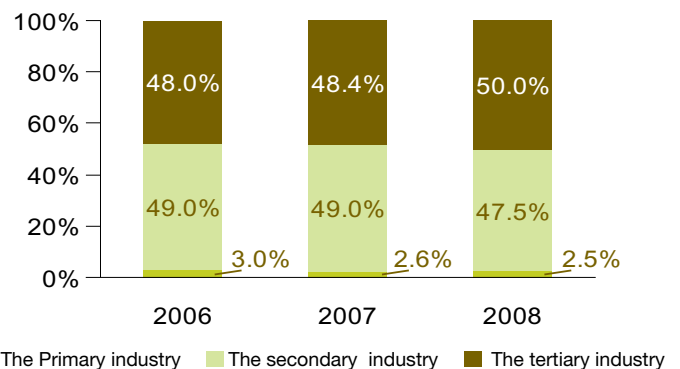


Chart 1.2-2

Source: Statistical Communique of Nanjing on the 2008 National Economic and Social Development, and Nanjing Statistical Yearbook

Source:

① Statistical Communique of Nanjing on the 2008 National Economic and Social Development

# 1.3 Consumer Market

## Rapidly developing consumer market<sup>①</sup>

The retail market in Nanjing has been flourishing in recent years, being the birth place of the following renowned domestic enterprises:

- Suning, a domestic electrical household appliance retail leader;
- Suguo Supermarket, a chain supermarket; and
- Nanjing Xinbai, a state-owned shopping mall.

The consumer market boom was also contributed by the following international retail giants in Nanjing:

- Wal-Mart and BestBuy from the US;
- B&Q Supermarket and TESCO from the UK;
- Auchan and Carrefour from France; and
- Metro from Germany.

Given its central location and effective transportation network, Nanjing’s consumer market covers 10 surrounding cities in Anhui, Shandong, Henan, Zhejiang and Jiangxi provinces etc.

## Positive consumption potential<sup>①</sup>

In the last three years the retail of consumer goods in Nanjing has grown rapidly. In 2008, the total retail sales of consumer goods reached RMB165.18 billion, an increase of 19.7% from 2007. (See Chart 1.3-1)

In 2008, the per capita disposable income of urban residents of the city was RMB23,123, up 13.85% than that of 2007. The per capita consumption expenditure of urban residents was RMB15,133, increasing by 14.0% from 2007.

Compared with other major cities in China over the same period, the per capita disposable income of urban residents in Nanjing has been close to that of first-tier cities. (See Chart 1.3-2)

Going forward, Nanjing sees potential for growth both in market size and in the purchasing power of consumers.

Total Customer Goods Retail Sales  
Nanjing Annual Growth Rate (RMB in billions)

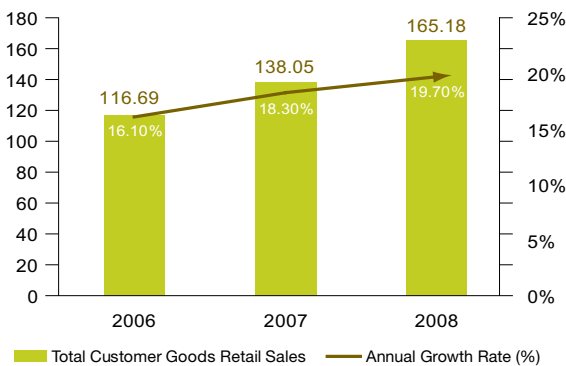


Chart 1.3-1

Source: Statistical Communique of Nanjing on the 2008 National Economic and Social Development, Statistical Communique of Nanjing on the 2008 National Economic and Social Development, and Nanjing Statistical Yearbook

Per Capita Disposable Income in Major Cities  
in China, 2008 (RMB)

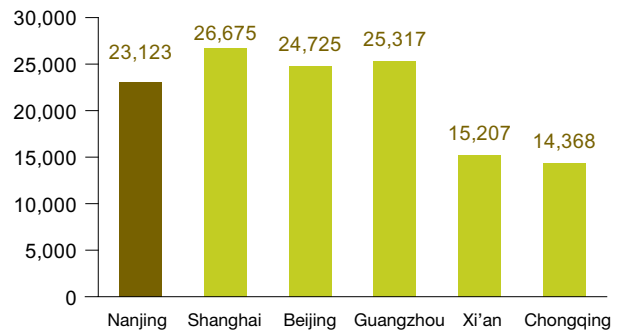


Chart 1.3-2

Source: Statistical Communique of various cities on the 2008 National Economic and Social Development

Source:

① Statistical Communique of Nanjing on the 2008 National Economic and Social Development, and Nanjing Statistical Yearbook



# 1.4 Industry Cluster

## — Modern Service Industry

### Service industry

In 2008, Nanjing's service industry achieved a GDP growth of RMB188.7 billion, an increase of 15.3% compared to 2007. The growth rate was 3.2% higher than that of the entire city and 2.6 % higher than the average level of the province. The service industry contributed more than 60% to the GDP growth of the city. The proportion of the service industry to the GDP of the entire city reached 50%, increasing by 1.6% compared to the end of 2007.



### Service outsourcing<sup>①</sup>

In 2006, Nanjing was awarded “China's Service Outsourcing Base City” by the Ministry of Commerce, Ministry of Science and Technology and the Ministry of Information Industry of China. The following districts were awarded “China's Service Outsourcing Base Cities and Model Parks”:

- Gulou District;
- Xuanwu District;
- Yuhuatai District;
- Nanjing Hi-tech Development Zone; and
- Jiangning Economic & Technological Development Zone.

At present, there are over 400 service outsourcing enterprises in Nanjing, such as ZTE, Huawei, MOTOROLA, Lucent, Ford, FUJITSU, Satyam, Neusoft and iSoftStone. These reputable enterprises have already established delivery or R&D centres in Nanjing. World-class enterprises such as Microsoft, HP, INTEL, IBM and Flying have launched various projects related to service outsourcing in Nanjing.

To date, there are over 70,000 people engaged in service outsourcing in Nanjing. The public service platform for software technology and service outsourcing talents training centres have been established. Special outsourcing industries such as software technology, games and animation, pharmaceutical R&D have also been set up.

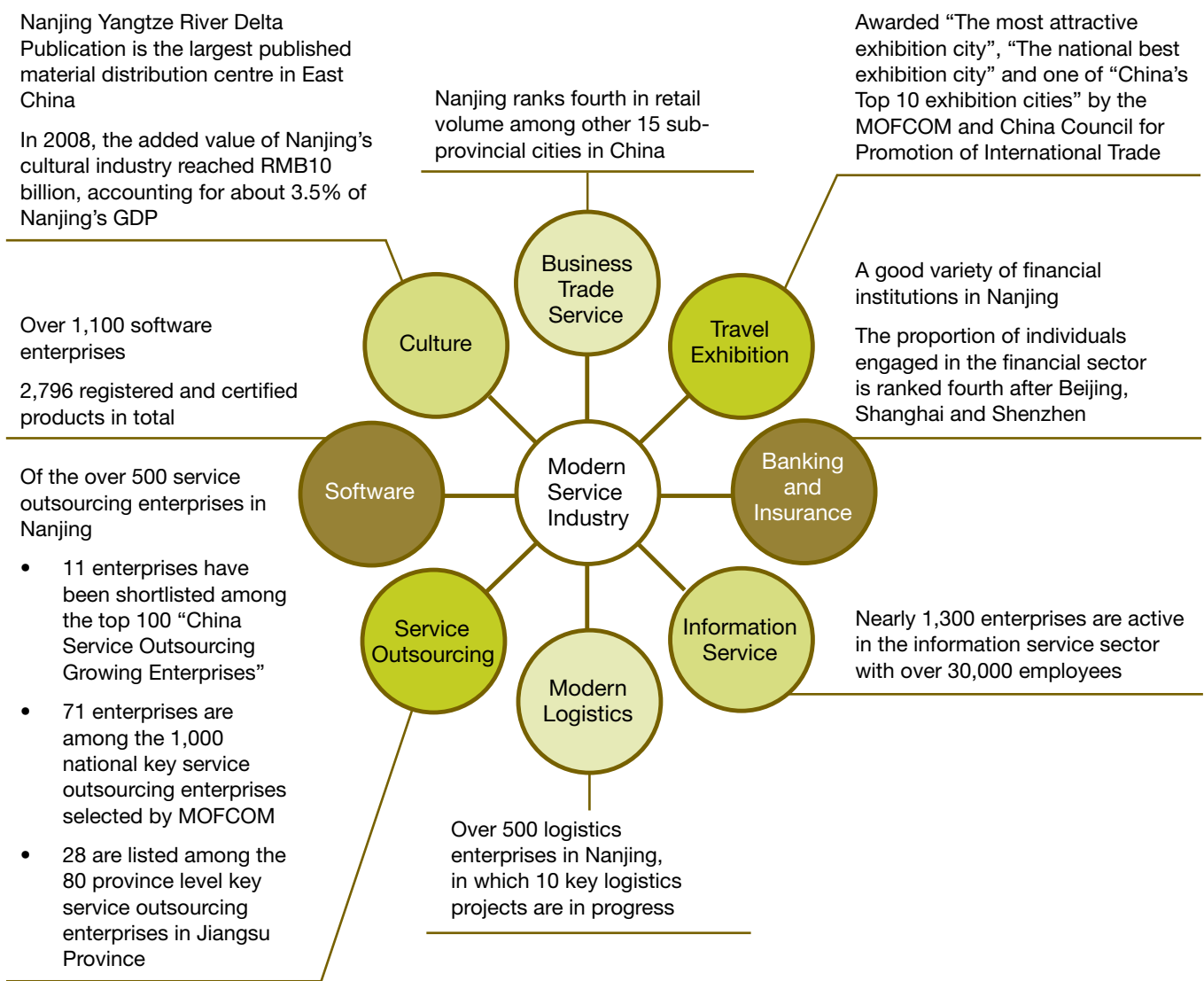
In 2008, the contracted value of service outsourcing in Nanjing reached USD800 million, accounting for 13.6% of the national gross value. The executed value related to the delivery of service outsourcing was USD510 million, accounting for 10.8% nationwide. The executed value of offshore service outsourcing was USD310 million, accounting for 8% nationwide.

Source:

① Statistical Communique of Nanjing on the 2008 National Economic and Social Development and Nanjing Statistical Yearbook

# 1.4 Industry Cluster

## — Modern Service Industry



Source:  
Materials provided by MOFCOM Nanjing

# 1.4 Industry Cluster

## —Advanced Manufacturing Industry

The comprehensive strength of the petrochemical industry in Nanjing ranks second in China, after Shanghai

**Representative enterprises:** YPC  
BASF, Jinling Petrochemical, Yangtze Petrochemical, Nanjing Chemical Industrial

Strong production capability of photovoltaic cell (300MW)

A complete wind power industry chain

**Representative enterprises:**  
Nanjing High-speed and Accurate Gear Group, Nanjing Turbine & Electric Machinery, China Electrical Equipment Group, Nanjing NARI

The annual production capability of the automobile industry is 1.03 million vehicles, of which 0.8 million are sedans

Six enterprises produce complete vehicles, 16 produce specialty vehicles, over 200 produce auto components and 2 produce motorcycles

**Representative enterprises:** ChangAn  
Ford Mazda whole vehicle and engine, Nanjing Automobile Corporation, Nanjing ChangAn, Donghua Company, Jincheng Corporation, and Chenguang Group

Source:  
Materials provided by Nanjing Municipal Economic Commission

Over 40 flat panel display manufactory enterprises in Nanjing constitute the largest flat panel display industrial cluster in China

Mobile phone production capability accounts for 8% of the global production capability

**Representative enterprises:** LG Display, Hannstar Display, LG Xingang, Compal Communication, TPO Display, Xixing Electronics, and Ericsson Panda

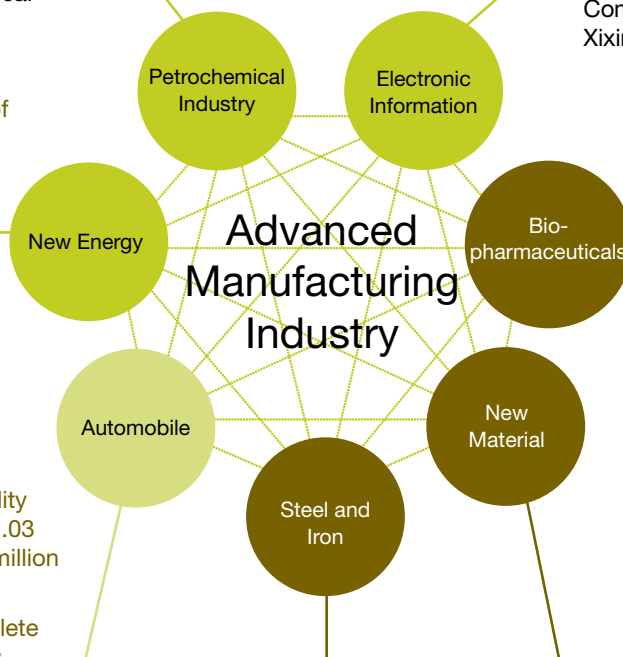
Over 100 enterprises develop and produce bio-medicine; 60 enterprises have obtained GMP Certificates

**Representative enterprises:**  
Nanjing Chengong Pharmaceutical, Jiangsu Simcere Pharmaceutical, Nanjing Laoshan Pharmaceutical, Nanjing Pharmaceutical, and Jinling Pharmaceutical

Over 400 enterprises recorded sales revenue of RMB47 billion in 2008

Industries associated with the automobile, electronic information and biology account for over 20% of the entire material industry economic scale

**Representative enterprises:**  
Sinoma Science & Technology, Gaochun Ceramic, Bote New Material, Yunhai Metal, Nanjing Germanium Co., Ltd, and Nanjing Jiusi High-Tech



The production capability of steel and iron is close to 10 million tonnes

**Representative enterprises:**  
Nanjing Iron and Steel Joint Group Limited Company, Baosteel Group-Shanghai Meishan Co., Ltd

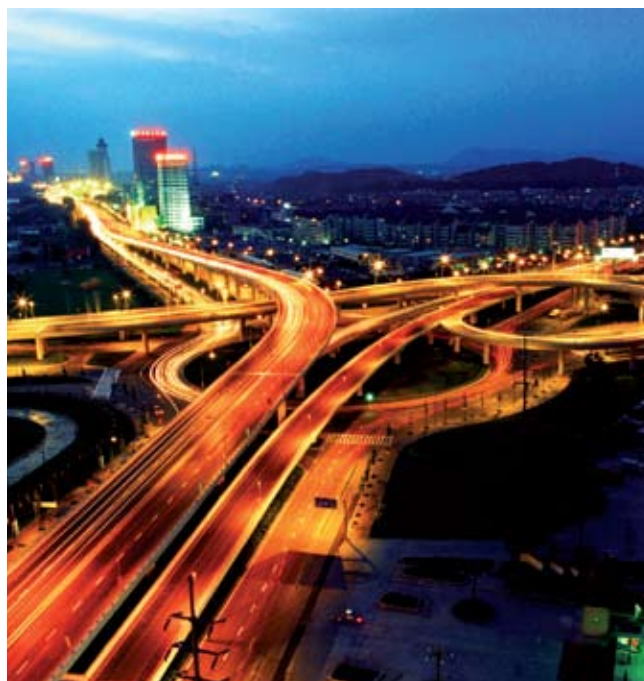
# Investment Environment

## 2.1 Methodology for Investment Environment Assessment

Why is the investment environment so important?

1. The investment environment largely affects regional economic development. The economic development indices of the south-eastern region of China are higher than the indices of other regions<sup>①</sup>, including:

- In 2004 the per capita average direct foreign investment was USD128, which is 1.3 times the average of the north-eastern region, 7 times the central region, and 25 times the western region;
- 43% of the total industrial assets in the south-eastern region are company assets invested by foreign investors, while it is only 15% in the north-eastern region, 9 to 10% in the central and south-western regions and only 5% in the north-western region.



2. The investment environment directly affects the cost and profits of an enterprise because it affects<sup>②</sup>:

- the quality and cost of production
- the distribution and use of production

3. City investment environment<sup>②</sup>

	Sound investment environment	Poor investment environment
Enterprise productivity	Higher than half of the average level	Lower than half of the average level
Rate of return on investment	15%-20%	10%

Sources:

① World Bank report "Government management, investment environment, and harmonious society: sharpening the urban competitiveness of 120 cities in China" (2006.10.8)  
[http://siteresources.worldbank.org/EXTEAPCHINA/INCHINESE/Resources/120cities\\_cn.pdf](http://siteresources.worldbank.org/EXTEAPCHINA/INCHINESE/Resources/120cities_cn.pdf)

② Investment environment and urban competitiveness (2007.11), the report addressed by Fan Qimiao, Chief Economist of World Bank, in fifth China investment environment forum.

## 2.1 Methodology for Investment Environment Assessment

### Introduction of indicators for investment environment assessment

For now, domestic and overseas research institutions and academics are yet to establish a unified index standard for the assessment of investment environments.

Generally, a fair evaluating index system should be comprehensive, objective, accurate, and able to improve the urban investment environment. An investment environment assessment index should follow the following principles<sup>①</sup> :



Recently, state and provincial government agencies have released various assessment reports of the investment environment, e.g. the National Economic and Technical Development Zone Progress Report released by Ministry of Commerce.

Since 2002, the regular reports released by the World Bank, which analyse the investment environment and competitiveness of big cities in China, have become important documents for performing investment location studies in China. The evaluating indices used in the reports are based on the experience on the most important factors to be considered and the research outcome contributed by other academic institutes<sup>②</sup>. As such, this set of indices is considered a good reference.

### Indicators for Investment Climate Assessment

During the compilation of the investment environment report, we summarised many factors that measure investment conditions. With reference to the World Bank's 2006 report on "City Competitiveness of 120 cities in China", as well as indices suggested by the investment environment reports published by the Ministry of Commerce, the assessment report is comprised of seven special indices. In addition, we take human environment as a soft environment factor into consideration, in an aim to view the Nanjing investment environment from several angles, such as macroeconomic, industrial policies, and efficiency of government support.

- Geographical location and accessibility
- International integration
- Infrastructure
- Human resources
- R&D competency
- Financing
- Government support and administration efficiency

### Methodology for investment environment study

- **Qualitative Analysis:** On-site Visits, Interviews with Government Authorities, Interviews with Management of Local Enterprises
- **Quantitative Analysis:** Questionnaires

#### Sources:

① Henan Province Urban Investment Environment Current Situation and Innovative Strategy Positive Analysis (2006)  
<http://www.mofcom.gov.cn/aarticle/difang/henan/200601/20060101438790.html>

② World Bank report "Government management, investment environment, and harmonious society: sharpening the urban competitiveness of 120 cities in China" (2006.10.8)  
[http://siteresources.worldbank.org/EXTEAPCHINAINCHINESE/Resources/120cities\\_cn.pdf](http://siteresources.worldbank.org/EXTEAPCHINAINCHINESE/Resources/120cities_cn.pdf)

## 2.2 Geographical Location and Accessibility

### Introduction

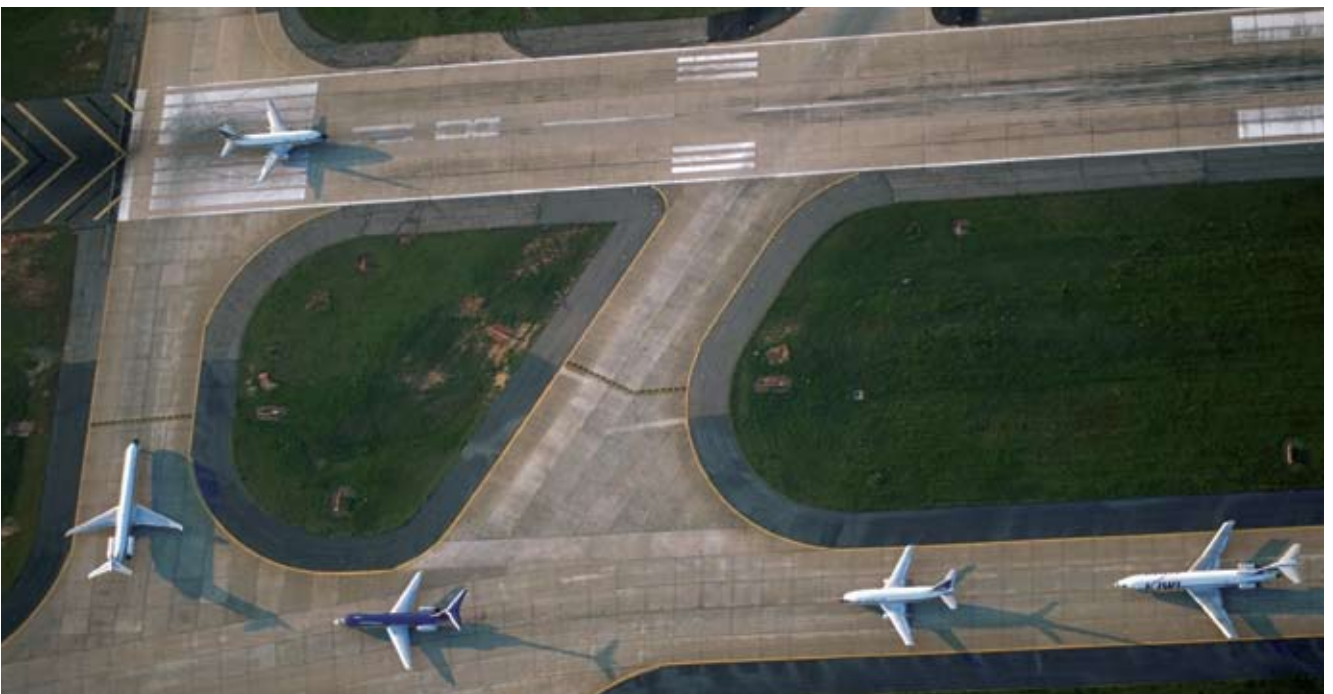
The development of the regional economy can boost the growth of companies in Nanjing. Factors such as geographic location and transportation costs are important for enterprises in selecting appropriate investment locations.

Located in the Yangtze River Delta, Nanjing brings many advantages for local enterprises to expand downstream business and penetrate the consumer market.

### Company Statement

“Our group specialises in real estate, department store/chain shops/retail, and commercial distribution businesses. The unique advantage of Nanjing is the main reason why we chose to invest here. Nanjing, as one of the biggest cities in China and the capital city of Jiangsu province, has a large consumer market with strong purchasing power. Nanjing could expand to cover the metropolitan area centred at Nanjing, attracting the consumers from nearby provinces and cities. In addition, Nanjing has close proximity to Shanghai, where a large number of first-tier international companies are located, so it is a good location for a company to interact with suppliers”.

— Golden Eagle Retail Group Limited



## 2.2 Geographical Location and Accessibility

### Geographic centre

Located in the Yangtze River Delta Nanjing is one of the most developed areas with highest urbanisation level in China. Moreover, Nanjing is a key city contributing to the Yangtze River Delta's All-in-One Economy.

Nanjing is 380km away from the estuary and is located at the intersection of the water transportation channel between the east and west, land transportation channel from Yangtze River linking the north and south and also the Beijing-Shanghai railway.<sup>①</sup>

### Logistic centre

The Longtan Harbour and Lukou Airport in Nanjing are well-established to accommodate the transportation capabilities of the city.

Nanjing's customs and immigration ports provide the visa-on-arrival services for efficient customs clearance.

From 2006 to 2008 Nanjing has seen a steady increase in both passenger and cargo traffic. (see Chart 2.2-1)<sup>②</sup>

### Service centre

Nanjing is growing to become one of regional trade, logistics, tourism & exhibition, financial and information service centres in China.

Nanjing is working to enhance the GDP of trade, logistics, finance, and tourism and develop the service industry with great market demand potential such as financial services, education, culture, and sports, with a view to serve the objectives in Nanjing and its surrounding areas.

Nanjing Transportation Indicator

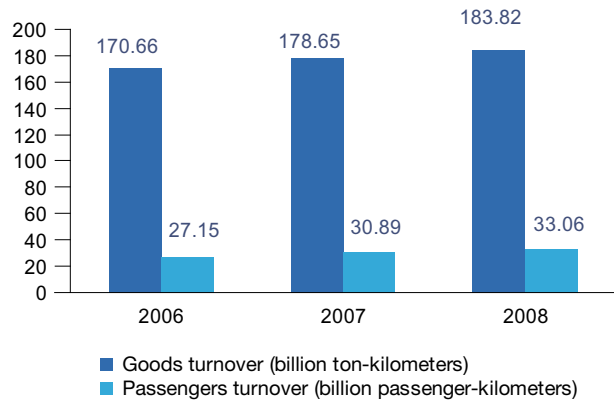


Chart 2.2-1

Source: Statistical Communique of Nanjing on the 2008 National Economic and Social Development, Nanjing Statistic Yearbook

Sources:

① Official website of Nanjing Municipality

② Materials provided by Nanjing Municipal Statistics Bureau



## 2.2 Geographical Location and Accessibility

### Yangtze River Delta and the Nanjing Metropolitan Area

In line with the regional strategy of Collaborating with Shanghai and Covering Surroundings, Nanjing is integrated into the Yangtze River Delta's All-in-One Economy, which not only enhances the transportation links between Shanghai and Nanjing, but also speeds up the establishment of the Nanjing-Hangzhou economic zone.<sup>①</sup>

The Nanjing Metropolitan Area is located at the centre of Nanjing, with a radius of 100km, covering eight cities – Nanjing, Zhenjiang, Yangzhou, Maanshan, Wuhu, Chuzhou, Huaian, and Chaohu. It takes only an hour by car to reach any of the other cities in the metropolitan area.<sup>②</sup>

The Nanjing Metropolitan Area links the east with the west and the south with the north, making it a strategic hub.

Nanjing, as a central city of the Yangtze River Delta and a core city of the Nanjing Metropolitan Area, has the advantages to promote the expansion of both the east and the west as well as to continue to establish its position as a regional central city.



Sources:

① The 11th Five-year Plan Outline of Nanjing National Economical and Social Development

② Official website of Nanjing Information Centre

## 2.2 Geographical Location and Accessibility

### Key airport in the eastern area

Nanjing Lukou International Airport is one of the top ten airports and is the fifth largest international freight airport in China.<sup>①</sup>

The airport is home to domestic and international airlines serving 75 cities. There are 26 international (regional) passenger-cargo airlines, covering China, Asia, Europe and America.<sup>①</sup>

Since July 2008, Nanjing has become one of the pioneers of direct flight cities across the Taiwan Strait, providing weekend charter flights.<sup>②</sup>

The distance between the airport and Nanjing centre is 35.8km and an express airport highway is being built from downtown to the airport connecting Nanjing to the Shanghai, Hangzhou and Hefei highways.<sup>①</sup>

In 2008 the airport recorded over 8.88 million passenger trips and handled 0.19 million tonnes of cargo.<sup>①</sup>

The second phase expansion of the Lukou Airport is currently under construction. The expansion plans will allow an estimated 15 million passenger trips by 2012.<sup>②</sup>



Nanjing Lukou International Airport

### Domestic airline travel time<sup>①</sup>

Beijing	Kunming	Guangzhou	Chengdu	Chongqing	Xiamen	Shenyang	Wuhan	Qingdao
110 minutes	155 minutes	120 minutes	130 minutes	110 minutes	90 minutes	120 minutes	60 minutes	60 minutes

### International airline (including Hong Kong, Taiwan, and Macao) travel time<sup>①</sup>

Inchon, Korea	Osaka, Japan	Tokyo, Japan	Singapore	Frankfurt, Germany	Hong Kong	Macao	Taipei
120 minutes	130 minutes	170 minutes	5 hours and 10 minutes	12 hours and 40 minutes	145 minutes	150 minutes	115 minutes

Sources:

① Materials provided by Nanjing Lukou International Airport

② Official website of Nanjing Municipality

## 2.2 Geographical Location and Accessibility



Xinshengwei Harbour

### Largest inland harbour in China

Nanjing is located downstream of the Golden waterway of the Yangtze River Harbour, which is one of the large-scale inland harbours of the River. It is an important junction for water and land transportation connecting rivers in East China.

Nanjing Harbour is the No.1 inland harbour in China. Being a multifunctional harbour, it plays an important part in Shanghai's international shipping centre.<sup>①</sup>

In 2008, the production level of Nanjing Harbour continued to grow, reaching a total annual volume of over 120.13 million tonnes, an increase of some 4 million tonnes (3.45%) compared to 2007. (See Chart 2.2-2)<sup>②</sup>

Goods Handling Capacity of Nanjing Harbour (1 million tonnes)

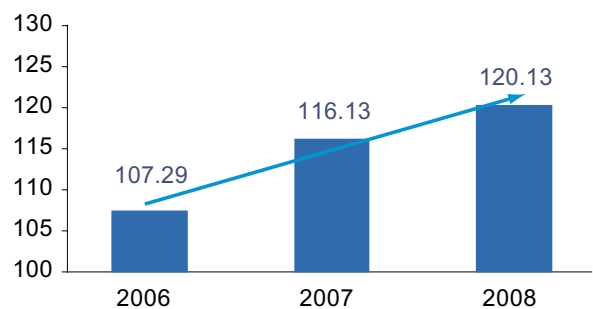


Chart 2.2-2

Source: Provided by MOFCOM Nanjing

Sources:

① Information Portal (Yangtze River Delta Harbour and airline cooperation website)

② Official website of Nanjing Municipality

## 2.2 Geographical Location and Accessibility

### Highway network<sup>①</sup>

Nanjing is one of the key links of national highways connecting the following expressways of the major cities in China:

- 312 National Highway (Shanghai-Xinjiang)
- 205 National Highway (Hebei Qinhuangdao-Shenzhen)
- 104 National Highway (Beijing-Fuzhou)
- 328 National Highway (Jiangsu Hai'an-Nanjing)
- Nanjing-Shanghai
- Nanjing-Hefei
- Nanjing-Hangzhou
- Nanjing-Nantong
- Shanghai-Chengdu
- Nanjing-Lianyungang

### Railway network

The Nanjing railway is the transportation hub of East China.

- It has the largest electric, mechanic and modern freight-train-assembly station;
- It is the hub of three railway lines, i.e. Beijing-Nanjing, Shanghai-Nanjing and Nanjing-Anhui Wuhu;
- It connects the main national railway lines and large and medium-sized cities; it has become the main railway junction connecting Central, East and North China.<sup>①</sup>

The Nanjing South Railway Station, which is expected to be completed in 2011, will be the largest passenger railway station in Asia. The station will connect the following four national railway lines:

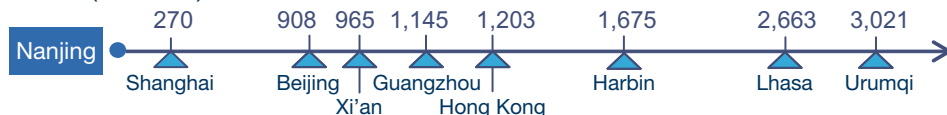
- the Beijing-Shanghai high-speed railway;
- the Nanjing-Hangzhou inter-city railway;
- the Nanjing-Anqing inter-city railway; and
- the Shanghai-Wuhan-Chengdu railway.<sup>②</sup>

Designed to travel at a speed of 350km/h, the Beijing-Shanghai High-Speed Railway is expected to be completed in 2010. It will reduce the travelling time from Nanjing to Shanghai to one hour and to three hours from Nanjing to Beijing.<sup>②</sup>

In 2012, Nanjing is slated to become the centre of railway transport for the Yangtze River Delta. It will take one hour by car to cities like Shanghai, Hangzhou, Hefei and Xuzhou, two hours to Jinan and Zhengzhou, and three hours to Beijing and Wuhan.<sup>③</sup>



The distances from Nanjing to main cities in China (unit: km)



Average journey time on Nanjing passenger railway to major cities in China

Shanghai	Beijing	Wuhan	Hangzhou	Zhengzhou
2 hours	8 hours	3.5 hours	4 hours	4.5 hours

Sources:

- ① Official website of Nanjing Foreign Investment
- ② Official website of Nanjing Municipality
- ③ Materials provided by Nanjing Traffic Bureau

## 2.3 International Integration

### Introduction

With its opening up to foreign trade and investment, China has experienced an increasing integration of domestic and international markets. The market economy is gradually maturing and moving in line with international trends while foreign trade has grown over the years.

Enterprises are able to obtain the most up-to-date information and market feedback from various resources and adjust their business strategies in a timely manner to cope with the changing market.

### Company Statement

“Our company is affiliated to the German Phoenix Contact Group. According to the strategy proposed by the group, along with the German and US Company, the Chinese Company will become one of the global core competitive and technical support centres of our group, managing the Asia-Pacific area. Currently, our group has built an investment firm in Nanjing, and together with our newly-built R&D and logistics centre, we hope to serve other affiliates in the Asia-Pacific region in various areas including technical R&D, manufacturing, logistics and transportation. Benefitting from Right timing, right location, and right people, Nanjing Phoenix Contact has made great progress.”

—Nanjing Phoenix Contact Co., Ltd.



## 2.3 International Integration

### Foreign investment

Following China’s reform and opening-up policies, Nanjing has attracted over 10,000 foreign invested enterprises. As at the end of 2008, the investment amount of foreign enterprises reached USD66.2 billion and the paid-up capital was USD20.1 billion.<sup>①</sup>

Over 80 of the top Fortune 500 enterprises have invested in almost 150 projects in Nanjing, which includes:

- BASF GROUP, Siemens, Bayer and Thyssen Krupp from Germany;
- Carrefour and Auchan from France;
- Shell and Phillips from the Netherlands;
- BP and Tesco from the UK;
- Ericsson from Sweden;
- Fiat from Italy;
- Ford, Motorola, Best Buy, Kimberly-Clark, Emerson and Morgan Chase from the US;
- Sharp, Itochu, Hitachi, Fujitsu, Mitsubishi Heavy Industries and Sumitomo Corporation from Japan; and
- LG and Samsung from Korea.<sup>①</sup>

In 2008, Nanjing signed new contracts with foreign investors with an annual amount of USD4.46 billion, increasing by 20.5% from 2007; with the actual realised foreign investment being USD2.372 billion, increasing by 15.1% from 2007.<sup>②</sup>

Please refer to Chart 2.3-1 for 2008 Nanjing foreign investor regional distribution diagram.<sup>①</sup>



Nanjing Foreign Investor Regional Distribution, 2008

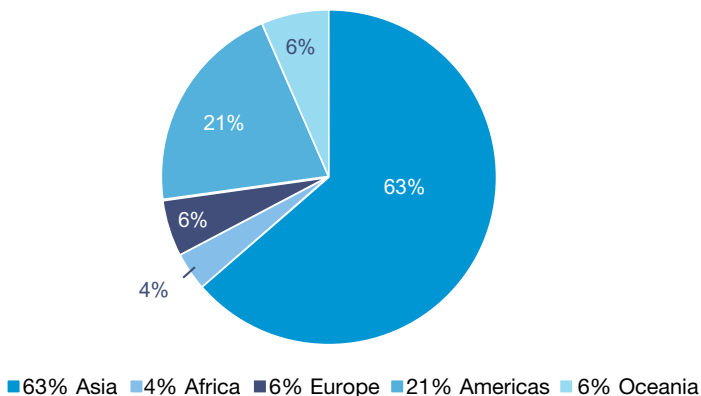


Chart 2.3-1

Source: Materials provided MOFCOM Nanjing

Sources:

① Materials provided by MOFCOM Nanjing

② Statistical Communique of Nanjing on the 2008 National Economic and Social Development

## 2.3 International Integration

### Foreign trade and economic cooperation

At present, over 2,000 enterprises in Nanjing have established trade relations with over 200 countries and regions.<sup>①</sup>

In 2008, Nanjing’s total import-export value was USD40.592 billion, showing an increase of 12.1% compared with that in 2007. Of the total, exports were accounted for USD23.597 billion, up 14.2% compared to that in 2007. (See Chart 2.3-2)<sup>②</sup>

In 2008, Nanjing saw an increase in export volume to three major markets, Asia, Europe, and North America, recording an annual export value of USD20.384 billion, an increase of 12.2%, which accounted for 86.4% of the entire city’s export value. (For the 2008 Nanjing export areas distribution based on goods export values, refer to Chart 2.3-3 )<sup>②</sup>

Nanjing cooperates with over 60 countries and regions in contract projects, technical service and labour exchange.<sup>①</sup>



Nanjing Total Import & Export Value (USD in billions)

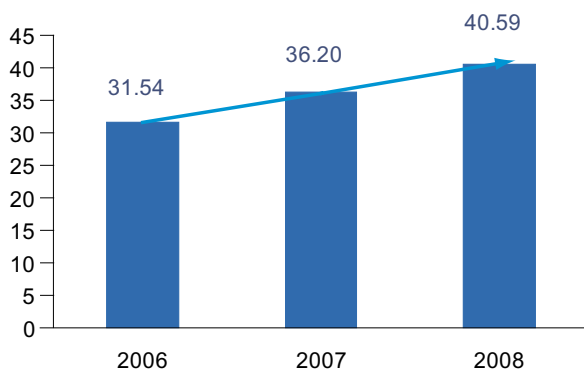


Chart 2.3-2

Source: Statistical Communique of Nanjing on the 2008 National Economic and Social Development, Nanjing statistic yearbook

Nanjing Export Areas Distribution, 2008

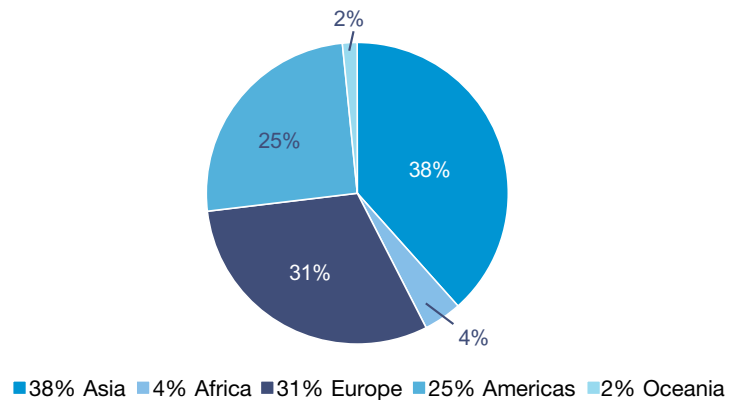


Chart 2.3-3

Source: Statistical Communique of Nanjing on the 2008 National Economic and Social Development

Sources:

① Materials provided by MOFCOM Nanjing

② Statistical Communique of Nanjing on the 2008 National Economic and Social Development

## 2.3 International Integration

With an individual export value of over USD40 million to over 60 countries and similar import value from 30 countries, Nanjing has formed a worldwide trade network.<sup>①</sup>



Source:

① Materials provided by MOFCOM Nanjing



## 2.4 Infrastructure

### Introduction

The cost of land is one of the most important factors to be considered at the preliminary stage for all businesses. High land/rental costs can significantly limit business operations.

The public services offered to enterprises include water, electricity, natural gas and telecommunication supply as well as waste management which are all business operational costs. Moreover, well established infrastructure and a highly efficient public service system are important to operational effectiveness and efficiency.

### Company Statement

“Our company, as a supply centre of the Ericsson Asia Pacific region, is one of three supply bases for the Ericsson group around the world along with the one in Sweden and Mexico. Our company designs, manufactures, sells, and installs mainly GSM/WCDMA digital mobile communication systems and telephone exchange systems. The development zone in Nanjing where our company is located provides sound infrastructure condition and power supply to fully satisfy our operational needs.”

— Nanjing Ericsson Panda Communications Enterprise Ltd.



## 2.4 Infrastructure

### Sufficient land supply<sup>①</sup>

According to the 2008 survey on land usage in Nanjing, the area of construction land reached 24.99% of the total city area.

### Development of industrial land<sup>①</sup>

The government has carried out the following infrastructure work with conditions ready for further development by investors:

- Sound road transportation system
- Water supply and drainage system
- Electricity network and supply
- Natural gas and heat piping
- Setting up of telecommunication system
- Ground levelling

Land use rights can be acquired through public bidding or auction.

Compared with state-level development zones in other cities, the acquisition costs of industrial land use rights in Nanjing are competitive. (See Chart 2.4-1)

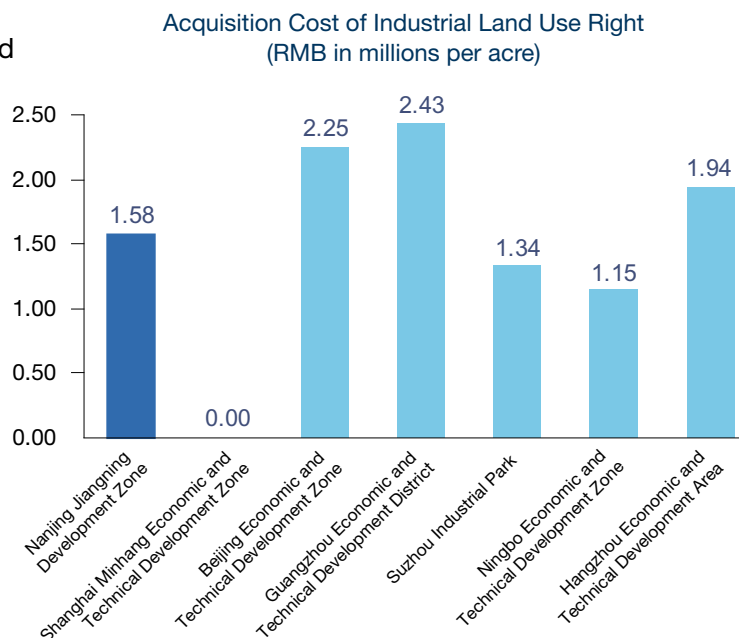


Chart 2.4-1

Source: Materials provided by the respective local promotion bureaux and the relevant research results in June 2009 (Shanghai Minhang Economic and Technical Development Zone has no available land for sale)

Source:

① Materials provided by Nanjing Municipal Bureau of Land and Resources

## 2.4 Infrastructure

### Land acquisition and plant construction<sup>①</sup>

Relevant authorities can build standardised plants in advance. Investors can also engage contractors to build plants with certain specifications.

In comparison with other State Economic and Technological Development Zones in Shanghai, Minhang, Beijing, Guangzhou, Suzhou, Ningbo and Hangzhou, the average rental cost in Nanjing is competitive. (Refer to Chart 2.4-2 and 2.4-3)



Source:

① Materials provided by Nanjing Municipal Bureau of Land and Resources

Average Monthly Factory Rental Cost (RMB/m<sup>2</sup>)

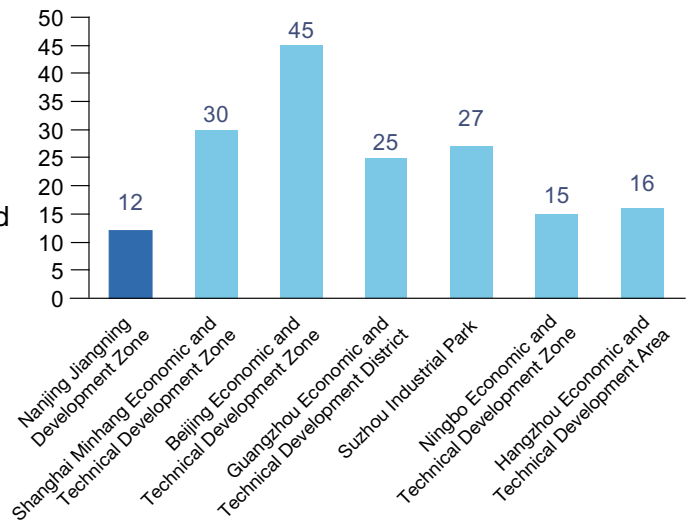


Chart 2.4-2

Source: Materials provided by the respective local promotion bureaux and the relevant research results in June 2009

Average Factory Construction Cost (RMB/m<sup>2</sup>)

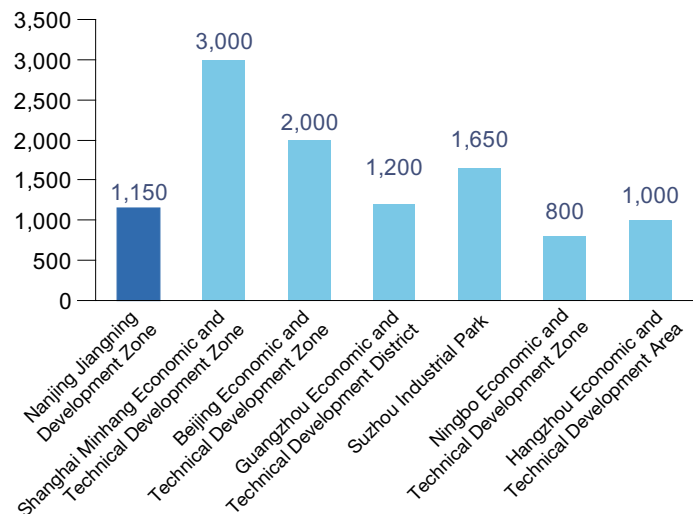


Chart 2.4-3

Source: Materials provided by the respective local promotion bureaux and the relevant research results in June 2009

## 2.4 Infrastructure

### Power supply

By now Nanjing's 216 transformer substations (35kV and above) has formed a grid framework supported by a 500kV double loop network and 220kV south and north double loop network.<sup>①</sup>

From 2006 to 2008, the industrial electricity consumption in Nanjing grew steadily every year.<sup>②</sup> (Refer to Chart 2.4-4)

In 2009, Nanjing will invest RMB3.575 billion in grid construction and the main 500kV grid framework will be further upgraded and completed to provide a reliable power supply for social and economic development as well as urban construction.<sup>①</sup>

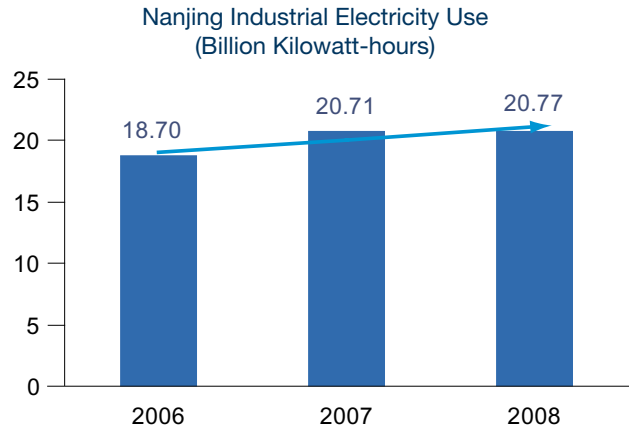


Chart 2.4-4  
Source: Nanjing Statistic Yearbook



Nanjing Grid

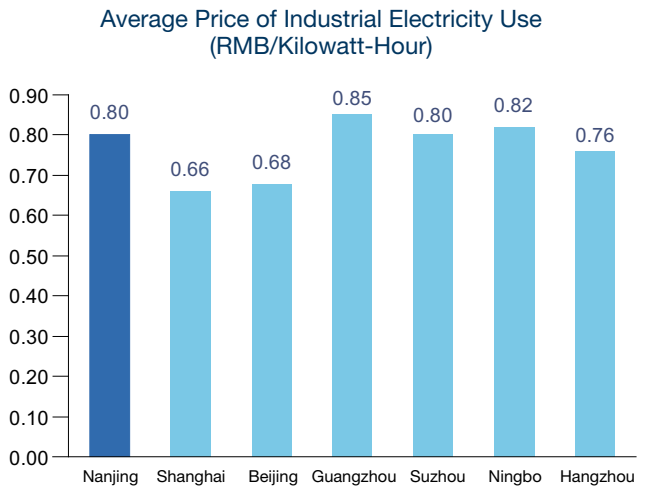


Chart 2.4-5  
Source: Materials provided by the respective local promotion bureaux and the relevant research results in June 2009

Sources:

① Materials provided by Nanjing Power Supply Company

② Materials provided by Nanjing Municipal Economic Commission

## 2.4 Infrastructure

### Water supply and sewage treatment

Located downstream of the Yangtze River, Nanjing's water area occupies 11.4% of the entire city land area. There are abundant water sources throughout Nanjing and the average annual water volume can reach up to 922.2 billion m<sup>3</sup>.<sup>①</sup>

Comparing with state level development zones in other cities, the cost of water for industrial use in Nanjing is within the average price range. (Refer to Chart 2.4-6)

Nanjing has an integrated domestic sewage processing system, with a daily processing capability of total domestic sewage reaching up to 1.256 million tonnes, and sewage disposal processing rates expected to rise to around 85%.

In 2008 Nanjing provided domestic water of 338.533 million tonnes and industrial water of 87.254 million tonnes. The highest daily urban water supply volume reached 1.658 million tonnes.<sup>②</sup>

### Nature gas

Currently Nanjing's gas source is from the "West-to-East Gas Transmission" pipeline from Xinjiang Tarim to Shanghai.<sup>②</sup>

The relevant authority in charge of the gas supply in Nanjing is currently promoting the construction of the "Sichuan-to-East Gas Transmission" project. By September 2009, in addition to the "West-to-East Gas Transmission", the gas supply from Sichuan will be a significant supplement to Nanjing's gas supply.<sup>③</sup>

Compared with other cities, the cost of natural gas for industrial use in Nanjing is within the average price range. (Refer to Chart 2.4-7)

Sources:

① Nanjing water conservation website

② Materials provided by Nanjing Public Utility Bureau

③ Jiangsu gas website

Average Price of Industrial Water (RMB/m<sup>3</sup>)

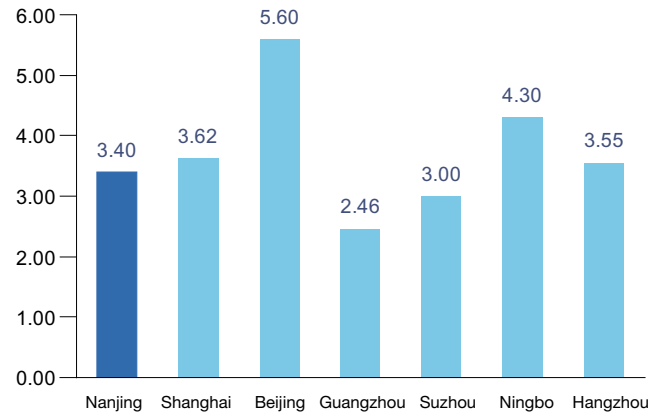


Chart 2.4-6

Source: Research results from local official website in June 2009

Average Price of Industrial Natural Gas (RMB/m<sup>3</sup>)

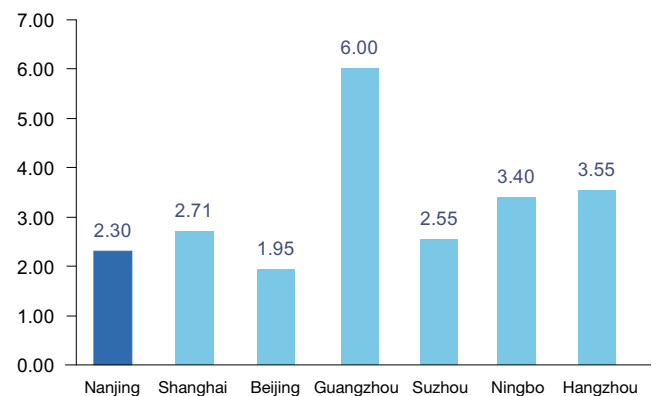


Chart 2.4-7

Source: Research results from local official website in June 2009

## 2.5 Human resources

### Introduction

To achieve business development, production expansion and technology innovation, an ample supply of talent and labour is essential. Labour costs are one of the key factors to be considered for making investment decisions.

Nanjing's superior science and technology capabilities and fair labour costs provide strong support to its economic development. Meanwhile, an increasing number of labour forces from surrounding districts flow into Nanjing due to the comfortable living environment and stable labour demand.

### Company Statement

“Our company is a joint venture between Siemens and China North Industries Group. We are devoted to being an outstanding supplier in factory automation fields and machine tool control systems. Our company works with all kinds of local technical colleges and provides internships and job opportunities for students. We consider that the employees recruited from Nanjing can meet human resources needs of our company.”

— Nanjing Siemens Numerical Control Ltd.



## 2.5 Human resources

### Ample supply of talents

Nanjing has one of the leading education systems in China. The city has 41 regular higher learning institutions, 113 vocational-technical schools, 5 international schools, 103 post-doctoral stations, and 501 independent R&D institutions of city level above.<sup>①</sup>

There are 78 academicians of the Chinese Academy of Sciences and Chinese Academy of Engineering in Nanjing and among them, 46 are academicians of the Chinese Academy of Sciences and 32 are academicians of Chinese Academy of Engineering.<sup>②</sup>

With the level of education improved, Nanjing's college enrolments have been growing steadily in recent years. Currently there are over 1,100 college students of every 10,000 residents.<sup>③</sup>

In 2008 Nanjing had 63,300 senior technicians, increasing by 5.2% from 2007 and 186,400 middle level technicians, increasing by 5.7% from 2007.<sup>④</sup>

In 2008, there were about 989,900 fully employed staff in both the urban and rural areas in Nanjing.<sup>④</sup>

Nanjing employees generally are loyal to their companies.<sup>⑤</sup>



Number of Nanjing College Research Institutions, 2008

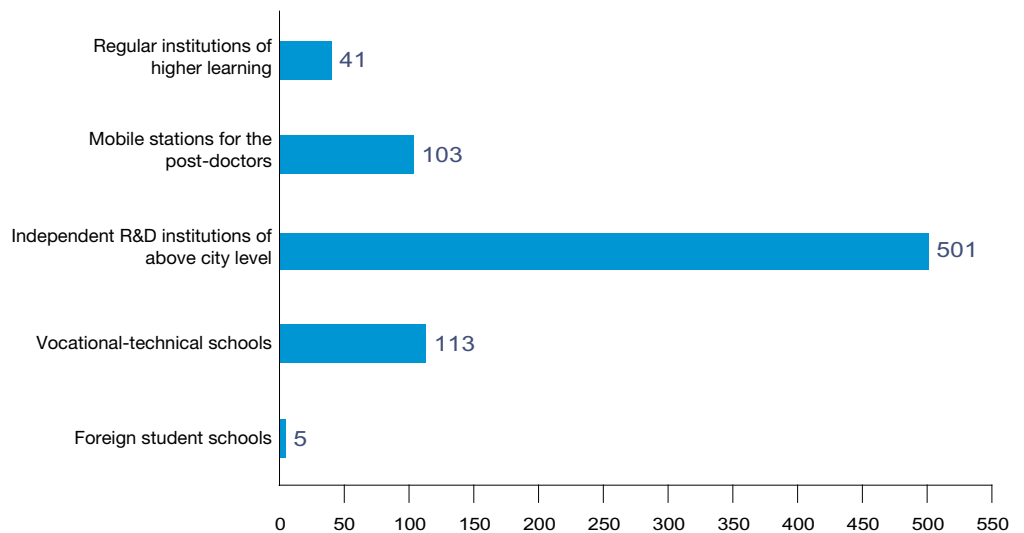


Chart 2.5-1

Source: Materials provided by MOFCOM Nanjing

Sources:

- ① Materials provided by MOFCOM Nanjing
- ② Statistical Communique of Nanjing on the 2008 National Economic and Social Development
- ③ International public relations research centre of Fudan University
- ④ Official website of Nanjing Statistical Bureau
- ⑤ Research results from Companies' Questionnaires

## 2.5 Human resources

### Fair labour cost

- In 2008, the average annual salary of employees in Nanjing was RMB39,876. Compared with the labour cost in other key cities in China, Nanjing falls within the average range. (Refer to Chart 2.5-2) <sup>①</sup>
- The mandatory ratio of social security contributions borne by enterprises is based on the payable cost against the individual’s monthly average salary (subject to the prescribed floor and ceiling limit of the respective city). <sup>①</sup>

Average Employee Salary, 2008 (RMB)

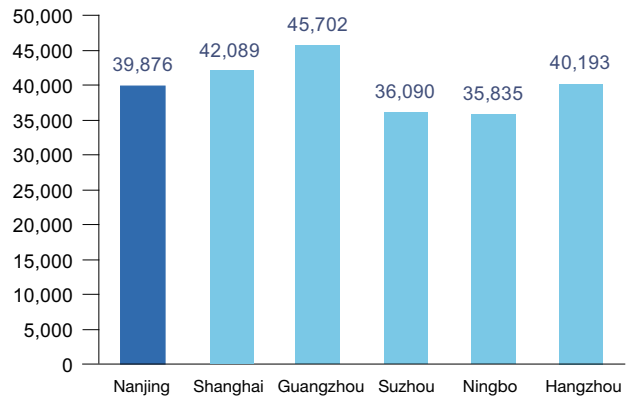


Chart 2.5-2

Source: Statistic information of Labour and Social Security Bureau and related websites in cities.

	Employer’s portion of social security contributions	Various social security items	
		Item	Ratio
Nanjing	39.6%~44.3%	Basic pension	21%
		Basic medical insurance	8.5%
		Unemployment insurance	1%
		Work-related injury insurance	0.4%-1.1%
		Maternity insurance	0.7%
		Housing fund	8%-12%

Mandatory Ratio of Social Security Contributed by Enterprises, 2008

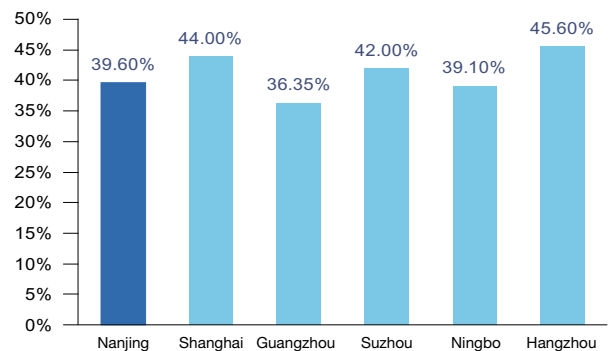


Chart 2.5-3

Source: Statistic information of labour and social security bureau and related websites in cities (housing fund and employment injury insurance are both taken as the statutory minimum limits).

- The employer’s contribution for social security in Nanjing is within average range. (See Chart 2.5-3)

Source:

<sup>①</sup> Official website of Nanjing Municipal Labour & Social Security Bureau



## 2.5 Human resources

### Preferential policies for attracting and retaining talents

Nanjing is devoted to improving the level of government services in the long term. The city is working to ensure the legal rights and profit making opportunities in order to attract overseas skills to start businesses or other employment prospects.

Foreigners who come to Nanjing for business can apply for the Nanjing Overseas Talent Resident Permit, commonly referred to as a Blue Card, as long as they meet the relevant qualifications. A card holder is entitled to preferential treatments in 10 categories, such as starting a business, social security and children's education benefits, which are usually provided to citizens of Nanjing only.<sup>①</sup>

The government has built an overseas trained talent fund to provide financial aid to R&D projects for Nanjing citizens studying and living abroad and working environments for foreigners as well.<sup>②</sup>

Nanjing is working to attract and recruit outstanding domestic skill by providing sound working conditions and living environments. Relevant government authorities provide certain financial incentives to encourage talents to perform academic research, accomplish transformation of scientific and technological achievements along with academic exchange.<sup>③</sup>



Sources:

- ① "Nanjing Overseas Talent Resident Permit Temporal Method"
- ② "Nanjing Introducing Overseas Trained Talent Rules"
- ③ "The Implementation Measures of Nanjing Municipality on Introducing the High-level Talents"

## 2.6 R&D Competency

### Introduction

Research and Development strength in science and technology indirectly reflects the level of local productivity. With the rapid development of science and technology the competitiveness of enterprises depends more on R&D competence.

Leveraging from the external environment in Nanjing or their own R&D capabilities, enterprises can develop more high value-added technologies in products/services to strengthen their core competencies. In this regard, R&D is one of the keys to success for enterprises.

### Company Statement

“Our company is devoted to the development and manufacturing of solar cells, with our main clients being solar cell parts manufacturers and system integrators from China, Europe, America and Southeast Asia. Currently in Nanjing we have an R&D team of more than 100 people. Besides internal R&D we have collaborations with local colleges to cultivate a technical skilled workforce. Thanks to Nanjing’s science and technology advantages, our company can explore new technology development areas and identify business opportunities.”

— China Sunergy Co., Ltd.



## 2.6 R&D Competency

### Technological strength and technical output<sup>①</sup>

In 2008, the R&D activity expenses in Nanjing accounted for 2.65% of the city GDP.

As at the end of 2008, Nanjing had 65 engineering and technology research centres and 45 key labs at both state and provincial levels.

As at the end of 2007, Nanjing had 894 qualified hi-tech enterprises. Since the implementation of new qualification standards in 2008, over 270 enterprises have met the qualifications.<sup>②</sup>

In 2008, a total of 11,692 patent applications were received, representing an increase of 45.6% from 2007. Among the patent applications, 5,019 (42.9%) were for patented inventions, indicating an increase of 47.2% from 2007.

In addition, a total of 4,816 patents were granted in 2008, which is an increase of 37.2% from 2007. Of the patents granted, 1,497 (31.1%) relate to inventions, representing an increase of 48.1% from 2007.



Urban rail production line of China South Locomotive & Rolling Stock Corporation Limited



LG Electron

Sources:

① Statistical Communique of Nanjing on the 2008 National Economic and Social Development

② Materials provided by Nanjing Science and Technology Bureau

## 2.7 Financing

### Introduction

The growth of the financial market is another key factor for making investment decisions, in particular, with the capital market and business operation.

The soundness of the financial services provided by accounting firms, law firms, consulting firms and valuation firms, plays an important role in the enterprise's financial health, management and decision making processes.

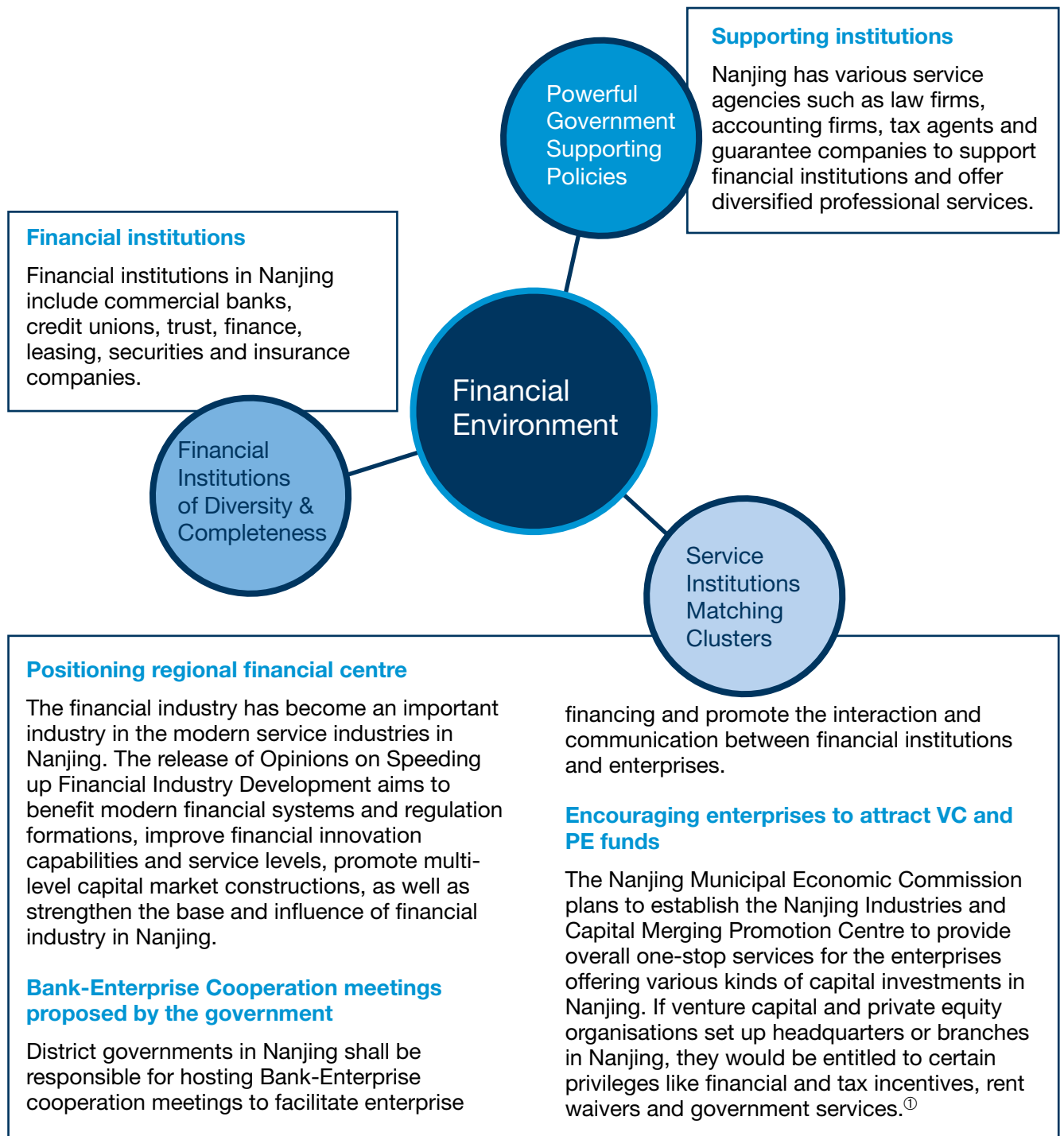
### Company Statement

“Our company is one of the pioneer professional manufacturers of low temperature polysilicon TFT LCD plate in China. The local agencies in Nanjing, such as accounting firms, law firms, and human resources companies, have provided services beyond our expectations. The financial environment of Nanjing is comprehensive and the financing channels are broad and convenient.”

— Nanjing TPO Display Corporation



## 2.7 Financing



Source:

① Official website of Nanjing Municipal Economic Commission

## 2.7 Financing

### Financial institution<sup>①</sup>

Currently Nanjing has a total of 26 banking and 48 insurance institutions at provincial levels or above.

Policy banks	Domestic commercial banks	Foreign-funded commercial banks
3 Banks	18 Banks	5 Banks

Several foreign banks, e.g. British Standard Chartered Bank, Japanese Mizuho Corporate Bank, KBC Bank, Hong Kong Hang Seng Bank and Hong Kong Bank of East Asia, have set up branches or representative offices in Nanjing.

Foreign invested financial institutions actively seek the opportunities to cooperate with China's capital financial institutions. Nanjing Commercial Bank obtained the investment of International Finance Corporation (IFC) and BNP Paribas and was listed on the Shanghai Stock Exchange in 2007.

### Supporting service institutions<sup>②</sup>

The comprehensiveness of local financial support services will safeguard the financial environment to a large extent. The numbers of various types of service institutions in Nanjing are shown below:

Law firms	Accounting firms	Tax agents	Guarantee companies
163	86	53	31

### Listed companies of Nanjing<sup>③</sup>

As at the end of 2008, there were a total of 48 listed companies based in Nanjing, consisting of:

- 34 companies listed in China A share market;
- 1 company listed in China B share market;
- 8 companies listed in Hong Kong;
- 2 companies listed in the US;
- 2 companies listed in Singapore; and
- 1 company listed in London.



Investment Building

Sources:

① Materials provided by People's Bank of China Nanjing Branch

② Materials provided by Nanjing Administration Bureau for Industry and Commerce

③ Materials provided by Nanjing Municipal Development & Reform Commission

## 2.8 Government Support and Administration Efficiency

### Introduction

Government support and administrative efficiency are of great importance at the initial stage of investment and ongoing daily operations.

Government support such as financial subsidy, an open business environment and efficient administrative service will have a positive impact on the growth and development of an enterprise.

### Company Statement

“Our company brings high quality water heaters and professional services to Chinese consumers. The production system of our company covers industrial, commercial and home-use fields. Our management system covers R&D, production, sales, and services integrated systems. Looking back, we appreciated the continuous support provided by relevant government agencies including land acquisition support, help for lease of ready-built facilities, and circulating the most updated policies and regulations on a timely basis. The government also offered us great help in applying for hi-tech enterprise qualification.”

— A.O.Smith (China) Water Heater Co., Ltd.



## 2.8 Government Support and Administration Efficiency

### Promote enterprise innovation<sup>①</sup>

Identify key target projects and offer financial subsidies in order to encourage the industrialisation of new patents and products.

Provide financial aid to enterprises' technical engineering, technology research, and engineering centres at state and provincial levels.

### Waive/Mitigate government charges from foreign investment enterprises in the development zone<sup>②</sup>

Issue Preferential certificates reducing charges for foreign investment enterprises in Nanjing development zone which will apply to foreign investment enterprises that register, manufacture, and operate within the development zone. Foreign investment enterprises with the certificate will not be charged with certain government fees.

### Support new enterprises<sup>③</sup>

Relevant government authorities shall provide and release relevant regulatory information to set up project cooperation platforms, speed up the processing procedure for enterprises, as well as actively support enterprises to apply for relevant items and preferential policies at state and provincial levels.

Regularly organize the cooperation events for Nanjing enterprises on large engineering projects and provide services to enterprises for product sales and project contracting.

### Support the targeted/encouraged industry<sup>④</sup>

Nanjing has released a series of beneficial policies to support and encourage the LED, service outsourcing, software and finance industries, as well as the animation, comic and game industries.



Sources:

- ① Official website of Nanjing Municipality concerning “Several opinions on municipal government vigorously promoting innovation of the enterprise”
- ② Official website of Nanjing Municipality concerning “the notice on print and distribution of Reducing or free of charge implementation measures for foreign invested enterprises in Nanjing development zone”
- ③ Official website of Nanjing Municipality concerning notice on opinions of promoting and supporting the enterprise on developing the new market approved by municipal government and Municipal Economic Commission
- ④ Materials provided by Nanjing Municipal Development & Reform Commission



# Living Environment

## 3.1 City Portrait

### Ancient capital

Nanjing is one of the Four Great Ancient Capitals of China, boasting nearly 2,500 years of history, with abundant historical relics and a deep cultural background.

Since the 3rd century AD there have been 10 dynasties and regimes including the Eastern Wu dynasty, Eastern Jin dynasty, Song, Qi, Liang and Chen of Southern Dynasties, Ming dynasty, Taiping Heavenly Kingdom, and Republic of China. Nanjing is also referred to as the “ancient capital of the six dynasties” and “capital of ten dynasties”.

### Comfortable living

At the beginning of 2007, a report on the general well-being of China’s 31 major cities by the Oriental Outlook Weekly sponsored by Xinhua News Agency showed that Nanjing had the highest level of public safety and well-being of residents.

In September 2007, an investigation published by China’s Institute of City Competitiveness showed that Nanjing ranked 3rd in the competition for the “Safest City of China”, following Hong Kong and Shanghai.

State statistics show that Nanjing public safety satisfaction level reached 98% and above as at the end of 2008.

### Climate<sup>①</sup>

Nanjing falls in the northern subtropical monsoon climate zone, characterised by four distinct seasons, with an annual average temperature of 17.8°C, annual sunlight hours of above 1,686.5 hours, and annual precipitation of 1,034 mm.

### Ample public facilities<sup>②</sup>

In 2008, green space in Nanjing increased by 7.05 million square metres, of which 2.48 million square metres was newly developed. The green space per capita is 13.2 square metres, and urban green space reached 46.1%.

By the end of the year, there will be 16 cultural centres, 30 museums, and 18 public libraries in the city.

As at the end of 2008, the city has 1,769 medical and health organisations including 301 hospitals, health centres and community medical service centres, 27 anti-epidemic and disease prevention stations, and 14 health and care centres for women and children. There are 6.78 health workers and 4.52 hospital beds for every 1,000 people in the city.



Yuejiang Tower

Sources:

① Official Website of Nanjing Municipality

② Statistical Communique of Nanjing on the 2008 National Economic and Social Development

## 3.2 Expatriate Services

### Education

There are a number primary and middle international schools in Nanjing, catering to foreign students, such as:

- Nanjing Foreign Language School;
- Nanjing Xiaozhuang International School;
- Nanjing 21st Century Bilingual School;
- Nanjing Anglo-Chinese School; and
- Nanjing East Bilingual School.

In addition, foreign children can also be admitted into all public primary and middle schools in Nanjing.<sup>①</sup>

### Medical care

The following hospitals provide medical care and services for foreigners: Jiangsu Provincial People's Hospital, Nanjing Gulou Hospital, Jiangsu Province Hospital of TCM, BenQ Hospital, Stomatological Hospital of Jiangsu Province, Nanjing Brain Hospital, Nanjing Ophthalmic Hospital and over 10 full-fledged and special hospitals such as the International SOS Pte Ltd.<sup>②</sup>

### Lodging

As at the end of 2008, there are 130 hotels, including 12 five-star hotels.<sup>③</sup>

### Leisure

In 2005, the 10th National Games was held in Nanjing, allowing Nanjing to be equipped with the best sports facilities in Jiangsu province, with rank fourth in China, following Beijing, Shanghai and Guangzhou.<sup>④</sup>

Nanjing has a number of golf clubs such as Nanjing Zhongshan International Golf Club and Gingko Lake International Golf. Nanjing Zhongshan International Golf Club has a total area of around 2.45 million square metres, an 18-hole golf course and 9-hole evening-lit court, as well as other facilities like a luxury five-star hotel and international conference centres.<sup>⑤</sup>

“Nanjing 1912” is one of the new luxurious leisure and commercial districts with catering, entertainment, leisure and tourism; a fusion of Eastern and Western fashion; classical and modern culture.



Sources:

- ① Materials provided by Nanjing Education Bureau
- ② Materials provided by Nanjing Health Bureau
- ③ Statistical Communique of Nanjing on the 2008 National Economic and Social Development
- ④ China Sports Daily
- ⑤ Website of Nanjing Zhongshan International Golf

# Appendix

- I. Major Development Zones in Nanjing
- II. Doing Business in China
  - Taxation
  - Total Investment vs. Registered Capital
  - Company Formation Procedures
- III. Government Services for Foreign Investment

# Five State-Level Development Zones

## — Nanjing New & High Technology Industry Development Zone

General overview of Nanjing New & High Technology Industry Development Zone	
Founding time	1988
Level	State-level development zone
Planning area	16.5 km <sup>2</sup>
Distance from the urban district	13.5km
Leading industry	Software (electronic information), biological medicine, transportation (vehicles), originality
Numbers of enterprises entering the development zone	There are currently over 2,000 enterprises that have entered the development zone, including 10 Global Fortune 500 and listed enterprises.
Representative enterprises of foreign investment	Jiangsu Microsoft Technology Centre, India Satyam, South Korea Samsung Electronics
Support in the development zone	Technology supporting funds, risk guarantee, financing services and financial subsidies are generally available for hi-tech projects.
Support facilities	<p>Adjacent to many natural scenic spots (e.g. Laoshan National Forest Park), the high-tech zone meets with the state-level I air quality requirements. It has a beautiful ecological environment with the green coverage of 40% above.</p> <p>The high-tech zone is conveniently connected with the main urban areas via six channels, such as the planned Metro line No. 3 across the Yangtze River, which helps facilitate and achieve the integrated development of main urban areas of Nanjing.</p>
Contact	Tel: +86 (25) 5884 3666 Website: www.njnhz.gov.cn

Source:  
Materials provided by Nanjing New & High Technology Industry Development Zone



Nanjing Chenggong Pharmaceutical

# Five State-Level Development Zones

## — Nanjing Economic and Technological Development Zone

General overview of Nanjing Economic and Technological Development Zone	
Founding time	1992
Level	State-level development zone
Planning area	13.37 km <sup>2</sup>
Distance from the urban district	5km
Leading industry	Electronic information, biological medicine, light industry machinery and new materials
Numbers of enterprises entering the development zone	As at the end of 2008, there have been over 400 foreign-investment enterprises from over 20 countries entering the development zone.
Representative enterprises of foreign investment	South Korea LG, Japan Sharp, Germany Bosch SIEMENS, USA Bunge Group, A.O. Smith Water Heater
Support in the development zone	Adopting the approaches of providing more support case by case for the projects with high-tech content, large investment, high output, good potential tax revenue, energy saving and environmental protection.
Support facilities	The Xianlin district of new urban areas in Nanjing, adjacent to, the development zone, has primarily established a college town, an international communication area and a high-quality neighbourhood which facilitate the development of the zone by the intellectual support, talents' reservation, living space and other support infrastructure.
Contact	Tel: +86 (25) 8580 0800 Website: www.njxg.com



Nanjing Economic and Technological Development Zone

Source:  
Materials provided by Nanjing Economic and Technological Development Zone

# Five State-Level Development Zones

## —Nanjing Jiangning Development Zone



Production line of Mazda

General overview of Nanjing Jiangning Development Zone	
Founding time	1992
Level	State-level development zone
Planning area	38.47 km <sup>2</sup>
Distance from the urban district	7km
Leading industry	Automobile, electronic information, electric control, software developing & research
Numbers of enterprises entering the development zone	There are around 100 automobile accessory enterprises of automobile manufacturing industry, over 60 electrical equipment enterprises and over 40 software developing & research enterprises in the development zone, among which 15 are Global Fortune 500.
Representative enterprises of foreign investment	Ford, Mazda, Siemens, Motorola, Ericsson, Hitachi, Samsung
Support in the development zone	The development zone is committed to creating the best investment environment and providing the best services. The development zone has established a department to assist enterprises that apply for the qualification of high new tech enterprise which will allow enterprises to enjoy the preferential corporate income tax rate of 15% instead of the general rate of 25%.
Support facilities	The development zone has invested around RMB10 billion in building sound infrastructure and support facilities, with greenery of above 45%, and the five services, namely, education, inhabitation, medical treatment, commerce & trade, and tourism.
Contact	Tel: +86 (25) 5211 0888 Website: www.jndz.gov.cn

Source:  
Materials provided by Nanjing Jiangning Development Zone

# Five State-Level Development Zones

## —Nanjing Chemical Industrial Park



YPC BASF

### General overview of Nanjing Chemical Industrial Park

Founding time	2001
Level	State-level development zone
Planning area	45 km <sup>2</sup>
Distance from the urban district	30km
Leading industry	Chemical engineering of oil and gas, basic organic chemical materials, fine chemistry, polymer material, life medicine, and new chemical materials
Numbers of enterprises entering the development zone	246 enterprises have been approved to enter the park, of which 141 are foreign-investment enterprises.
Representative enterprises of foreign investment	BASF, BP, Celanese, Air Products & Chemicals Inc.
Support in the development zone	In addition to the preferential tax policies granted by the state, the park offers financial subsidies according to the tax contribution of the enterprises.
Support facilities	The enterprises enjoy mutual benefits such as recruitment of professionals, environmental governance and public facilities.  A green ecological path has been built in the zone to develop ecological agriculture and tourism in order to establish a green ecological chemical industrial park.
Contact	Tel: +86 (25) 5839 0555 Website: <a href="http://www.ncip.gov.cn">www.ncip.gov.cn</a>

Source:  
Materials provided by Nanjing Chemical Industrial Park



# Five State-Level Development Zones —Nanjing Cross-Strait Technology Industrial Park

General overview of Nanjing Cross-Strait Technology Industrial Park	
Founding time	1995
Level	State-level technology industrial park
Planning area	15km <sup>2</sup>
Distance from the urban district	10km
Leading industry	Electronic information, biological medicine, photoelectricity and photovoltaic , research development pilot scale, integrated circuit , new materials and new energy
Supports in the zone	The Technology Industrial Park enjoys all the preferential policies of the state-level hi-tech zone. Certain industries and projects enjoy preferential incentives.
Support facilities	Situated in the core belt of the new city of the northern Yangtze River, Nanjing Cross-Strait Technology Industrial Park is just opposite to the CBD in the western areas across the river. In the next few years, with the strategies of promoting the Nanjing cross-river development, 16 channels will be built, including bridges, tunnels and high-speed railways across the river. The park is equipped with the neighbouring universities, new and high-tech district and central business areas as well as the powerful R&D facilities and skilled professionals. There are 13 colleges and universities within the park, such as Nanjing University and Southeast University with 100,000 undergraduates studying in various scientific research institutions. The Cross-Strait Technology Industrial Park plays an important role in building an environment familiar to Taiwanese entrepreneurs and creating a technology industry district featuring “ecology innovation, comfortable living and vitality”.
Contact	Tel: +86 (25) 5828 8601 Website: www.pkedz.com

Programming of Nanjing Cross-Strait Technology Industrial Park



Sketch map of surrounding regions' programming

Source:  
Materials provided by Nanjing Cross-Strait Technology Industrial Park

## 8 Provincial Level Development Zones

Park	Industry focus	Key preferential policies offered by zone-level authorities/ government agencies
<p>Pukou Economic Development Zone</p> <p>Tel: +86 (25) 5828 8601</p> <p>Website: www.pkedz.com</p>	<p>Optical goods, electric equipments, electronic information, high-end electronic components, original IT digital animation, modern logistics business</p>	<p>Provide one-stop-shop agency services to facilitate the investment approval and company formation work including various registration work and license acquisition</p> <p>Grant financial incentive to companies making new investment into the respective zone in particular for those projects aligned with Nanjing's development strategy, including but not limited to:</p> <ul style="list-style-type: none"> <li>• A one-off financial subsidy to companies meeting certain investment threshold</li> <li>• Performance/Revenue-based financial subsidies out of the portion retained by the zone government from the tax (including BT, VAT, CIT, etc. ) revenue collected</li> <li>• Subsidized interest and special fund support from the municipal government</li> <li>• Waiver of certain government charges and administrative fees</li> </ul> <p>Further flexibility in various government supports subject to case-by-case negotiation and approval</p>
<p>Liuhe Economic Development Zone</p> <p>Tel: +86 (25) 5715 6888</p> <p>Website: www.lhedz.com</p>	<p>Machinery manufacturing, electronic information, clothes and toys, new construction materials, food processing</p>	
<p>Lishui Development Zone</p> <p>Tel: +86 (25) 5742 2133</p> <p>Website: www.lsdz.cn</p>	<p>Food and medicine, automobile and accessories, machinery and electronics, new materials</p>	
<p>Gaochun Economic Development Zone</p> <p>Tel: +86 (25) 5735 8805</p> <p>Website: www.gckfq.gov.cn</p>	<p>Machinery and electronics, new materials and green food</p>	
<p>Jiangning Binjiang Economic Development Zone</p> <p>Tel: +86 (25) 8612 2888</p> <p>Website: www.nbj.gov.cn</p>	<p>Mechanical equipment manufacturing, automobile industry, electronic industry, electric industry, light industry &amp; textile industry, new materials and new energy</p>	
<p>Qixia Economic Development Zone</p> <p>Tel: +86 (25) 8572 3003</p> <p>Website: www.qxedz.gov.cn</p>	<p>Port-related , flat panel display, modern processing &amp; manufacturing and logistics industries</p>	
<p>Yuhua Economic Development Zone</p> <p>Tel: +86 (25) 8672 8011</p> <p>Website: www.njyhdz.com</p>	<p>Advanced manufacturing &amp; production service and culture industries, such as electronic information</p>	
<p>Baixia Hi-Tech Industry Park</p> <p>Tel: +86 (25) 6889 0118</p> <p>Website: www.njust-kjy.com</p>	<p>Optical and electronic information, mechanical-electrical integration and advanced manufacturing, new materials and environmental protection technology, finance, modern logistics, intermediary services, law, accounting and auditing consultation</p>	

Source:  
Materials provided by the respective development zones

# Characteristic Industrial Parks

Name of park	Leading industry	Level
Nanjing High-Tech Zone, Jiangsu Software Park, State Hi-tech Products Export Base	Software industry	State-level
State-level (Nanjing) Flat Panel Display Industry Park	Manufacturing of flat panel display	State-level
State Electric Automation Industry Base	Electric automation	State Torch Program
Nanjing Pukou Biological and Medical Industry Base	Biological medicine	State Torch Program
State Software Export Innovation Base	Software export	State-level
State Animation Industry Base	Animation industry	State-level
State Service Outsourcing demonstration City and 5 demonstration regions	Demonstration region of service outsourcing	State-level
Nanjing (Jinling) Innovation Park and 10 Branches for Students Returned from abroad	Biotechnology, medicine development, electronic industry	State-level
Nanjing Jiangning Taiwan Peasants Innovation Park	Organic fruits and vegetables, agriculture, agriculture of biological products and new breeds from Taiwan, and the development and promotion of practical technologies	State-level

Source:  
Materials provided by MOFCOM Nanjing

# Doing Business in China

## — Taxation

Tax term	General scope of tax charges	Tax rate in general
Corporate income tax	Enterprises and other organisations which derive income in PRC shall be the taxpayers of income tax. The PRC tax resident enterprises shall pay CIT on income derived from sources inside and outside of China. Generally income tax should be withheld for the passive income generated in China by non PRC tax resident enterprise.	General Enterprises: 25% Qualified Small and Thin-profit Enterprises: 20% High/New Tech Enterprises specifically supported by the State: 15% Withholding income tax rate: 20%, reduced to 10% for the time being
Value added tax	All units and individuals who sell goods or provide processing, repair and installation services or who import goods within the PRC shall pay value-added tax.	Ranging from 0% to 17% Most taxable goods and services are subject to 17%
Consumption tax	The sales revenue or sales volume of certain taxable goods such as cigarettes, alcohol and cosmetics.	Ranging from 1% - 56% Additional tax on sales of several goods
Business tax	All units and individuals, who provide taxable labour services, assign intangible assets or sell immovable property within the territory of PRC shall pay business tax.	Ranging from 3% to 20%
Customs duty	Customs value or goods volume of specified import and export goods.	Ranging from 0% to 270%
Individual income tax	11 categories of individual income such as salary, service income and capital gain	Ranging from 0% to 45%
Deed tax	Transaction value of property.	Ranging from 3% to 5%
Real estate tax	Original value of real estate or real estate rental income.	1.2% on discounted property value or 12% on rental income
Land value-added tax	All units and individuals who assign State-owned land use rights, buildings and other structures on that land, and who earn income from the assignment of real estate shall pay value-added land tax.	Ranging from 30% to 60%
Stamp duty	All units and individuals which issue or receive taxable documents shall pay stamp duty. Taxable documents include contracts, transfer of property title documents, documentation of rights or licenses and other documents determined by the Ministry of Finance.	RMB5/piece of certain dutiable document Ranging from 0.005% to 0.1%

# Doing Business in China

## – Total Investment vs. Registered Capital

### Total investment to registered capital ratio

The rule shown in Chart Appendix 1-1 applies to Equity Joint Ventures, a Corporate Joint Ventures and a Wholly Foreign Owned Enterprises;

If there is any increase in investment, the same rules should apply to the incremental investment, but not on the total investment after the increase.

Total investment (USD)	Registered capital (USD)
Less than 3 million	70% of total investment
3 - 10 million	Max (2.1 million, 50% of total investment)
10 - 30 million	Max (5 million, 40% of total investment)
More than 30 million	Max (12 million, 30% of total investment)

Chart Appendix 1-1

### Timing and rules of capital injection

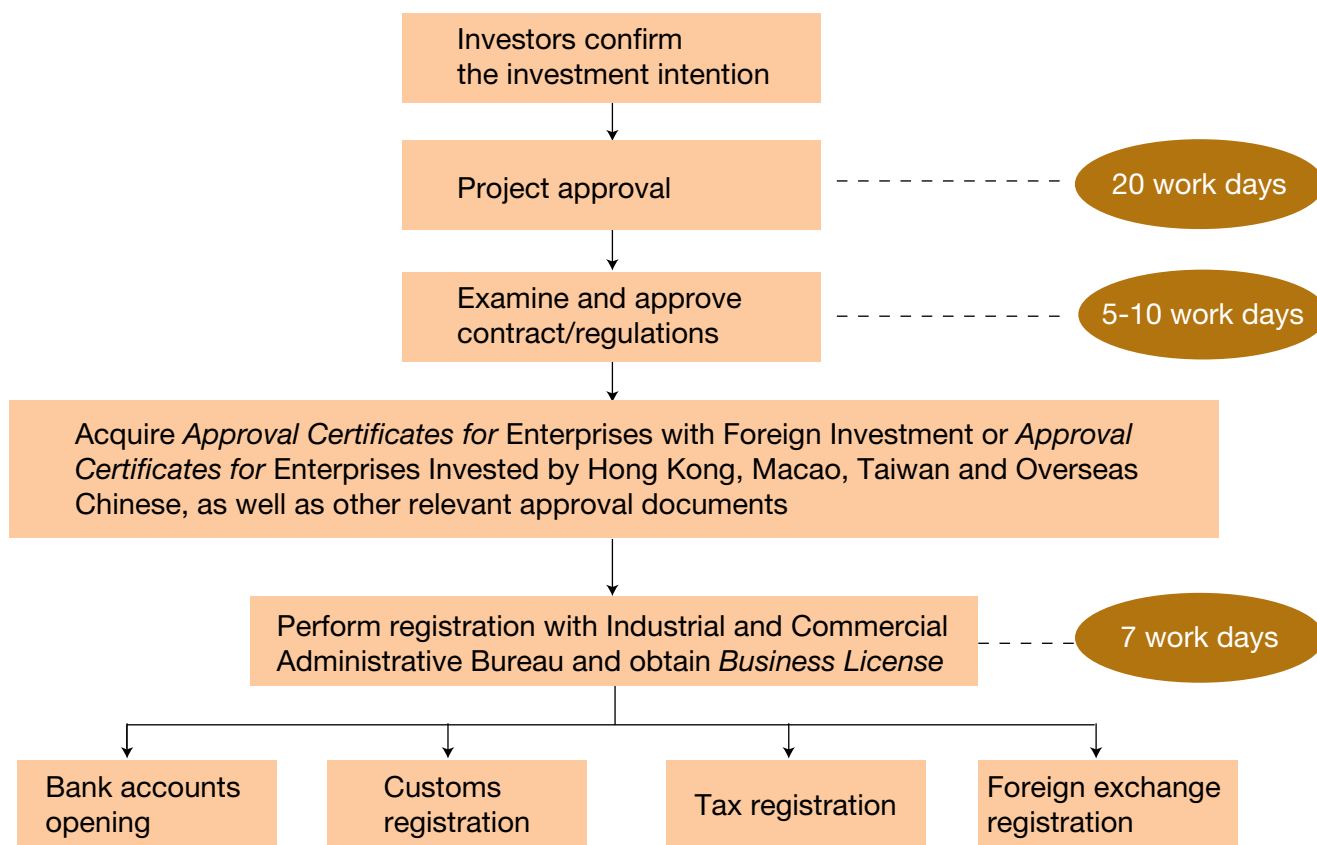
Capital contribution by foreign investors may be in cash or in the form of buildings, land use rights, equipment, material or intellectual property;

Foreign-invested enterprises shall state clearly in the contract and articles of association, the date of capital contribution according to the project process. A capital contribution in one lump sum should be completed within 6 months after the issuance of the business license; Capital contribution in instalments - the first instalment should not be less than 15% of the capital contributions of each party and must be paid within three months of the business license being issued. The balance shall be paid in two years from the date of establishment; the Chinese holding company can pay up the capital in five years at maximum from the date of establishment.



# Doing Business in China

## — Company Formation Procedures



Source:

Materials provided by MOFCOM Nanjing - The above information provided is of general nature and it is suggested that the investors make consultation on specific setup tasks with relevant approval authorities and professional service agencies before executing the relevant company formation tasks.

# Government Service for Foreign Investment

## Bureau of Foreign Trade and Economic Cooperation, Nanjing Municipality

Address: 148, Jianye Road, Nanjing, Jiangsu Province

Tel: +86 (25) 8421 1252

Fax: +86 (25) 8421 1257

Website: [www.njboftec.gov.cn](http://www.njboftec.gov.cn)

### Brief introduction:

MOFCOM Nanjing is an authority under the Nanjing People's Government, and is responsible for the foreign trade and economic cooperation, managing and guiding the Nanjing Investment Promotion Centre, foreign-invested enterprise association, Nanjing International Service Outsourcing enterprise association, Nanjing Import and Export Chamber of Commerce and Nanjing Bureau of Foreign Trade and Economic Cooperation.

## Nanjing Investment Promotion Centre

Address: 148, Jianye Road, Nanjing, Jiangsu Province

Tel: +86 (25) 8421 0450

Fax: +86 (25) 8421 0455

Website: [www.njfiw.gov.cn](http://www.njfiw.gov.cn)

### Brief introduction of the centre:

Nanjing Investment Promotion Centre is the investment information consultant service authority set up by the Nanjing People's Government to promote Nanjing's economic development and attract foreign investment. The centre provides high-quality, highly-efficient, and low-cost information of inviting outside investment according to the government's requirements, organises activities to attract outside investment and provides necessary assistance.

## Other relevant government authorities:

Authority	Address	Tel	Website
Nanjing Municipal Development & Reform Commission	43-2, East Beijing Road, Nanjing	+86 (25) 8363 9510	<a href="http://www.njdpc.gov.cn">www.njdpc.gov.cn</a>
Nanjing Economic Commission	43-2, East Beijing Road, Nanjing	+86 (25) 8363 9019	<a href="http://www.njec.gov.cn">www.njec.gov.cn</a>
Industrial and Commercial Administration Bureau of Nanjing	46, Jiefang Road, Nanjing	+86 (25) 8459 7514	<a href="http://www.njgs.gov.cn">www.njgs.gov.cn</a>
State Foreign Exchange Administration Bureau, Jiangsu Branch	88, Jianye Road, Nanjing	+86 (25) 8479 0050	<a href="http://fj.safe.gov.cn/320000/320000.htm">http://fj.safe.gov.cn/320000/320000.htm</a>
Nanjing Customs	360, Middle Longpan Road, Nanjing	+86 (25) 8442 2196	<a href="http://nanjing.customs.gov.cn">nanjing.customs.gov.cn</a>
Nanjing National Taxation Bureau	300, Baixiao Road, Nanjing	+86 (25) 8457 0367	<a href="http://www.jsnj-n-tax.gov.cn">www.jsnj-n-tax.gov.cn</a>
Nanjing Local Taxation Bureau	6, Changfu Street, Nanjing	+86 (25) 8452 0783	<a href="http://njds.nj.gov.cn">njds.nj.gov.cn</a>
Nanjing Entry-Exit Inspection and Quarantine Bureau	99, Zhonghua Road, Nanjing	+86 (25) 5234 5345	<a href="http://www.nanjingciq.gov.cn">www.nanjingciq.gov.cn</a>

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