

2018

White Paper

On Environment
for Foreign Investment
in Shanghai

Edited by Shanghai Municipal Commission of Commerce



SHANGHAI

Preface

“China’s door of opening-up will not be closed and will only open even wider,” proclaimed the Chinese President Xi Jinping at the 2018 Boao Forum for Asia. Over the past four decades, Shanghai has been dedicated to its development characterized by constantly deepened reforms and further opening-up. From the establishment of China’s first batch of state-level development zones to the enforcement of China’s first local regulations for foreign investment, and from the operation of the first joint venture retail business to the establishment of China’s first pilot free trade zone, Shanghai has persistently functioned as a pioneer in the national initiative of reform and opening-up, while unswervingly pursuing to open its market ever wider.

The remarkable achievements made in the past four decades are translated into a historically significant leapfrog development and great openness, making Shanghai the top city in the Chinese Mainland in terms of the amount of foreign investments and number of regional headquarters of transnational corporations. Today, deeply integrated into the world economy, Shanghai has served as a new growth pole on the global market and an accelerator for the development of multinational corporations, as best evidenced by Shanghai Disney Resort, the largest joint venture project in China’s services sector, which has broken even within the shortest period of operation among all the Disneyland theme parks of similar scale, showing the strong market potentials and high investment returns in Shanghai and across China.

Building on the glory of the fruitful four decades, Shanghai is now marching into the new era of

development with a new blueprint. As is made clear in the *Opinions of the Shanghai Municipal Committee of the Communist Party of China on Improving Urban Capacities and Core Competitiveness of Shanghai for Future Global Competitions* adopted at the 4th Plenary Session of the 11th Shanghai Municipal Committee of the Communist Party of China (CPC), further efforts will be devoted to developing Shanghai into a global city of excellence in line with China’s overall national strengths and international standing; an attractive city featuring a sound ecosystem, rich culture and dynamic innovation; a socialist modern metropolis of international prestige; and a leading city in the globally influential world-class city cluster in the Yangtze River Delta (YRD) region. To this end, Shanghai will continue to act in accordance with the highest international standards and best practices, while adhering to opening-up for further reforms and development. Taking full advantage of opportunities provided by the platforms and government policies such as the China (Shanghai) Pilot Free Trade Zone (SHFTZ), the China International Import (CIIE), and the “100 new measures for expanded opening-up”, the city will keep strengthening its soft power in institutional building, enhancing the optimization of business environment, and improving the quality of both economic development and living environment. With unraveling attention, patience and pursuit of excellence, Shanghai will enhance its delicacy management to make itself a more attractive and heart-warming city for everyone. In the context of a new round of reform and opening-up in China, Shanghai will, beyond any doubt, continue to bravely pioneer and stride forward.

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SHANGHAI

Chapter I Overview of Shanghai



Shanghai's overall competitiveness

- City with the highest GDP in China
- The most competitive city in China¹
- An Alpha+ global city²
- One of the world's top 10 megacities
- No.5 in the Global Financial Centres Index³
- One of the world's top 10 financially competitive emerging-market cities⁴
- The world's largest gold trading center
- The world's second largest diamond trading center
- No.1 in container throughput in the world for eight years in a row

A Glance at Shanghai

A Wondrous Metropolis Where East Meets West

Boasting a long history and time-honored culture, Shanghai was acclaimed as a shining pearl on the maritime Silk Road in the Yuan Dynasty. From the early 20th century, the dynamic city has been widely reputed to be "Paris of the East" and "a sea hub and a metropolis in southeastern China", where a variety of cultures have blended and prospered. The distinctive Shanghai-style culture has developed from the traditional Chinese Wuyue Culture, interacting and integrating with the Western industrial culture. Shanghai is now a great city featured by a remarkable soul of diversification and inclusiveness, where thousand-year-old towns and modern high-rise buildings co-exist, the charming elegance of the East is blended with the open passion of the West, and the traditional legacy is preserved through innovative and creative inheritance. Shanghai is attractive as a wondrous metropolis that seeks harmony in diversity and shares the beauty of all cultures.

A Splendid Pearl Blessed with an Advantageous Location

Lying at the estuary of the Yangtze River in eastern China, Shanghai is hailed for its inclusiveness like "the ocean that accepts all rivers". It faces Japan's Kyushu Island across the East China Sea, and neighbors the Hangzhou Bay in the south and Jiangsu and Zhejiang Provinces in the west.

As a world megacity and a central city in China, Shanghai leads the Yangtze River Economic Belt and serves as China's center for economy, transportation, technology, industry, finance, trade, convention and exhibition, and shipping. In addition, it is where the China (Shanghai) Pilot Free Trade Zone (SHFTZ), the first pilot free trade zone in mainland China, located. Equipped with a multi-level transportation network, Shanghai is welcoming all visitors from around the world.

A Courageous Sailor of the Boat Towards the Future

Guided by the new missions in the new era, Shanghai has made the enhancement of urban capacities and core competitiveness as its dominant strategic goals of development, in a bid to enable a better and more globalized future.

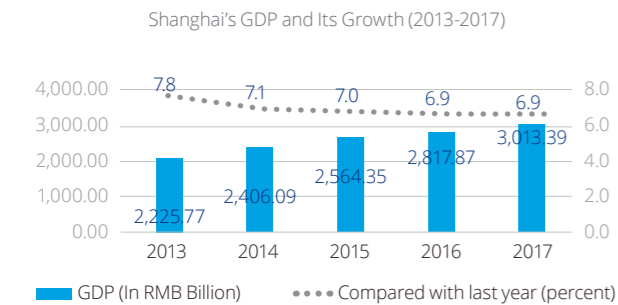
Taking advantage of its relatively developed high-end factor market, Shanghai will make focused efforts to develop its core urban functions and key areas, striving to make new breakthroughs in its core functions as an international center for economy, finance, trade, shipping, technology and innovation. In the meantime, tremendous efforts will be made to greatly enhance the development of many key areas, including brand building, institutional innovation, reform and opening-up, innovation and entrepreneurship, talent pool and quality life, on a new journey towards a global city of excellence.

Note: 1. Released in December 2017 by the China Institute of City Competitiveness; 2. Released in January 2018 by the Globalization and World Cities Research Network (GaWC); 3. Released in September 2018 by the London-based Z/Yen Group Limited (the Global Financial Centres Index is the world's most authoritative assessment of the competitiveness of the world's leading financial centres); 4. Released in February 2018 by *fDi Magazine*, a *Financial Times* publication

Overview of Economic Growth

An Economic Leader in China

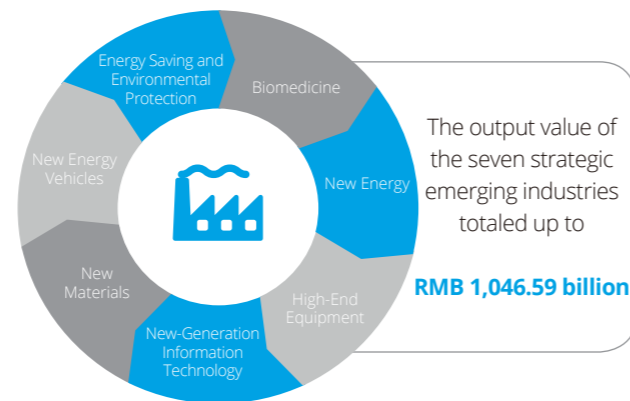
Over the years, Shanghai has taken lead in GDP and GDP per capita, nearly at the same level as some developed economies. In 2017, Shanghai became the first city in China with an economic aggregate of over RMB 3 trillion.



Sound and Speedy Development of the Secondary Industry

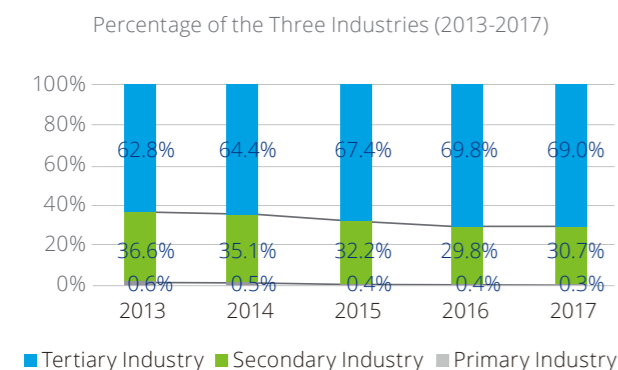
In 2017, the industrial production in Shanghai grew steadily, with the industrial value added reaching RMB 830.35 billion, a 6.4% increase from last year, while continuing its strong performance in six traditional pillar industries, namely automotive manufacturing, electronic information, biomedicine, complete equipment manufacturing, steel production and petrochemicals.

Capitalizing on opportunities arising from the green, smart and information technology-driven transformation of manufacturing, Shanghai has stepped up the transformation and expansion of the manufacturing sector fueled by innovation-enabling resources, such as improved technologies, "Internet +", big data and artificial intelligence, to promote the branding of "Shanghai Manufacturing".



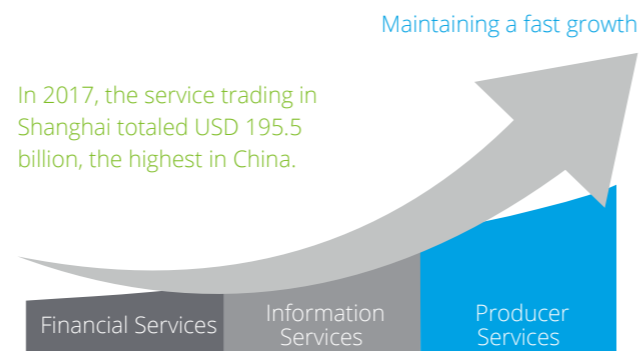
Continuously Optimized Economic Structure

In 2017, Shanghai witnessed a sustainable and balanced economic growth, with its economic structure optimized towards "tertiary, secondary, primary industry" (in the order of the proportion of contribution to GDP, from highest to lowest).



Remarkable Growth in the Tertiary Industry

In 2017, the added value of the tertiary industry increased by 7.5% compared with 2016, accounting for 69.0% of local GDP. This indicates a dominant role played by this industry in the development of a modern industry structure in Shanghai, increasing the brand visibility of "Shanghai Services".



Overview of Economic Growth (Continued)

Increasing Attraction for Foreign Investment

In recent years, Shanghai keeps opening its doors and has preliminarily established a new foreign capital-based development pattern driven by services, headquarters economy and R&D centers.

As of June 2018, Shanghai had introduced more than 90,000 foreign-invested projects, and created a cluster of functional institutions, including headquarters, R&D centers, and holding companies, ranking top in China.

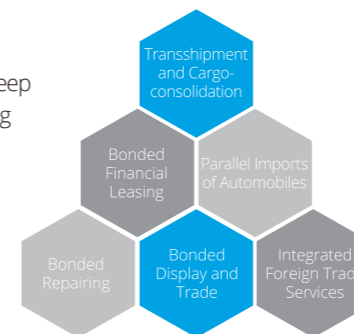
- 93,100** foreign-invested projects
- Contractual foreign investment of USD **445.73 billion**
- Paid-in capital of USD **231.7 billion**
- 642** regional headquarters of multinational companies
Over 95% of the regional headquarters perform more than one function
- 434** foreign-invested R&D centers
accounting for 25% of the total in China, ranking first in the country
- 355** holding companies

Burgeoning Import and Export Trading

In 2017, the import and export trading in Shanghai grew at a fast rate to RMB 3,223.78 billion.

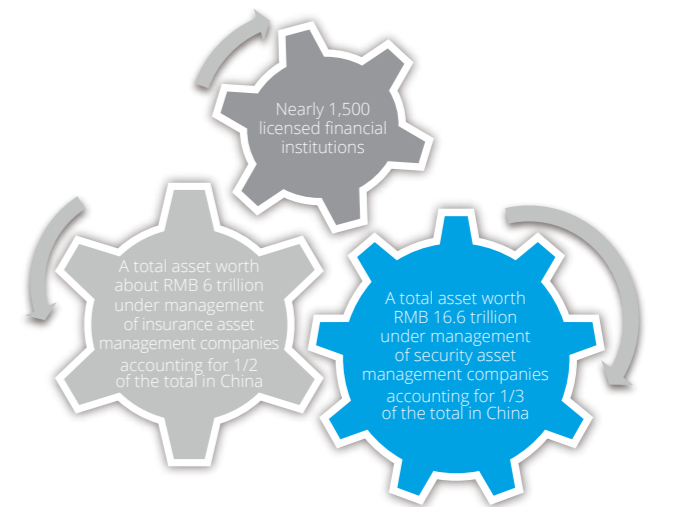
- Shanghai ranked **first** in ports trade among all cities in the world
- The import and export trading of Shanghai-based foreign-invested companies accounted for **67%** of the total

Meanwhile, new models keep emerging in areas including cultural trade, technology trade and cross-border e-commerce, promoting the development of Shanghai into an international trade center.



High-quality Development of Capital Market

In 2017, Shanghai's financial market transaction volume reached RMB 1,428.44 trillion, an increase of 5.3% over the previous year, with the trading volumes of various products ranking among the top in the world. Shanghai houses a variety of licensed financial institutions, operating business in stocks, bonds, futures, currencies, notes, foreign exchange, gold, insurance and trusts, of which foreign-invested financial institutions account for more than 30%.



Continuously Vibrant Consumer Market

In 2017, the retail sales of consumer goods in Shanghai grew by 8.1% over the previous year to a total of RMB 1,183.03 billion, the highest in China.

- A Hub of Global Consumer Brands**
 - Shanghai has **54.4%** of international retailers doing business in the city, ranking **third** across the globe
 - It has over **90%** of international high-end brands present in its market
 - It is an import distribution center of middle- and high-end consumer products, whose imports accounting for **1/3-2/3** of the total in China
- Remarkable Progress in Business Transformation**
 - Commercial sites accelerate transformation, boasting a total building area of over **16 million m²** for commercial use and a sales scale of over **RMB 150 billion**
 - New retail models keep emerging, such as unmanned stores, cross-sector retailing, and "Internet + community" services

Source: 1. Shanghai Statistical Yearbooks (2012-2017); 2. Statistical Communiqué of Shanghai (2017); 3. Shanghai Municipal Government Work Report 2018; 4. Data officially released by Shanghai Municipal Statistics Bureau

Source: 1. Shanghai Statistical Yearbooks (2012-2017); 2. Statistical Communiqué of Shanghai (2017); 3. Shanghai Municipal Government Work Report 2018; 4. Data officially released by Shanghai Municipal Statistics Bureau

Shanghai's Initiative of "Five Centers" and Global City of Excellence

As a major player of the world-class city cluster in the YRD region, Shanghai is accelerating its pace to promote the integrated development of the YRD region and fulfill its "Five Centers" initiative. Along with progress of the planning for the Yangtze River Economic Belt and the national strategy for innovation-driven growth, Shanghai will continue to pursue efficient and sustainable development of high quality, envisioning to become a global city of excellence and a socialist modern metropolis of international prestige.

Towards A Global City of Excellence

- More vibrant, prosperous and innovation-driven
- More attractive, livable and culturally thriving
- More sustainable, resilient and ecologically strong

➤ Economy – To strengthen global presence

Focusing on economic globalization, Shanghai will speed up economic transformation to develop its soft power in services and adapt its market to China's current economic strength and the role of Renminbi in the international monetary system.

➤ Finance – To expand international influence

Aiming to compete in the international financial arena, Shanghai will continue to attract headquarters of specialized financial institutions to develop a more dynamic financial market incorporating global factors.

➤ Trade – To aggregate more market factors

Shanghai is transforming itself into a well-connected hub in the global network for trade investments by hosting high-capacity investment entities, such as regional headquarters and trade centers of transnational corporations.

➤ Shipping – To gain higher significance

With efforts devoted to expanding its service industry for modern shipping, Shanghai aims to serve as an international shipping center featuring a favorable market to facilitate shipping activities in the Yangtze River Economic Belt and the transportation-related strategies under the Belt and Road (B&R) Initiative.

➤ Technology & Innovation – To improve domestic capabilities

Concentrating on the global allocation and cross-border exchange of innovation factors, Shanghai will continue to encourage the establishment of foreign-invested R&D centers for the vision of being "Created in Shanghai, and Made Globally".

Stronger Urban Capacities and Core Competitiveness

To play a leading role in the world-class city cluster of international influence, Shanghai is strengthening its core functions as "Five Centers" and optimizing key areas for greater urban capacities and core competitiveness.

Core Functions to Be Improved as "Five Centers"

- An economic center with greater overall strength achieved through high-quality development
- A financial center featuring stronger capabilities of allocating global financial resources
- A trade center hosting global resources that are properly allocated and efficiently deployed
- A shipping center providing high-caliber services enabled by an aggregation of high-end factors
- A science and technology innovation center focusing on original innovation with more proactive planning and coordinated development

Eight Key Areas to Be Optimized

• Institutional Reform	• Opening-up
• Brand Building	• Innovation & Entrepreneurship
• Global Network	• Development Platform
• Talent Attraction	• Quality Life

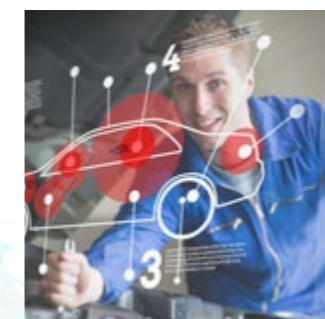


Increasing the Brand Visibility of Shanghai

To accelerate its development into a global city of excellence, and a socialist modern metropolis of international prestige, Shanghai has launched a vigorous campaign to promote its four major brands, namely the services, manufacturing, shopping and culture of Shanghai, under the framework of "1 + 4 + X".

- "1": An overarching guidance to ensure optimized master planning and consistent implementation
- "4": Three-year Action Plans" developed for each brand building endeavor
- "X": Specific projects to be launched (the first batch of 43 have been launched)

▼ By 2020, Shanghai is expected to achieve the following goals:



Raised Brand Awareness of "Shanghai Services"

70% of GDP in Shanghai contributed by the service sector

10 demonstration zones for the innovation and development in service economy

1 Group of branded businesses with international presence

To raise the brand awareness of "Shanghai Services", the city will attract more world leading businesses in modern services, and provide more efficient government services for foreign-invested enterprises to enable a more favorable business environment.



Enhanced Reputation of "Shanghai Manufacturing"

1/3 of the total output value of manufacturing in Shanghai from the strategic emerging industries

20% of the GDP growth of Shanghai contributed by the growth of strategic emerging industries

6 world-leading industry clusters in Shanghai

While promoting the brand building of "Shanghai Manufacturing", the city will step up the development of strategic emerging industries, with a view to creating more opportunities for leading foreign-invested companies including those in civil aviation, biomedicine, and new energy vehicles.



Improved "Shanghai Shopping" Experience

60%+ of economic growth from consumption averagely

2 world-leading commercial streets

10 most vibrant shopping hubs in China

20 themed shopping blocks

50 emerging and established local brands

As the brand visibility of "Shanghai Shopping" is increasing, a total of 226 brands opened their "first store" (regional or global) in Shanghai in 2017, accounting for around 50% of the total in China. This indicates that Shanghai has become the first destination of foreign retailers in Chinese market, and an important platform for the interaction between retailers in China and other countries in new retail models.



Unique "Shanghai Culture"

13%+ of the GDP growth in Shanghai contributed by the cultural and creative industry

2+ new-media platforms

2+ top business groups in new mainstream media in China

To promote the brand of "Shanghai Culture", Shanghai will accelerate the implementation of the 50 measures it proposed for the development of the cultural and creative industry, in an effort to develop itself into a global center in this sector, attracting outstanding cultural and creative businesses and performing art teams from other countries.

Source: 1. The Shanghai Master Plan 2017-2035; 2. Three-Year Action Plan for Integrated Development in the Yangtze River Delta Region (2018-2020); 3. Premier Li Keqiang's Expectation: Yangtze River Delta Urban Agglomeration Leading a New Round of Reform and Opening-up (www.gov.cn)

Source: 1. Opinions on Building the Four Brands of Shanghai for High-quality Development; 2. Information related to the initiative of "Building the Four Brands of Shanghai" from the official website of Shanghai government

B&R Initiative and China International Import Expo

Since the 18th National Congress of the Communist Party of China, the B&R Initiative, upholding the principle of consultation, contribution and shared benefits, has evolved from when it was first proposed and put into practice, to its top-level design and implementation. The Initiative has been constantly improved during its development and collaborative efforts. To better play the role as bridgehead and pacesetter in serving the national Initiative, Shanghai has developed a series of action plans to promote the country's efforts in opening-up in a comprehensive manner for inter-connected development as well as better engagement in global competition and cooperation.

Guided by the B&R Initiative, Shanghai will hold the first China International Import Expo (CIIE) on November 5-10, 2018. The CIIE is seen as a significant move made by the Chinese government to support trade liberalization and economic globalization and further open its market to the rest of the world, providing a new platform for countries from across the world to enter the Chinese market.

Shanghai will take this opportunity to further promote the B&R Initiative and launch a new round of landmark projects at a higher opening-up level. CIIE will serve as a golden opportunity for China to closely work together with other countries and international organizations to seek a shared economic growth and benefit win-win results.

Action Plan for Shanghai to Play the Role of Bridgehead in Serving the National B&R Initiative



- An Extensive Market**
Boasting a strong potential market in consumption and import, China is expected to import goods and services valued at more than **USD 10 trillion** in the next five years, representing a milestone opportunity for overseas companies from across the world to enter the huge Chinese market.
- A Large Gathering of Exhibitors from Across the World**
An estimated number of over **2,800** companies from **130** or so countries and regions will attend the first CIIE of a grand scale that offers a diverse range of activities, involving all countries of G20 as well as countries and regions along the B&R. A large number of professional buyers from an extensive coverage of areas will gather at the event, showing a strong purchasing demand.
- Highly Efficient Services**
The "6 days + 365 days" One-stop Trading Service Platform is available to provide comprehensive one-stop services, both online and offline, through multiple transaction channels, for domestic and overseas exhibitors and buyers.
- Mutual Benefit and Win-Win Results**
The CIIE is intended to serve as a facilitating international cooperation platform for foreign-invested enterprises in Shanghai, and provide **exchange opportunities** for overseas companies with their Chinese counterparts and government agencies.

The first CIIE features three parts: **Country Pavilion for Trade and Investment, Enterprise and Business Exhibition, and Hongqiao International Trade Forum.**

- Country Pavilion for Trade and Investment, a "Small-sized World Exposition"
- Enterprise and Business Exhibition, a "Canton Fair in Import"
- Hongqiao International Trade Forum, a "Chinese version of the Davos Forum"

Theme: New Era, Shared Future
Mascot: The giant panda "Jinbao"



- The yellow part stands for the Silk Road Economic Belt
- The blue part stands for the 21st Century Maritime Silk Road

The yellow and blue parts symbolize the close relationship between the CIIE and the B&R Initiative



Chapter II Government Policies

Source: 1. Official website of CIIE; 2. Action Plan for Shanghai to Play the Role of Bridgehead in Serving the National B&R Initiative

An Open Policy Environment

Since joining the World Trade Organization in 2001, China has been improving its socialist market economy system and enhancing alignment with multilateral trade rules on all fronts. Shanghai has made practical efforts to fulfill its commitment to opening-up the service sector and strengthening the protection of intellectual property rights, with significant progress made in enhancing the stability, transparency and predictability of the national opening-up policies.

To Unswervingly Advance Opening-up

"Efforts will be devoted to making new ground in pursuing opening up on all fronts. Openness brings progress, while self-seclusion leaves one behind. China will not close its door to the world; we will only become more and more open. We should pursue the Belt and Road Initiative as a priority, give equal emphasis to 'bringing in' and 'going global', follow the principle of achieving shared growth through discussion and collaboration, and increase openness and cooperation in building innovation capacity. With these efforts, we hope to make new ground in opening China further through links running eastward and westward, across land and over sea."

—Xi Jinping, CPC General Secretary, at the 19th CPC National Congress

"Proactive efforts will be made to expand opening-up and build a globally competitive business environment. We will move faster to develop a new, open economic system in keeping with economic globalization and the new industrial revolution. We will further ease market access in service and manufacturing sectors, relax foreign equity caps in some areas of interest, advance and improve the negative-list regulation model. Domestic and foreign companies are treated equally in the application of supportive policies."

— Li Keqiang, Premier of the State Council of China, at the Summer Davos Forum 2017

To Serve as a Pioneer in the National Reform and Opening-up

"The development of Shanghai has been driven by reform, opening-up and innovation. Measures for reform and opening-up were, are, and will continue to be the engine of the city's growth. As China enters the new era, Shanghai, carrying on new historic missions, must unswervingly deepen reform and opening-up, and give full play to the pioneering role of Pudong in this cause."

— Li Qiang, Secretary of the CPC Shanghai Municipal Committee

"Shanghai will pursue further reform and opening-up with firm confidence and resolution, improve its strengths in pioneering institutional innovation, and develop a facilitating and globally-oriented business environment ruled by law, and a fair, integrated market boasting high efficiency."

— Ying Yong, Mayor of Shanghai, in the 2018 Work Report of Shanghai Municipal Government

Circular of the State Council of China on Measures for Promoting Further Openness and Active Utilization of Foreign Investment (State Council Publication [2017] No.5)

- ❑ To promote a new round of high-level opening-up guided by the concept of open development
- ❑ To loosen or lift access restrictions on foreign investment in certain areas of the service industry
- ❑ To treat domestic and foreign-invested companies equally in implementing policies for the strategic "Made in China 2025"
- ❑ To allow lawful investment of foreign capital in the construction of infrastructure by concession contracts
- ❑ To encourage R&D cooperation between domestic and foreign-invested companies and research institutions

Circular of the State Council of China on Measures for Promoting Foreign Investment Growth (State Council Publication [2017] No.39)

Circular of the State Council of China on Measures for Actively and Effectively Utilizing Foreign Investment to Promote Quality Economic Development (State Council Publication [2018] No.19)

- ❑ To further implement the administrative system of pre-establishment national treatment and negative list on foreign investment
- ❑ To open-up specific areas in the financial sector
- ❑ To deepen the opening-up of sensitive sectors, such as agriculture, mining, manufacturing, and free trade zone-based telecommunications, culture and tourism
- ❑ To further facilitate investments in aspects of business incorporation, fund deployment and human resource management

National Policies

Shanghai's Policies

2017: *Opinions on Further Opening up and Accelerating the Establishment of a New System for an Open Economy* (aka. "33 new measures of Shanghai")

2018: *Action Plan of Shanghai for Implementing Major National Measures for Further Openness and Accelerating the Establishment of a New System for an Open Economy* (aka. "100 new measures for expanded opening-up")

- ❑ To strengthen opening-up and cooperation in financial sector
- ❑ To build a more open industry system
- ❑ To ensure sound intellectual property protection
- ❑ To establish a new import-facilitating platform
- ❑ To create a top-notch business environment



Supportive Policies for Regional Headquarters of Multinational Corporations and Foreign-invested R&D Centers

In 2002, Shanghai introduced the first policy in China to encourage the establishment of regional headquarters (RHQs) by multinational corporations (MNCs). Now, the vibrant headquarters economy is building enormous momentum for Shanghai's "Four Centers" initiative in terms of facilitating industry development, talent attraction, technological innovation and integration of various resources. In 2018, the city improved its incentive policies for RHQs, and included foreign-invested R&D centers into the earmarked funding program for RHQs to provide such centers with the same level of financial support.



Earmarked Funding for RHQs of MNCs	
Types of Funding	Policy
Subsidy for Establishment	An eligible RHQ will be given a start-up subsidy of RMB 5 million , payable in three years at the annual rate of 40%, 30% and 30%.
Office Subsidy	An eligible RHQ that rents an office space for its own use is entitled to a rental subsidy for three years at the annual rate of 30%.
	An eligible RHQ that purchases or builds an office space for its own use is entitled to a lump sum subsidy equivalent to the total amount of the three-year rental subsidy.
Performance Rewards	An eligible RHQ will be given a lump sum reward of up to RMB 10 million , payable in three years at the annual rate of 40%, 30% and 30%.
Subsidy for RHQs Upgrading	An eligible RHQ covering Asia, Asia-Pacific or broader regions will be given a lump sum subsidy of RMB 3 million .
Earmarked Funding for Foreign-invested R&D Centers	
Types of Funding	Policy
Subsidy for Establishment	An eligible center will be given a start-up subsidy of RMB 5 million , payable in three years at the annual rate of 40%, 30% and 30%.
Office Subsidy	An eligible center that rents an office space for its own use is entitled to a rental subsidy for three years at the annual rate of 30%.
	An eligible center that purchases or builds an office space for its own use is entitled to a lump sum subsidy equivalent to the total amount of the three-year rental subsidy.

Government recognition of foreign-invested enterprises for contributions to Shanghai's social and economic development

- Regular certification ceremonies for RHQs of MNCs
- **43** recipients of the title of "Honorary Citizen of Shanghai"
- **310** winners of Magnolia Gold Awards
- **1,159** winners of Magnolia Silver Awards

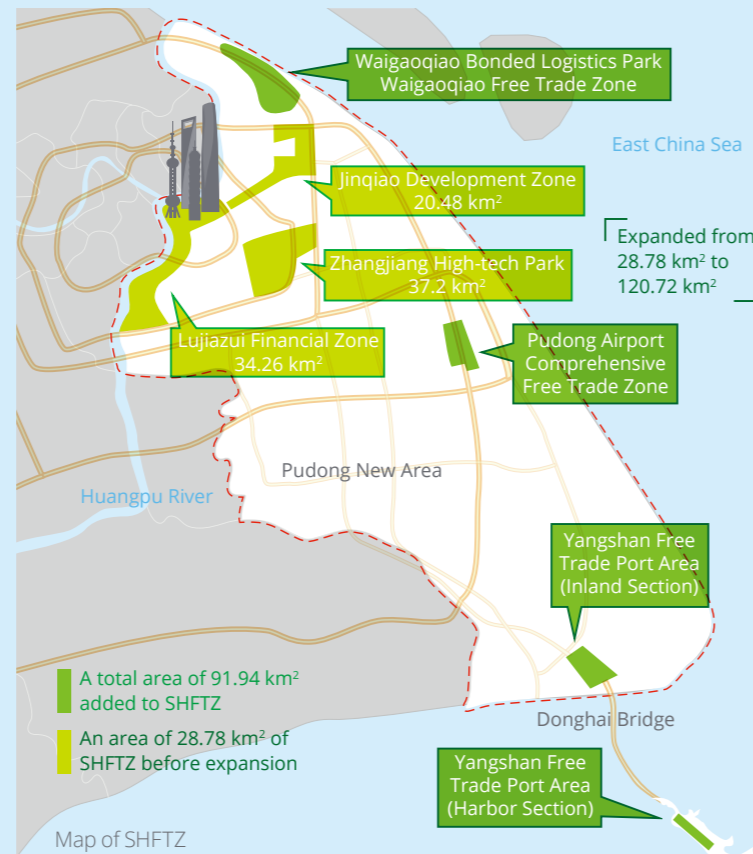


Source: 1. Xinhua News Agency; 2. Xi Jinping's speech at the 19th CPC National Congress; 3. *Shanghai is to Play a Better Role in China's Nationwide Opening-up*; 4. *Circular of the State Council of China on Measures for Promoting Further Openness and Active Utilization of Foreign Investment* (State Council Publication [2017] No.5); 5. *Action Plan of Shanghai for Implementing Major National Measures for Further Openness and Accelerating the Establishment of a New System for an Open Economy*

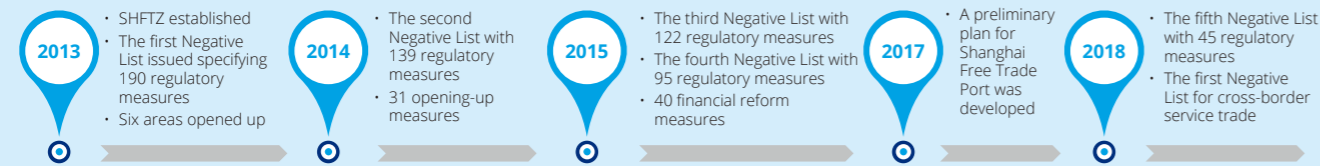
Source: 1. Shanghai Municipal Commission of Commerce; 2. *Circular of Shanghai Municipal People's Government on Issuing the Revised "Provisions of Shanghai Municipality on Encouraging Multinational Corporations to Establish Regional Headquarters"* (Shanghai Municipal Government Publication [2017] No.9); 3. *Circular of Shanghai Municipal Commission of Commerce and Shanghai Municipal Finance Bureau on Issuing the Revised "Measures for the Use and Management of Earmarked Funds for Encouraging Multinational Corporations to Establish Regional Headquarters in Shanghai"* (Shanghai Municipal Commission of Commerce Publication [2018] No.190); 4. *Opinions of Shanghai Municipal People's Government on Further Facilitating the Engagement of Foreign-invested R&D Centers in the Development of Shanghai into an International Technology and Innovation Center*

Incentive Policies for Innovation in SHFTZ

The China (Shanghai) Pilot Free Trade Zone (SHFTZ) represents a pioneering strategic program for China's in-depth reform and opening-up in the context of a new development phase. Playing an important role in the development of the "Five Centers" in Shanghai, the SHFTZ blazed a new trail for how China opening its market to foreign investors. As a "precursor" of China's FTZs, it has provided best practices and innovative measures in opening-up to be replicated and promoted in the rest of China.



Policy Milestones in SHFTZ



As of June 2018, the SHFTZ had made remarkable progress in development, manifested by over 100 institutional innovation achievements replicated and applied in the rest of China, and a total of 55,600 newly-established companies, exceeding total number of enterprises in the original Shanghai Comprehensive Free Trade Zone over the past 20 years before SHFTZ's establishment.

SHFTZ, which occupies **10%** of the total area of the Pudong New Area and **2%** of that of Shanghai, has contributed to **75%** of the GDP and **60%** of the total trade volume of Pudong New Area, and **25%** and **40%** of Shanghai respectively.

Innovative Measures Adopted in SHFTZ

The Shanghai Municipal Food and Drug Administration, in cooperation with ELEME Inc., created the first "Internet + credit supervision" pattern, promoting cooperation, sharing, and openness for the benefit of all stakeholders.

China's first court-based dispute resolution platform in commercial issues was established, which has so far mediated more than 2,000 cases, achieving higher efficiency in resolving commercial disputes.



A wholly foreign-owned company specialized in vocational training was set up in SHFTZ, which is the first of its kind in China, indicating a more important role that foreign investors will play in the development of SHFTZ.

The service platform, China International Trade Single Window, was set up to provide one-stop services, feedbacks and data sharing.

The Bank of China started providing RMB cross-border payment services, to promote the use of RMB in the international community.

Source: 1. Website of China (Shanghai) Pilot Free Trade Zone; 2. "Remarkable Progress Achieved in SHFTZ" published in China Securities Journal



Industry Transformation and Upgrading

To strengthen its core competence on industries, Shanghai is committed to improving quality and efficiency in development through innovation. It endeavors to create a business environment in favor of industry transformation and upgrading, by lowering costs of real economy businesses for a sustainable development, and encouraging innovation-driven upgrading in enterprises for quality development.

Visions of Industry Transformation

Forward-looking Planning for Industries of the Future

A series of fundamental projects are launched for developing industries of the future, such as artificial intelligence, life science and healthcare, quantum communication, and aerospace and ocean.

Expedited Development of Strategic Emerging Industries

Efforts are focused on industries including the next-generation information technology, smart manufacturing, and new-energy/smart connected vehicles to provide new driving forces for industry development.

Transformation and Upgrading of Traditional Competitive Industries

Efforts are made to expedite the transformation and upgrading of traditional industries, such as automobiles, shipbuilding, steel, and chemical engineering to improve their core competitiveness.

Sustainable Development with Lower Costs

Following an innovation-driven development strategy, the Shanghai municipal government is promoting the supply-side structural reform, with a focus on "reducing costs and increasing efficiency". Measures have been taken by all related government departments to reduce the burden of enterprises by cutting their operation costs including those in procurement, financing and transaction, thus enhancing the profitability of real economy businesses.

In 2017, the municipal government put in place 15 reform measures spanning six areas, including implementing national tax reduction policies, and removing or cutting some government fund charges and administrative fees. Most of the surveyed enterprises confirmed that Shanghai has taken significant and effective measures to reduce the burden of businesses with highly trustworthy policies, which have provided the enterprises with sufficient confidence and sense of security in the process of industry transformation and upgrading.

High-quality Development Driven by Industry Innovation and Transformation

Accelerating Technological Innovation

Efforts are made to advance the research in cutting-edge and generic key technologies, such as high-end chips, to develop technological know-how, in an effort to promote the development of industries towards the high end of global value chains.

Expediting Transformation of Major Innovation Achievements

To promote the transformation of innovation achievements, efforts are made in in-depth cooperation with colleges and universities, research institutes, and global innovation-oriented teams.

Building Platforms for Stronger Innovation Transformation

Platforms such as state-level manufacturing and industry innovation centers are playing a greater role in promoting the collaborative innovation in manufacturing.

Improving Innovation Capability of Enterprises

Tailored policies are formulated to improve the innovation capability of privately-owned companies, enhance spillover effects of foreign-invested companies on innovation performance, and stimulate innovation in state-owned enterprises.

Strengthening Technology-driven Transformation

More efforts are made to promote technology-driven industry transformation and upgrading to ensure smart, green, high-end, and service-oriented industry development with improved productivity and quality of products, providing constant impetus for industry optimization. In 2017, Shanghai invested a total of RMB 62.9 billion in technological transformation, an increase of 7.1% over 2016.

Case Study: AT&S

Since January 2015, the Austria-headquartered company AT&S has been focusing on upgrading the production technologies of next-generation semiconductor packaging substrates in China, thus becoming world's first company to manufacture high-end packaged printed circuit boards (PCBs) in the manufacturing environment of high-density interconnect PCBs. In 2018, AT&S is granted financial support by Shanghai's Special Fund for Industry Transformation and Upgrading. As the largest Austrian-invested company in China, AT&S highly recommends other Austrian companies to choose Shanghai as their destination for advancing high-end manufacturing and technological innovation.



Source: 1. Shanghai Municipal Development & Reform Commission; 2. Website of Shanghai Municipal Commission of Economy and Informatization; 3. Shanghai Municipal Commission of Commerce

Policies on Encouraging Scientific and Technological Innovation



With a global vision and guided by international leading practices, Shanghai has been bringing together foreign-invested R&D centers for joint development. By actively creating a favorable business environment for cross-border flows and global distribution of innovation factors, the city aims to become a technology and innovation center with global influence.

Well-rounded and Multi-layered Financial Support for Technological Innovation

Selected Incentive Policies for Technological Innovation in Shanghai

- Subsidy for establishing R&D centers
- Rent subsidy for R&D centers
- Rent subsidy for innovation platforms
- Dedicated support for technology centers
- Dedicated support for major R&D projects
- Fund support for transforming R&D achievements into industrial production
- Preferential tax treatment on R&D projects
- Simplified administrative procedures for import & export of materials used in R&D projects
- Subsidy for invention patents
- Debt-equity hybrid financing for innovation projects of small and medium enterprises (SMEs)

Issuing “Scientific and Technological Innovation Vouchers” to Cut Innovation Costs

To encourage the use of shared scientific and technological resources by SMEs in their innovation and entrepreneurship programs, Shanghai has issued “scientific and technological innovation vouchers”, to help them effectively reduce innovation costs.

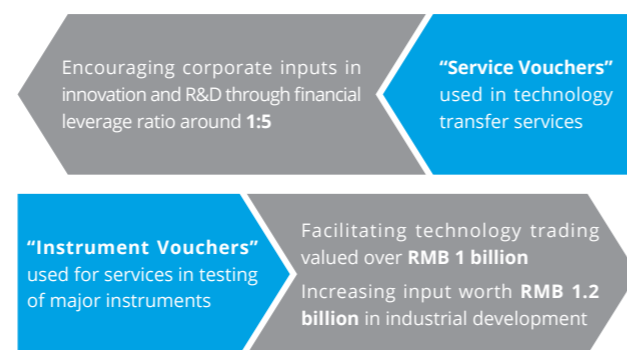
As of the end of 2017, the innovation vouchers had been issued to over **4,000 enterprises** with a total value of over **RMB 237 million**.

Inspiring Social Innovation Through Transforming R&D Achievements into Industrial Production

Shanghai has introduced the mechanism for market pricing of R&D achievements and established fault-tolerant mechanisms such as the system that demands due diligence in transforming R&D achievements into industrial production, in a bid to support such transformation, thus inspiring social innovation.

Ensuring Smooth Entry of Foreign Innovative Talents

The Exit-Entry Administration Bureau of Shanghai Public Security Bureau has simplified administrative procedures for entry and residence of foreign innovators and entrepreneurs, and extended the long-term residence permit. Measures have been put in place that allow eligible individuals to apply for S2 visa upon entry and residence permit after entry, ensuring convenience for highly creative and skilled individuals from across the world to engage in innovation and entrepreneurship in Shanghai.



Case study: Dow Chemical
As Dow Chemical's largest innovation center outside the USA, Dow Center in Shanghai has brought together over 500 scientists working in nearly 100 globally advanced labs, occupying an extremely important strategic position in its global businesses. As noted by Dow Center in Shanghai, during its process of product innovation and R&D, the government had offered substantial support in terms of scientific research grants, earmarked project funds, and subsidies for outstanding scientific innovators, helping it overcome various challenges. Foreign-invested R&D centers have become a major force in Shanghai's endeavor of building itself into a globally influential technology and innovation center. Looking forward, Shanghai will keep focused on better serving foreign-invested R&D activities to further cultivate an enabling R&D environment.

Source: 1. Shanghai Municipal Commission of Commerce; 2. Rules for Promoting the Transformation of Scientific and Technological Achievements in Shanghai; 3. The 100 New Measures for a More Open Shanghai; 4. Opinions of Shanghai Municipal People's Government on Further Facilitating the Engagement of Foreign-invested R&D Centers in the Development of Shanghai into an International Technology and Innovation Center



Policies on Encouraging Talent Recruitment

In recent years, by upholding the principle of “pooling all kinds of talent and putting them to the best use”, Shanghai has been dedicated to making breakthroughs in policy innovation and further promoting the institutional and systematic reforms for talent development through introduction of a series of targeted policies to encourage talent recruitment, with a view to building a most favorable ecosystem for innovation and entrepreneurship.

Highlights in the 30 Rules for Talent Attraction

Vigorously Attracting Overseas Talents

- Foreign high-level talent team members are to be included in the qualified applicants for permanent residence permit.
- Foreign high-level professionals in the “Independent and Free” zones¹ are qualified to apply for permanent residence permit in China.
- International students at the undergraduate level from colleges and universities in Shanghai are allowed to find employment in the “Independent and Free” zones after graduation.
- Multinational companies in the “Independent and Free” zones are allowed to employ graduates from world-renowned colleges and universities to work in Shanghai.
- Holders of Shanghai Residence Card B are eligible for the temporary waiver of housing property tax for the commercial housing purchased in Shanghai provided that it is the only housing for the household.

Accelerating the Facilitation of Talent Recruitment

- “Two Certificates (Foreign Expert Certificate and Foreigner Employment Permit) Combined into One”
- Foreign postdoctoral fellows working in Shanghai are eligible for foreigner's work permit.
- The examination and approval process for permanent residence permit is shortened through the online reservation and digital review system available to overseas applicants, and information shared between government departments.



Continuously Bringing Together Chinese High-level Professionals

- 12 new policies introduced to attract Chinese talents in scientific and technology innovation
- The role of market is enhanced to incentivize the commercialization of scientific and technological achievements, facilitating the channel of transferring value on paper into money's worth.
- Institutional and systematic reforms in place to promote talent development focusing on “delegating power and loosening restrictions”
- Innovative breakthroughs are made in the ladder-system of scoring for the residence permit, transferring residence permit to household registration and direct household registration.
- Internationally acceptable market-oriented talent recruitment measures adopted in contract management, salary negotiation and off-site working
- The talent evaluation system is reformed to emphasize the guidelines on evaluating the candidates in moral character, work competence, performance and contribution.

Action Plan for High-level Talent Recruitment Project Innovative Breakthroughs



Note: 1. Referring to the Zhangjiang National Independent Innovation Demonstration Zone and the China (Shanghai) Pilot Free Trade Zone (SHFTZ)
Source: 1. Implementation Opinions on Deepening the Reform of Systems and Mechanisms for Talent Development to Accelerate Shanghai's Building of Globally Influential Science and Technology Innovation Center; 2. Shanghai's Action Plan for High-level Talent Recruitment Project



Chapter III Government Services



Fostering a Favorable Business Environment Aligned with International Standards

Business environment is a major indicator of the economic soft power and competitiveness of a country or city. Shanghai has dedicated itself to creating a facilitating, globally-oriented and rule-based business environment in line with the highest international standards.

Drawing on the advanced experience from home and abroad and taking into account the practical needs of resident enterprises, Shanghai has introduced measures to streamline administrative procedures according to the six indicators of the World Bank, **decreasing over half of the time for administrative processing with nearly 40% of procedures eliminated.**



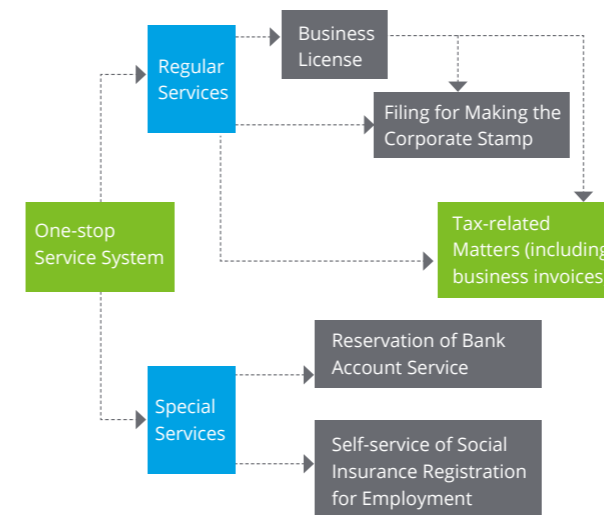
Actions taken to reform throughout the building of a favorable business environment in Shanghai and their results¹

The Shanghai actions have contributed to the steadily increasing scores of China's business environment, which is now on a par with the world's advanced level.

	Before	After	Highlights
Business Incorporation	22 days	5 days	• One-stop service system for business registration
Construction Permit	105 days	15-48 working days	• Categorized approval of projects jointly processed by several government departments
Electricity Supply	145 days	No more than 25 working days	• Only 2 approval procedures needed • Elimination of the cost for non-residential outdoor low-voltage electric lining
Tax-related Matters	207 hours	160 hours	• "One-trip or Online" list for taxation matters
Real Estate Registration	28 days	No more than 5 working days	• "All-round, Online and Shared" Service Reform
Cross-border Transaction	Import: 37 hours Export: 126 hours	Import: 24 hours Export: 68 hours	• The model of "One-time Declaration and Step-by-Step Handling" • Paperless and online approval

The Shanghai municipal government has implemented new policies introduced by the State Administration of Taxation of China² to further optimize and expedite the process for cancellation of business registration.

One-stop Service System for Business Registration



Case study: One-Stop Service System for Business Registration

The Shanghai Municipal Administration of Industry and Commerce has pioneered in further optimizing the business environment in Shanghai by restructuring the business incorporation procedures. The one-stop service system for business registration was officially put into use on March 31, 2018.

The newly launched one-stop service system for business registration provides one-time process of a series of services, including business license, filing for corporate stamp, and taxation-related matters, supported by background handling of distribution and approval, in addition to reservation of bank account service, and social insurance registration for employment. The previous 7-step procedure taking up to 22 days to complete reduces to the current 5-step one to be completed within 5 days.

Link: http://yct.sh.gov.cn/portal_yct/

Note: 1. The pre-reform data in the table comes from Doing Business 2018 produced by World Bank, the post-reform data from public information released by relevant functions comes from the Shanghai municipal government; 2. For details, please refer to Notice on Further Optimizing Enterprise Tax Deregistration Procedure (No. 149 [2018] of the State Administration of Taxation)

Source: 1. Shanghai Municipal Commission of Commerce; 2. Shanghai Municipal Commission of Economy and Informatization

Improving Investment Service System

The Shanghai municipal government has been constantly enhancing its efficiency in providing services for business enterprises by improving its institutional and systematic guarantee, building platforms for government-business communication, and optimizing the environment for foreign investment, in order to promote the sustainable development of industries.

Institutional and Systematic Guarantee

- ❑ To further optimize Shanghai's business environment, the Shanghai municipal government has put in place a multi-level system to provide multi-channel services for foreign-invested enterprises, which includes:
 - ❑ Municipal leading group in charge of foreign investment matters in Shanghai
 - ❑ First-inquiry liaison system for foreign-invested enterprises
 - ❑ Q&A list for foreign investment
 - ❑ Mechanism for protection of the legitimate rights and interests of foreign investors
 - ✓ Enhanced complaints handling system for foreign investors with optimized service procedures
 - ✓ International commercial dispute settlement agency to enhance protection of the legitimate rights and interests of foreign-invested enterprises

Actions & Initiatives

Shanghai has hosted a series of diverse activities for foreign-invested enterprises to enhance government-business communication concerning updated information on foreign investment policies and other issues foreign-invested enterprises pay much attention to. These activities include:

- ❑ Roundtable meetings for foreign-invested enterprises
- ❑ Bimonthly breakfast briefings for information exchange by senior executives from foreign-invested enterprises
- ❑ WeChat platform providing a direct channel of foreign investment services and related offline activities
- ❑ WeChat platform for investment promotion salon and related offline activities
- ❑ The "Shanghai Mega-survey" activity

Case Study: Bimonthly Breakfast Briefings for Information Exchange by Senior Executives from Foreign-invested Enterprises

To provide a regular platform for government-business communication, the Shanghai Association of Foreign Investment has hosted regular breakfast briefings where guest speakers are invited from the Shanghai municipal government departments to share information with senior executives from foreign-invested enterprises on the latest government policies in taxation, talent recruitment, and exit-entry administration, and answer questions.

The breakfast briefings provide the participants with updated information on government policies, while enabling the government departments to have a better understanding of how they can provide timely support to tackle the difficulties foreign-invested enterprises have encountered in operation.

Source: 1. Shanghai Municipal Commission of Commerce; 2. Shanghai Municipal Commission of Economy and Informatization

Enterprise Service Platforms

To ensure quality business development, the Shanghai municipal government has played a leading role in establishing a variety of enterprise service platforms to provide assistance and facilitating services, with integrated resources, throughout the process from investment and operation to capacity expanding and upgrading.

Shanghai Enterprise Service Cloud (SESC)

In response to the *Implementation Plan of Developing Shanghai Enterprise Service Platforms* issued by the Shanghai municipal government, the Joint Conference Office of SESC has been proactively developing the SESC online and the Shanghai Enterprise Service Center offline. The SESC website (www.ssme.gov.cn) has been officially launched to provide accurate, reliable and complete services for enterprises of all sizes and different ownership through their whole life of circle.



Shanghai Foreign Investment Development Board (Invest Shanghai)

The Shanghai Foreign Investment Development Board, also known as "Invest Shanghai", is dedicated to providing comprehensive and professional services relating to investment policies and legal issues, business negotiations and project location for domestic and foreign investors, to ensure that foreign-invested enterprises can make their best investment decisions. (www.investsh.org.cn)



The Board has developed its global services network composed of overseas agencies established in Los Angeles, Osaka, London, Frankfurt, Goteborg, Prague, Singapore, New Delhi, Bangkok, and Dubai. It has signed economic and trade cooperation agreements with more than 30 overseas investment promotion institutions.

In addition, the Board has led the establishment of Shanghai Investment Promotion Partnership (SIPP), which is committed to integrating various resources of domestic and international investment promotion agencies operating in Shanghai and providing information service platforms for the purpose of enhancing communication and cooperation for international economy and trade, while promoting foreign investment in Shanghai and facilitating Shanghai-based enterprises to invest in overseas markets. It currently has over 100 member enterprises.

UNIDO Shanghai Investment Promotion Centre (SIPC)

UNIDO SIPC, a collaborative project jointly launched by United Nations Industrial Development Organization, Ministry of Commerce of China, and the Shanghai municipal government, aims at promoting introduction of foreign investment and technologies to Shanghai.

As one of the nine investment and technology promotion agencies in the world, UNIDO SIPC provides high value-added consulting services for business development institutions, local governments and investment promotion agencies.



Accelerating Innovation in Trade Services

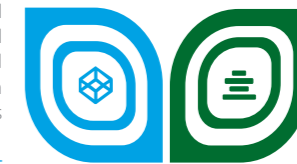


In June 2018, the *Official Reply on Approving the Deepening of the Pilot Program of Innovative Development of Trade in Services* was issued by the State Council of China. In response, the Shanghai municipal government has endeavored to accelerate the establishment of an open and transparent expansion system for trade in services featuring value improvement mechanisms, diversified market factors, alignment across regions, and a sufficient talent pool, through measures such as establishing platforms, carrying out policy innovation and building trans-areas coordination.

In 2018, Shanghai proposed to build an overseas market expansion system with an emphasis on countries along the B&R, aiming to form China's first global alliance for trade in services facilitation. At the same time, Shanghai is vigorously facilitating the access to cross-border services, and has compiled the *Implementation Measures of Negative List Management Model for the Cross-border Trade in Services*, the first one of its kind in China.

Increasing Efforts in Establishing Platforms for Trade in Services

As of the end of 2017, the National Base for International Cultural Trade (Shanghai) had housed a total of 500 companies, an increase of 80 over the previous year.



The construction of a 70,000 m² artworks bonded service center is now basically completed in the Shanghai FTZ International Artwork Exchange Center.

The Shanghai Cosmetics Display and Trade Center provides such trade facilitation services import/export agent, pre-inspection, centralized declaration for separate batches of goods, and warehousing.



Shanghai has established public service platforms in areas such as technology trade, service outsourcing, and traditional Chinese medicine (TCM).

Constantly Improving the Facilitation for Trade in Services



Normal Specialized Goods
Approval process is shortened from 20 working days to 3-5 working days.



High-risk Biomedical Goods
Review process is shortened from 30 working days to 20 averagely.



Special Imported Goods
Customs clearance process is shortened to 3.5 working days.



Integrated Circuit Design Companies
A pilot bonded regulation model is in place, reducing about 1/3 of the time needed for customs clearance.



Cruise Tourism
Specialized bonded warehouses for international cruise liners are established, shortening the customs clearance process from one week to two days.

Highlights of Innovation in Trade in Services: Cross-border E-commerce Services

- ❑ A leading group for cross-border e-commerce is established
 - ✓ to coordinate different projects based on regular studies on major issues, in an effort to promote Shanghai into a global cross-border e-commerce operation center
- ❑ A cross-border e-commerce public service platform is set up
 - ✓ to integrate regulatory resources and promote data exchange between enterprises and governments
- ❑ Efforts are made to promote the development of a cross-border e-commerce demonstration zone
 - ✓ to tap into the Shanghai Pudong International Airport as a customs regulation zone for the arriving cross-border e-commerce goods
 - ✓ and improve the services in bonded areas with SHFTZ as a reform pilot
- ❑ Efforts are made to promote the establishment of the Shanghai Cross-Border E-Commerce Association
 - ✓ as an influential organization in cross-border e-commerce, with over 150 members whose operation areas cover the whole industry
- ❑ Efforts are made to coordinate leading enterprises to drive the city's development
 - ✓ through innovative work patterns based on the demands of Xiaohongshu, Ymatou and Yihaodian, to break institutional limits with a view to expediting the development of similar innovative enterprises

Source: 1. Shanghai Municipal Commission of Commerce; 2. Shanghai Municipal Commission of Economy and Informatization

Improving Supporting Services for Intellectual Property Rights



Continuously Developing the IPR Services System

- Optimizing IPR Services
 - ✓ Shanghai Intellectual Property Transaction Center with operations guided by the government, driven by the market, and participated by private shareholders
 - ✓ Shanghai IP (Patent-Focused) Public Search Platform
 - ✓ IP Mediation Mechanism aligned with international best practices
 - ✓ 13 district-level People's IP Mediation Committees
 - ✓ Copyright Service Center in the SHFTZ
 - ✓ 15 copyright service offices
- Enhancing Overseas IPR Protection
 - ✓ Shanghai Overseas Intellectual Property Rights Protection Service Center
 - ✓ Shanghai Overseas Trademark Protection Office

In recent years, Shanghai has progressed remarkably in intellectual property rights (IPR) protection, management and innovative service delivery, ranking among the top in China in terms of overall IPR competitiveness. Now, the city is committed to developing itself into an IP hub in the Asia-Pacific region for high-standard IPR protection, and open and shared uses of IP across borders.

Case Study: Innovation in IPR Protection Mechanism

- ✓ As China's first state-level IPR protection center, China (Pudong) Intellectual Property Protection Center is focused on fast IP rights review, verification and protection.
- ✓ As one of the first pilot districts in China for reforms in IPR integrated management, Xuhui District has set up various platforms to support Shanghai-based companies in domestic and overseas IPR transactions, including the Shanghai (Xuhui) Trademark Branch Office and the Shanghai Trademark Examination Cooperation Center of the State Administration for Industry & Commerce of China.

In recent years, Shanghai has strengthened its top-level design for IPR and established a new judicial protection mechanism. On July 27, 2018, the Several Opinions of Shanghai High People's Court on Strengthening Judicial Protection of Intellectual Property Rights was promulgated in response to the fundamental policy in IPR protection laid down by the Supreme People's Court of China, in a bid to complete the current IPR trial system by implementing the judicial protection policies featuring "primacy of the judiciary, strict enforcement of law, differentiated measures, and proportionality". The Opinions has effectively advanced the IPR protection from various aspects, including improving the application of evidence rules in lawsuits, optimizing the compensation calculation methods, completing the lawsuit system, and improving related supporting rules.

Improving Regulations and Policies on IPR

IPR Transfer and Transformation:

- Regulation on the Transfer and Transformation of Scientific and Technological Achievements in Shanghai
- Action Plan on the Transfer and Transformation of Scientific and Technological Achievements in Shanghai (2017-2020)

IPR Protection in Cultural and Creative Industry:

- Opinions on Accelerating the Innovation-Oriented Development of Cultural and Creative Industry in Shanghai

IPR Protection for Foreign-invested Research:

- Several Opinions on Further Supporting the Participation of Foreign-invested R&D Centers in Shanghai's Global Science and Technology Innovation Center Building

Support for Patent Creation and Application:

- Shanghai Patent Funding Scheme
- Guide for Shanghai's Patent Fund Management



Providing Superior Talent Services



As a dynamic talent hub, Shanghai has been emphasizing on talent acquisition and services. To further enhance the city's core competitiveness as a global technology and innovation center, the municipal government has put in place a series of favorable talent policies, and has particularly taken systematic measures to address the needs of high-caliber professionals and overseas experts in terms of career development, social security, administrative services, and quality of life.

Building a Globally Competitive Platform for Career Development

- ✓ Prioritized access to major scientific facilities in Zhangjiang Science City
- ✓ A RMB 5-billion fund for start-ups

Improving Administrative Efficiency

- ✓ For overseas workers in China: lower thresholds for obtaining permanent residency, loosened age restrictions on employment, and simplified administrative procedures for entry and residence
- ✓ A fast track channel for foreign exchange settlement and swap

Implementing Internationally Benchmarked Talent Management Practices

- ✓ An integrated budget management mechanism
- ✓ An administration assistant system

Creating a Convenient Living Environment

- ✓ Housing support, e.g. housing/rent allowance
- ✓ More access to international education resources
- ✓ Optimized social security benefits, including pension and healthcare insurance

Selected Administrative Services for Foreign Professionals

Measures	Results
<p>Convenient Visa Procedures</p> <p>An online application-based service window at the Exit-Entry Administration Bureau of the Shanghai Public Security Bureau is open to foreign professionals to support:</p> <ul style="list-style-type: none"> • Online application at any time • A visa appointment can be requested online at any time. Once submitted, the online system will provide an accurate checklist of all documents required for visa issuance. • No submission of passport required • Upon approval of the application, the visa will be processed immediately at the service window, and the passport is not required to be submitted in advance. • Immediate issuance <p>The turnaround time is reduced from seven working days to just an hour.</p>	<p>During the first month following the launch of the service window, 26 foreign professionals and their family members have obtained residence permits through online applications. Their areas of expertise include biopharmaceuticals, IT, auto manufacturing, business consulting, and international commerce.</p>
<p>Work and Entrepreneurship Support</p> <p>A 35-article talent policy is in place in Pudong to facilitate the work and entrepreneurship of foreign professionals, which stipulates that:</p> <ul style="list-style-type: none"> • High-caliber foreign professionals with permanent residence permits are entitled to the same treatment as Chinese nationals when founding S&T enterprises in SHFTZ; and • Foreign professionals employed by Shanghai-based higher education or research institutions or business entities, are allowed to work for different employers after the required registration is completed by all corresponding employers with competent authorities. 	<p>It took Zhang Wei, a Chinese-German expert included in the Shanghai "1,000 Talents Program", only five working days to obtain the business license for his newly incorporated firm. Approved as a domestically funded technology enterprise, his firm is entitled to a series of preferential treatments.</p>

Source: 1. Shanghai Municipal Commission of Commerce; 2. White Paper on the Intellectual Property Development in Shanghai in the Year 2017

Note: 1. Opinions on Deepening Institutional Reform of Talent Development System to Accelerate the Transformation of Shanghai into an International Technology and Innovation Center; 2. Shanghai's Action Plan on Accelerating the Implementation of Top-notch Talent Project; 3. "National Treatment is available for High-caliber Foreign Professionals Starting up Businesses in Shanghai Free Trade Zone", Xinhua News Agency

Providing Superior Talent Services (Continued)

Adequate Leased Housing

Now, Shanghai is committed to providing leased housing programs that are market based. In 2017, a total of over 2 million m² of building area was planned for constructing over 30,000 leased housing units. In 2018, another 200,000 housing units, newly built or transformed from other purposes, along with 90,000 private properties operated by government authorities, will be made available for lease. In addition, dedicated apartments are being provided to different types of professionals in Shanghai.



> Dedicated apartments are available to professionals who are:

- Urgently needed by leading enterprises in all districts of Shanghai;
- With high-level expertise in education, healthcare, culture, sports and other areas of social concern;
- Significant contributors to Shanghai's development, working at local higher education or research institutions;
- Qualified by other criteria.

> Selected Apartment Buildings:

- Lujiazui Financial City Apartment
- ZJ INNOPARK Apartment
- Pudong International Talent City

Lujiazui Financial City Apartment

• Located in Pudong New Area, Lujiazui Financial City Apartment is conveniently served by Shanghai Metro Line 2, within easy access of Century Avenue and Zhuyuan Commerce and Trade Zone. Targeted at single young people aged 22-30 working in Lujiazui Financial City, all units are fully furnished and ready for immediate occupancy at the following rental rates:

Space (m ²)	Monthly Rent per Unit (in RMB)
25	2,500-2,900
50	4,400-4,900
42	3,600
56	4,000



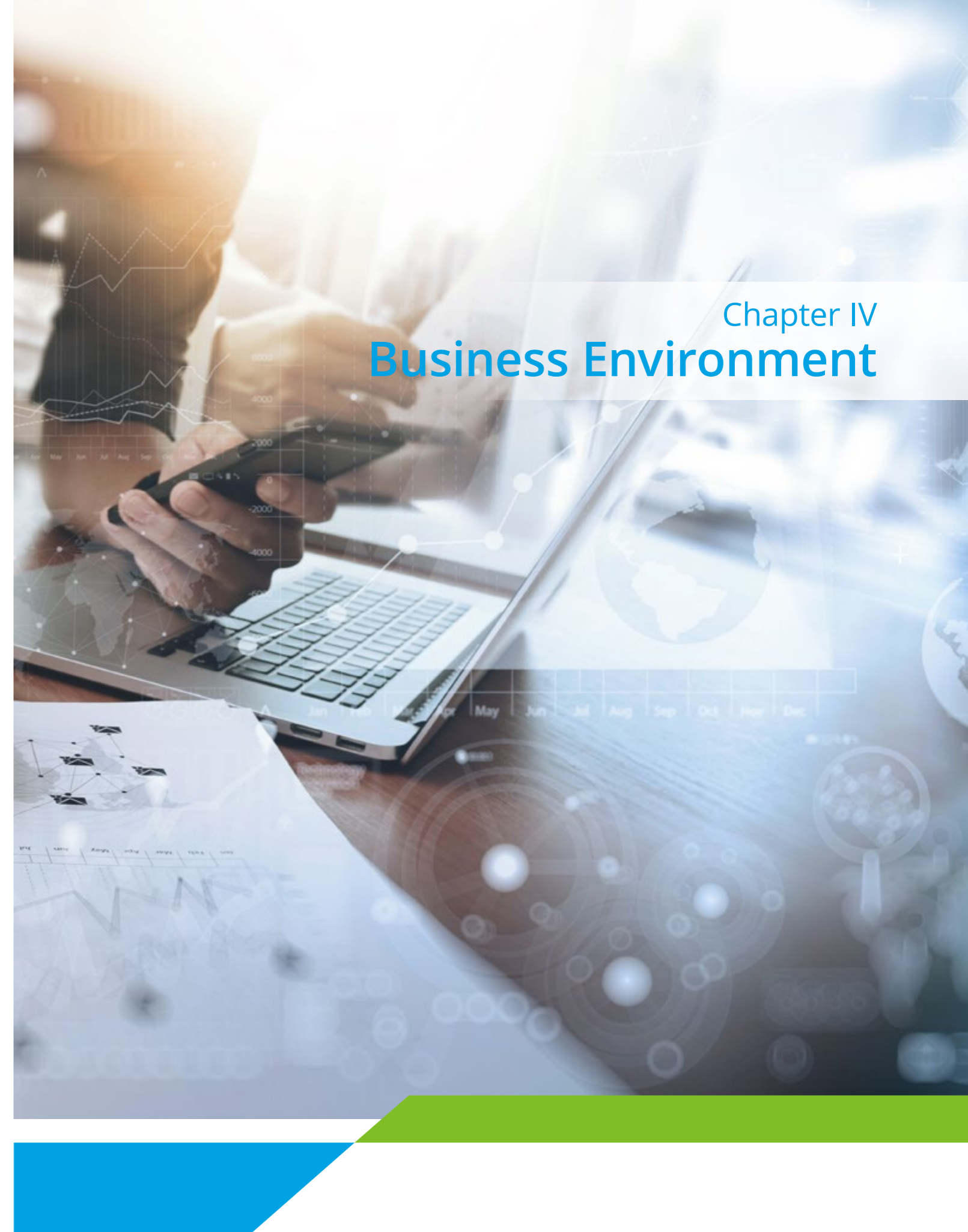
ZJ INNOPARK Apartment

• Built in 2000, ZJ INNOPARK Apartment located in Zhangjiang Science City in Pudong now operates 12 apartment projects. Served by well-developed transport networks, supporting facilities, and education and healthcare resources, it has grown into a complex of youth apartments, maker spaces and co-working spaces, and provides accommodation for those working at ZJ INNOPARK-based businesses at a monthly rental rate from RMB 1,000 to RMB 6,000 depending on the unit type.



Source: 1. Official website of Lujiazui Properties; 2. Official website of ZJ INNOPARK Apartment

Chapter IV Business Environment

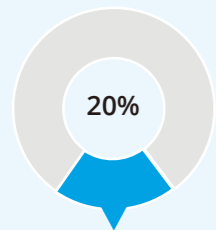


Overview of Foreign Investment

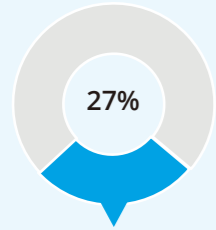


Regional Headquarters of Multinational Corporations

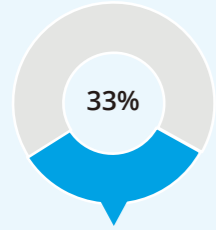
Accounting for only 2% of Shanghai's total business entities, foreign-invested enterprises generated the city's:



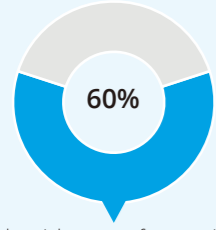
Jobs



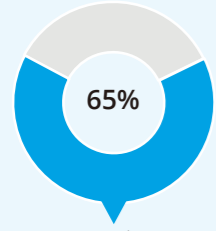
GDP



Tax revenue



Industrial output of enterprises above designated size¹



Imports and exports

Since the launch of reform and opening-up 40 years ago, Shanghai has developed a desirable destination for foreign investment and a key link and growth engine for multinational corporations' global operation. Benefiting from a continuously optimized business environment, foreign-invested enterprises based in Shanghai have experienced a rapid growth, of which more than half prefer the city as the very gateway to China – their most important overseas market.

A Wide Range of Overseas Investors

As of the end of 2017, Shanghai had introduced a total of about 91,000 foreign-invested projects, with a paid-in capital of USD 223.1 billion, accounting for 11% the country's total. In the first half of 2018, Shanghai saw 2,177 new foreign-invested projects and a contractual foreign investment of USD 21.5 billion, among which USD 8.56 billion had been executed. Countries and regions listed as the top 10 investors in Shanghai (by paid-in capital) in first half year were Hong Kong, Germany, Singapore, the USA, the British Virgin Islands, the Cayman Islands, Japan, the UK, France and the Netherlands, whose paid-in capital amounted to about USD 7.89 billion, accounting for 92.1% of the city's total. The paid-in capital from countries along the B&R totaled around USD 0.5 billion, making up 5.8% of Shanghai's total.

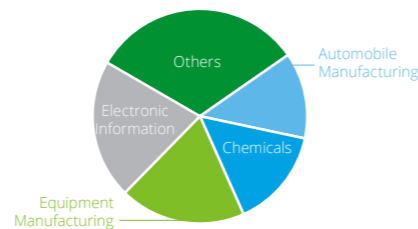
Major Industries Favored by Foreign Capital

As the main area attracting foreign capital, the service sector absorbed 95% of the city's total paid-in capital in 2017, among which headquarters economy is the most-invested, while manufacturing is becoming increasingly attractive to overseas investors in recent years, with foreign-invested enterprises playing a leading role in high-tech manufacturing.

Composition of Paid-in Capital in Shanghai's Service Sector in 2017



Composition of Paid-in Capital in Shanghai's Manufacturing Sector in 2017



Substantial Benefits for Foreign-invested Companies

Business in China has become an integral part in global operations of foreign companies. According to a survey by a thirty-party institution, many foreign-invested companies across industries indicated that they would continue their investment in China for better performance in the Chinese market.

Good Financial Performance and Increased Investment²	In 2017, 83% of manufacturers and 65% of service providers were profitable; 53% of companies increased their investment in China while 61.6% expected to raise their investment in 2018.
Higher Revenue Growth Rate than Globally	In the above-mentioned survey, 57.7% companies reported higher revenue growth rate in China than globally, especially those in the retail and manufacturing sectors. Chemicals, pharmaceuticals, medical devices and life sciences were the top performing industries with the highest growth rate.
Contributions to Head Office	Among the surveyed companies, 25% reported their operations in China significantly contributed to US head office profits and 20% said they added to US production and employment.

Due to its relentless efforts to develop headquarters economy in recent years, Shanghai has emerged as a metropolis that is home to the largest number of regional headquarters (RHQs) of multinational corporations (MNCs) in mainland China. Going forward, Shanghai will expand its capacities in driving an increasing number of RHQs towards "multifunctional headquarters" that integrate management, decision-making, purchasing, sales, R&D, capital operation and sharing services.

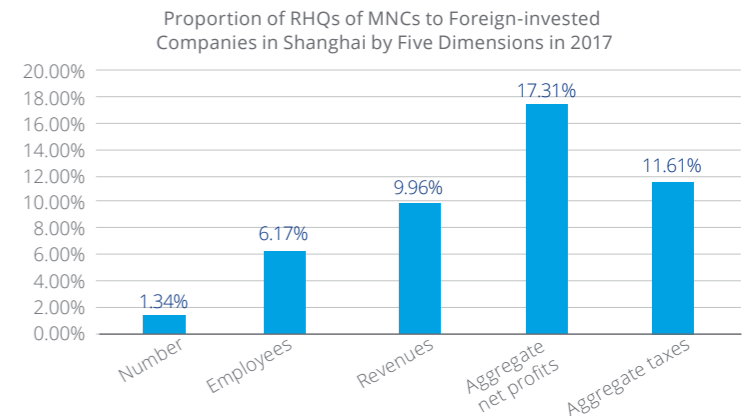
By the end of June 2018, Shanghai had attracted a total of **642** RHQs of MNCs.



- 95%** of the RHQs in Shanghai have at least two functions:
- 82%** responsible for **investment decision making**
- 61%** responsible for **capital operation**
- 54%** responsible for **R&D**
- 35%** responsible for **purchasing and sales**

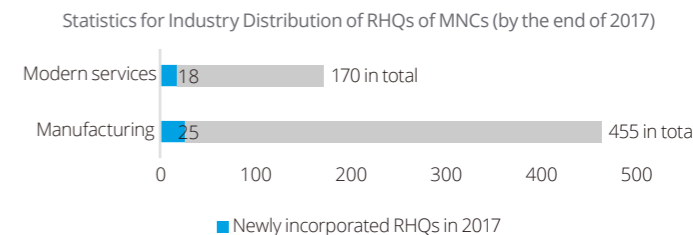
Impressive Contributions to Shanghai's Economy

By the end of 2017, there were a total of 625 RHQs of MNCs in Shanghai, which made up 1.34% of foreign-invested companies in the city but accounted for 17.31% of the net profits generated by these foreign-invested companies, contributing substantially to Shanghai's economic growth. Industries such as automobile, electronics and electrical engineering, wholesale and retail, chemical and biomedicine made particularly remarkable contributions to the total amount of taxes. Food, biomedicine, chemical and service sectors have seen a leap in the growth rate of aggregate taxes.



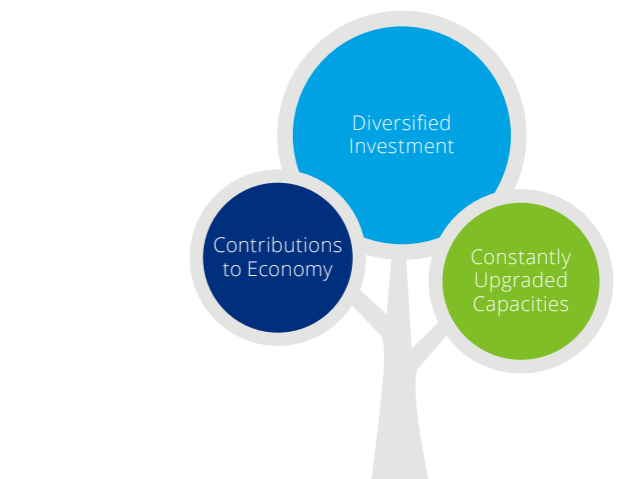
Diversified Investment Areas

In recent years, RHQs in Shanghai have experienced increases in both quantity and total investments. The number of RHQs in different industries and of different scales has generally risen, and investment preferences diversified. In 2017, Shanghai-based RHQs remained dominated by manufacturing enterprises, represented by those in automobile, chemical, biomedicine and electronic equipment manufacturing industries.



Constantly Upgraded Capacities

Encouraged by the constantly upgraded capacities of the RHQs in Shanghai, internationally famed businesses with competitiveness are following the suit to incorporate their headquarters in the city for further development. In 2017, 45 industry-leading corporations, including QVC, an American flagship shopping channel, UBM, a British global B2B events organizer, and NTT, a Japanese telecommunications giant, set up their RHQs in Shanghai. Moreover, 14 companies, such as the car maker VOLVO and fashion retailer L Brands, both on the Fortune 500 list, as well as Yamato Transport, one of Japan's largest delivery service providers, established in Shanghai their headquarters for the Asia Pacific region and even for a larger region.



Note: Unless otherwise specified, the data is as of June 2018 on this page.
 1. Enterprises above designated size refer to those with an annual main business revenue of RMB 20 million or more; 2. 2018 China Business Report by the American Chamber of Commerce in Shanghai.
 Source: Shanghai Municipal Commission of Commerce

Source: Shanghai Municipal Commission of Commerce

Foreign-invested R&D Centers

Shanghai was home to 426 foreign-invested R&D centers by the end of 2017 and the number increased to 434 by the end of June 2018, accounting for about one fourth of the total in mainland China, the No.1 in China. A total of 57 R&D centers serving the Asia-Pacific Region and beyond have been established in Shanghai. Supported by a clustering of high-end global resources for innovation such as capital and talents, the city has established an open innovation system featured by cooperation, sharing and collaboration. Meanwhile, it incentivizes multinational corporations to upgrade their R&D centers to globally competitive ones, and set up open innovation platforms, in a bid to build Shanghai into a global innovation hub.

A Concentration in High-tech Industries

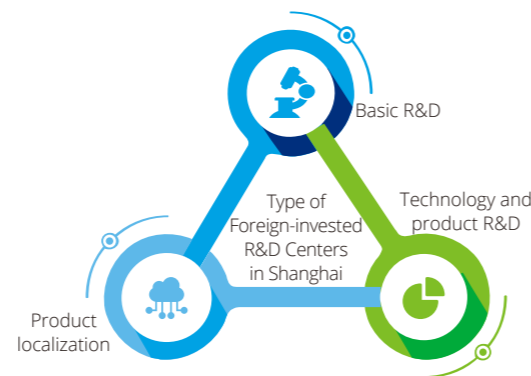
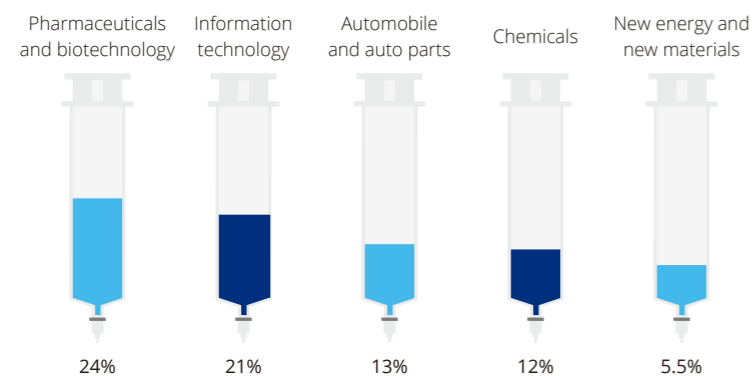
In Shanghai, the foreign-invested R&D centers have concentrated in high-tech industries, such as information technology, pharmaceuticals and biotechnology, automobile and auto parts, and chemicals. Take pharmaceuticals and biotechnology for example. 7 of 10 world's largest pharmaceutical companies have set up R&D centers in Shanghai, i.e. Pfizer, Novartis, Roche, Johnson & Johnson, GSK, AbbVie and Amgen.



Case Study: The Development of Foreign-invested Biopharmaceutical Manufacturing in Shanghai
Supported by strong capital and advanced technologies, foreign-invested companies have become the backbone of the development of Shanghai's biopharmaceutical manufacturing.

Leveraging prominent R&D strengths, foreign-invested businesses take the lead in the city's biopharmaceutical manufacturing – **12 of the top 20 biopharmaceutical enterprises (by revenue) are foreign-invested.** Among them, Shanghai Roche Pharmaceuticals Ltd. represents the **largest leading pharmaceutical enterprise in China** in terms of industry scale; and Sino-American Shanghai Squibb Pharmaceuticals Ltd., **China's first Sino-American joint venture in pharmaceuticals, ranks the second** by revenue.

Industry Distribution of Foreign-invested R&D Centers



Globalizing Foreign-invested R&D Centers

Multinational corporations are enhancing the significance of their Shanghai R&D centers in their global operations, and upgrading them into regional or global R&D centers for more R&D achievements in Shanghai and globally.

Exemplary Cases on R&D Achievements

- General Motors China Science Lab has filed a total of more than 200 international patent applications.
- In 2017, Shanghai Dow Center of the Dow Chemical Company filed 106 patent applications. Profits brought by new product R&D accounted for 30% of the company's total.
- As of the end of 2017, Roche had filed 192 patent applications based on the inventions of Roche Innovation Center Shanghai, of which 102 had been approved in countries and regions such as China, the US, Japan and Europe.

Source: Shanghai Municipal Commission of Commerce



Globally Competitive Modern Manufacturing System

All-out efforts to build the brand of "Shanghai Manufacturing", to lay a sound foundation for industry development

As a traditionally advantageous sector in Shanghai, manufacturing has been a pillar for municipal economic development. In recent years, supported by favorable policies directing supply-side structural reform, and transformation and upgrading of the manufacturing sector during the 13th Five-Year Plan period, and action plans promoting innovation-driven development and technological transformation, Shanghai has been driving intelligent, service-based and high-end green development of the manufacturing industry, enhancing its core competitiveness globally.

Modernized Manufacturing System

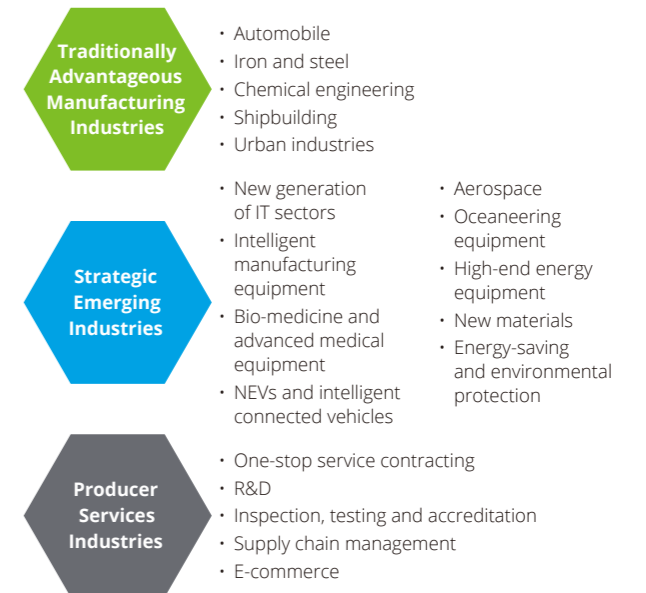
Steady Growth of Manufacturing Strength.

In 2017, the gross industrial output of Shanghai stood at about RMB 3.61 trillion with a noticeable increase over the previous year. In the first half of 2018, Shanghai achieved a year-on-year boost of 22.9% in industrial investment, a record growth rate since 2012; and the paid-in capital recorded USD 1.16 billion, up by 122.7% over the previous year.

Continuously Optimized Industrial Structure.

Strategic emerging industries, traditionally advantageous manufacturing and producer services sectors have been playing a pivotal role in Shanghai's modernized manufacturing system. In 2017, new energy vehicle (NEV), energy-saving and environmental protection, new generation of IT, biomedicine, and other emerging sectors were growing at a rapid pace. Particularly, the gross output of the NEV industry went up by 42.6% in 2017.

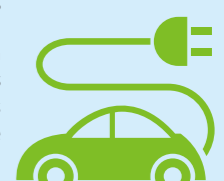
Key manufacturing industries in Shanghai during the 13th Five-Year Plan period
(Source: Transformation and Upgrading of the Manufacturing Sector in Shanghai During the 13th Five-Year Plan Period)



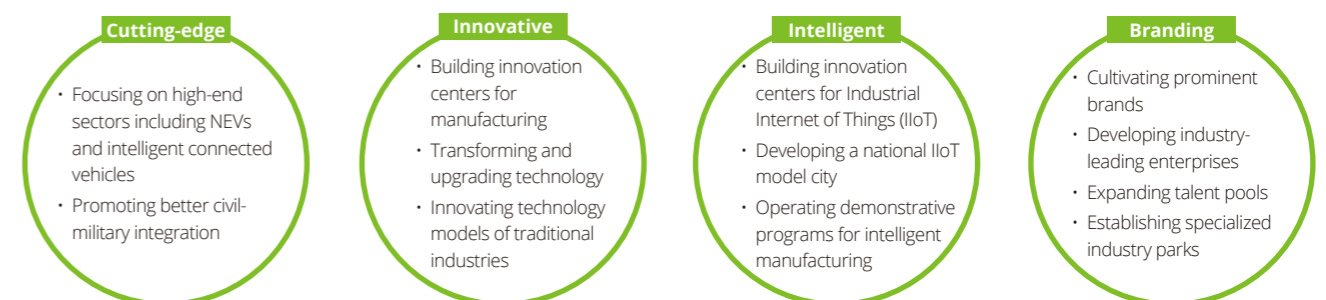
Case Study: The Establishment of Tesla's Gigafactory in Shanghai

On July 10, 2018, when the Shanghai municipal government proposed to speed up the removal of foreign ownership caps for automobile makers in the 100 measures for further opening-up, Tesla, a NEV industry benchmark, signed an agreement with the Shanghai municipal government to build its first stand-alone auto plant outside the US in Shanghai. The plant will integrate R&D, manufacturing and sales, and produce 500,000 blade electric cars annually when it is put into full operation.

The signed agreement makes Tesla the first foreign carmaker that benefits from the new policy of removing foreign ownership caps in the NEV industry. The establishment of Tesla's Gigafactory in Shanghai will not only boost the carmaker's productivity, but also upgrade China's NEV supply chain, indirectly improving the supporting services and facilities for local automobile manufacturers.



Shift from "Made in Shanghai" to "Intelligently Created in Shanghai"



Globally Competitive Modern Manufacturing System (Continued)

Building Industry Bases

As of now, Shanghai has developed six bases of different industry sectors: Zhangjiang Microelectronics Industry Base, Anting Automobile Manufacturing Base, Jinshan Petrochemical Industry Base, Baoshan Quality Steel Industry Base, Lingang Equipment Industry Base and Changxing Island Ship Building Base.

In May 2018, Shanghai obtained the approval to build two national manufacturing innovation centers – the National Integrated Circuit Innovation Center located in Pudong New Area and the National Intelligent Sensor Innovation Center situated in Jiading District.

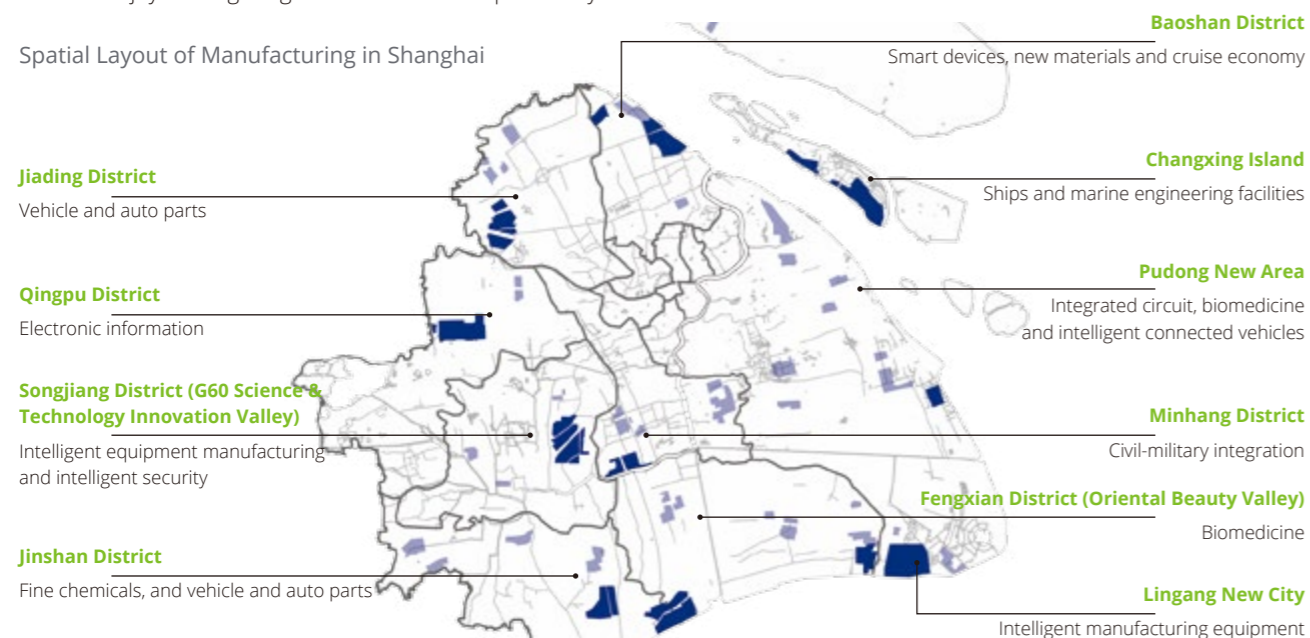
Shanghai is now home to six national-level economic and technological development zones:

- Shanghai Minhang Economic and Technological Development Zone
- Shanghai Hongqiao Economic and Technological Development Zone
- Shanghai Caohejing Hi-Tech Park
- Shanghai Jinqiao Economic and Technological Development Zone
- Shanghai Chemical Industry Economic and Technological Development Zone
- Shanghai Songjiang Economic and Technological Development Zone

<p>G60 Science & Technology Innovation Valley in Songjiang</p> <p>Thanks to the building of the Innovation Valley, Songjiang District has enjoyed the highest growth rate of advanced manufacturing in the city, and welcomed a series of major projects, including Haier Intelligent Valley, Headquarters Park of CSG Intelligent Robot, Xiuzheng Pharmaceutical Group, and National New Energy Vehicle.</p>	<p>Innovation and Entrepreneurship Demonstration Base in Yangpu District</p> <p>As of 2017, the Demonstration Base has established 155 entrepreneurial and innovative platforms of four categories (science parks and R&D platforms, incubators and makerspaces, major buildings and other public service platforms), and 64 supporting facilities of eight categories, contributing to the future development of entrepreneurship and innovation in the YRD region.</p>	<p>Oriental Beauty Valley in Fengxian District</p> <p>The Oriental Beauty Valley has attracted NU Skin, one of the largest direct sellers of makeups and personal care products globally, Cosmax, one of the largest R&D and manufacturing cosmetics companies in Asia, and many other well-known makeup brands, such as CHANDO, Pechoin and Mariedalgar. In 2017, it was awarded the title of the "Capital of China's Cosmetics Industry", the only one of its kind.</p>
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Developing Advanced Manufacturing with Locally-specific Resources

Based on their special advantages, districts in Shanghai have developed manufacturing in a more targeted manner, cultivating their own unique competitiveness. In 2017, all districts saw positive growth of total output of industrial enterprises with an annual revenue of RMB 20 million or more and, on top of that, six of them grew at a double-digit rate. Meanwhile, suburban districts enjoyed a higher growth rate over the previous year.



Source: 1. Transformation and Upgrading of the Manufacturing Sector in Shanghai During the 13th Five-Year Plan Period; 2. Shanghai Master Plan (2017-2035)



International Trade Center Aligning with High Standards

Faced with the continuing trend of economic globalization, Shanghai is endeavoring to build itself into an international trade center. An institutional system aligning with international standards for investment and trade will be developed in the city, along with an improved modern market system featuring equal exchange and free flow of goods and resources.

Expanded Trading Market

> A Stable Growth of Foreign Trade

In spite of the global trade downturn, the global and national shares of Shanghai port trading remain a stable growth in recent years. In 2017, Shanghai witnessed a total value of import and export goods up to RMB 7.92 trillion, which accounted for 28.5% in China and more than 3% in the world, having exceeded traditional international trade centers like Hong Kong and Singapore.

> Leading Player in Services Trade

In 2017, Shanghai contributed to **the country the largest** import and export volume of services trade, and saw the proportion of this volume to the country's total and to the city's total foreign trade volume **ranking first in China**. Shanghai's services trade volume increased from USD 175.39 billion in 2014 to USD 195.47 billion in 2017, while the proportion to the city's total foreign trade volume reached 30% in 2017, up from 27.3% in 2014 and 15 percentages higher than the national average.

Globalized Trade Cooperation

Benefiting from the B&R Initiative and the establishment of SHFTZ, Shanghai has significantly strengthened its will and capacity to participate in international competition and cooperation. At present, with local enterprises expanding their presence to 178 countries and regions, Shanghai has forged economic and trade partnerships with 14 countries and strategic node cities along the B&R, including Singapore, Czech Republic and Turkey. In the first half of 2018, the volume of trade between countries and regions along the B&R and Shanghai was RMB 329.9 billion, representing 20.4% of the city's total and making it a powerhouse for trade growth of Shanghai.

Proportions of Consumer Goods Imported through Shanghai Customs to the Country's Total:

- 1/3:** automobiles, diamonds, wine and dairy products
- 1/2:** cosmetics, pharmaceuticals and medical equipment
- 60%:** apparel and clothing accessories
- 70%:** watches



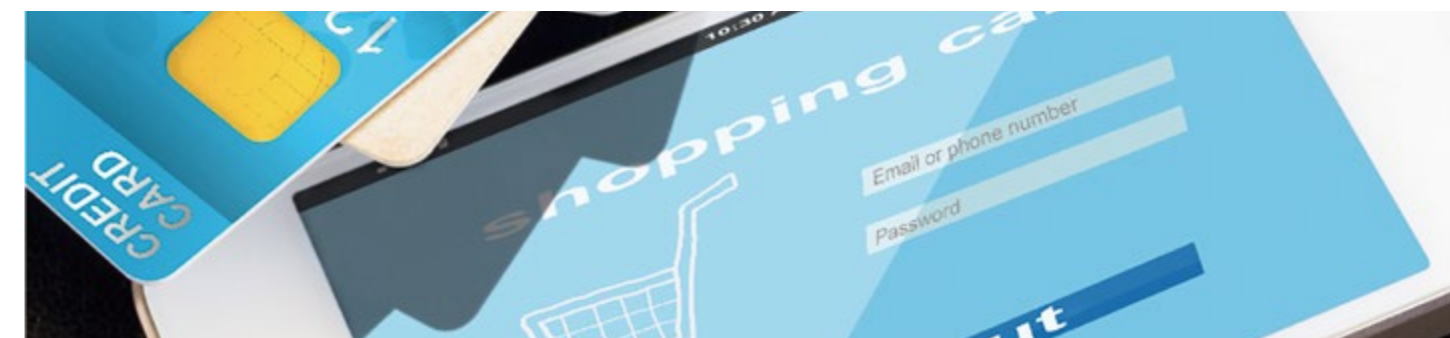
Proportions of Shanghai's Trade Volume of Commodities to the Country's Total:

- 15%:** steel
- 20%:** petroleum chemicals
- 60%:** non-ferrous metals



Take Shanghai's efforts to promote the B&R Initiative as an example. The Shanghai municipal government has launched policies that facilitate investment and trade and especially support foreign-invested enterprises' trade and cooperation along the B&R, such as:

- Leveraging SHFTZ as a platform to align with systems and rules of countries (regions) along the B&R
- Promoting cross-border e-commerce along the B&R
- Facilitating international cooperation in industrial capacity and equipment manufacturing along the B&R
- Developing international platforms for exhibition and convention services in Shanghai
- Establishing comprehensive service platforms for trade and investment promotion
- Founding the B&R International Arbitration Center

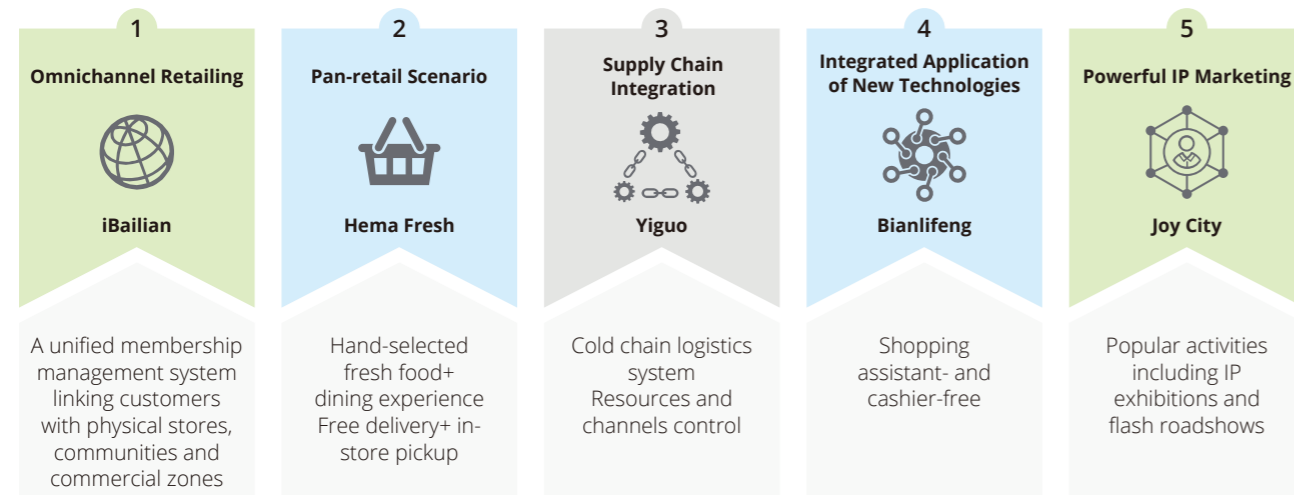


Source: 1. Action Plan for Shanghai to Play the Role of Bridgehead in Serving the National B&R Initiative; 2. Blueprint for the Development of Shanghai International Trade Center during the 13th Five-Year Plan Period

International Trade Center Aligning with High Standards (Continued)

Innovative Trade Models

In response to a new round of technology and industry reform, Shanghai is promoting the use of new technologies including Internet and big data in trade, building itself into a more vibrant international trade center.



Proven New Business Models

- As a cradle of innovative business models in China, Shanghai has seen burgeoning development of new retail models represented by Hema Fresh. Various leading unmanned retailers were first unveiled in Shanghai, making the city an incubator for new consumption patterns in China and beyond.

Growth of New Retail

Rapid Development of E-commerce

- In 2017, e-commerce transactions in Shanghai amounted to RMB 2.4 trillion, representing an 11.6% share and ranking first in China.
- In 2017, cross-border e-commerce transactions in Shanghai increased 74.8% on a year-to-year basis to RMB 4.18 billion, growing more rapidly than other pilot cities. The city's cross-border e-commerce public service platform has interconnected with 1,179 companies including Tmall Global, Amazon, Ymatou and Xiaohongshu.

A More Dynamic Market

- 20 businesses in Shanghai were listed as national e-commerce demonstration enterprises (2017-2018), outperforming other provinces and municipalities.
- Leading B2B companies gather in Shanghai, with 27 listed in China's top 100 B2B companies in 2016 and 20 in China's top 100 Internet companies in 2017.



Case Study: Starbucks Reserve Roastery in Shanghai

Officially opened in Shanghai in December 2017, the **2,700 m²** Starbucks Reserve Roastery has a lot to offer: a **27-meter-long** bar (the longest in Starbucks' history), and multiple coffee-making machines that provide seven coffee brewing methods.

When entering Starbucks' **first overseas** Roastery, customers will be greeted by a **multi-sensory interactive coffee experience** – they can use augmented reality (AR) devices to discover “secrets” in an immersive coffee and retail destination like no other. Moreover, a Teavana Bar stands inside to demonstrate deep respect for Chinese tea tradition. This hi-tech retail store with Shanghai-style decoration is expected to explore a new business path for Starbucks.



International Financial Center with Complete Factor Markets

The present status of Shanghai as China's financial center, with financial market system at its core, has been consolidated. As one of the leading financial strongholds with complete factor markets across the world, Shanghai has primarily formed a global financial market system, featuring diversified functions of trading, pricing, clearing, and innovation of RMB-denominated financial products. In 2018, Shanghai has moved up to the 5th position among worldwide financial hubs according to the Global Financial Centers Index 24 (GFCI 24) released by Z/Yen, an independent think-tank from the UK.

Financial Sector Rising as a Pillar of Municipal Development

Shanghai has seen a booming development of the financial industry in recent years. In 2017, the aggregate trade volume of financial markets in this city reached RMB 1,428 trillion, with a total of 1,537 licensed financial institutions and more than 360,000 professionals employed in Shanghai, and the added value of the financial sector accounted for over 17% of the city's GDP, proving that Shanghai has emerged as a major gathering place for financial institutions with a complete set of factor markets globally.

> Securities:

- 279 listed companies, **8%** of the national total
- 991 companies listed on the National Equities Exchange and Quotation (NEEQ), **8.5%** of the national total
- 240 securities and futures entities with legal personality, nearly **30.3%** of the national total.

The number of market entities in Shanghai's capital market totaled **2,614**.

> Insurance:

- 7 insurance asset management companies, around **33.3%** of the national total
- 55 insurance entities with legal personality, around **25%** of the national total
- 28 foreign-invested insurance companies, with the number **ranking top** in China

Shanghai topped GFCI in the insurance sector in 2017.

(Note: All figures quoted above are as of the end of 2017.)

An International Hub Gathering a Multitude of Financial Institutions

> A Cluster of financial institutions. Shanghai has become an ideal destination for global financial institutions including those functional financial entities to set up their headquarters, branches and offices. Nowadays, Shanghai is home to a wealth of significant financial institutions and organizations such as New Development Bank, China International Payment Service Corp (CIPS), and Global Association of Central Counterparties (CCP12).

> Complete market factors. Shanghai keeps enriching the variety of the products and instruments in the financial market, such as the pilot operation of the Mainland China-Hong Kong Bond Connect. Moreover, the city has completed the initial development of financial markets for bills, insurance and trust registration, and witnessed the establishment of the Chinabond Pricing Center. All these efforts are enhancing the basic market functions of Shanghai to make it a more full-fledged financial center.

> A refined legal system. To better serve the evolving financial industry, the Shanghai Financial Court, the first one of its kind in China, was established in Shanghai in 2018.

Integrating into Global Financial Markets with Further Opening-up

“An open Shanghai has a strong financial gene.” Shanghai takes a stance of openness for international exchanges and inclusive cooperation to actively integrate itself into the global financial landscape. Financial reforms in recent years have opened doors to new opportunities for Shanghai to be more competitive as a world-leading financial hub through enhanced global cooperation.

Table 9: A Non-exhaustive List of Measures to Further Open up Shanghai's Financial Sectors

Sectors/Aspects	Measures
Banking	<ul style="list-style-type: none"> To allow foreign banks to set up branches and subsidiaries at the same time in Shanghai To give approval for the establishment of financial asset investment and management companies without capping on foreign ownership by commercial banks To encourage foreign banks to engage in a wider range of business, such as securities issuing and other agent services
Securities	<ul style="list-style-type: none"> To allow foreign-invested companies in securities, fund management, and futures to set up operation in Shanghai, and to provide agent and consultancy services
Insurance	<ul style="list-style-type: none"> To give foreign-invested insurance brokers the green light to expand their business scope to offer agent and assessment services To approve the establishment of foreign-majority-owned joint venture life insurance companies
Financial Markets	<ul style="list-style-type: none"> To allow the engagement of overseas investors in Shanghai's securities market To encourage foreign innovative enterprises to launch China Depositary Receipts (CDRs) To roll out Shanghai-London Stock Connect by the end of 2018 in the best case To further expand the market of Panda Bonds
Use of FTAs	<ul style="list-style-type: none"> To set up a worldwide RMB services system to promote RMB internationalization To place FTAs into use in free trade zones of the YRD region and the Yangtze River Economic Belt To add new features to FTAs for investment and financing
Others	<ul style="list-style-type: none"> To allow the entry of bankcard clearing institutions and non-bank payment institutions into the Chinese market To relax restrictions on credit-rating services provided by foreign financial services companies

International Shipping Center Allocating Shipping Resources Globally

According to the evaluation results of the “2018 Xinhua-Baltic International Shipping Centre Development Index”, Shanghai is among the top four international shipping centers. The city is ready to equip itself with highly integrated shipping resources, complete shipping services, favorable market conditions and efficient modern logistics services, with a view to building itself into an international shipping center with the capacity to allocate global shipping resources.

Capacity to Allocate Global Shipping Resources

International Shipping Hub

Shanghai is the busiest container port in mainland China with the largest number of container shipping routes, the most frequent sailings, and the widest network coverage. In 2017, its cargo throughput grew by 6.9% over the previous year to a total of 751 million metric tons; it handled a throughput of about 40.23 million TEUs of containers in the same year, an 8.3% year-on-year increase, ranking No.1 in the world for eight consecutive years.

International Cruise Terminals

Cruise terminals in Shanghai and their supporting facilities have been optimizing, and the pattern of two major cruise terminals (Shanghai Wusongkou International Cruise Terminal and Shanghai Port International Cruise Terminal) and one standby terminal in Waigaoqiao Port Area has come into being. The number of cruise ships and passengers has grown rapidly. In 2017, the number of cruises anchored at the Shanghai Port reached 512, with a total passenger throughput of over 2.97 million, making the Port the largest homeport for cruise ships in Asia and the fourth largest one in the world.

Upgraded Shipping Capacity

Shipping Service Clusters: Shanghai boasts a range of shipping service clusters, including Waigaoqiao Port Area, Yangshan Port-Lingang New City, the North Bund, Yangjing Sub-district of the Lujiazui Finance and Trade Zone, Wusongkou International Cruise Terminal, Shanghai Hongqiao International Airport, and Shanghai Pudong International Airport.

Shipping Organization Agglomeration: Shanghai has attracted a group of international and national shipping organizations. Liner companies among the world's top 20 and cruise companies listed as the top four globally, nine of the world's top ten classification societies, and major state- and privately-owned shipping companies have all set up headquarters or branches in Shanghai.

Industry Indicator: Shanghai Shipping Exchange serves as a national center that provides container liner freight filing services and ship trading information. Its container freight index has become one of the indicators for the global container shipping market.

Aviation Hub as an Asia-Pacific Gateway

Shanghai's urban airport system consisting of Shanghai Pudong International Airport and Shanghai Hongqiao International Airport has met the standards set by other international metropolises in terms of layout and size. The two airports together handled over 4.23 million metric tons of cargo and mail in 2017, 3.82 million metric tons of which were handled by Shanghai Pudong International Airport.

- The throughput of international passengers and cargo & mail in 2017 accounted for one third and half of China's total respectively, making Shanghai the **top** air gateway city in mainland China.
- Shanghai Pudong International Airport has been the world's **third** largest airport in terms of cargo and mail throughput for the tenth consecutive year in 2017.
- In 2017, the passenger throughput at the two airports reached 112 million, **No.4** around the globe.
- Shanghai was the **first** in China adopting the pattern of “one city, two airports”.
- **2** airports, **4** terminals, and **6** runways; a total cargo area of **1.47 million** m² and **1** comprehensive bonded zone.
- **110** airline companies have commenced flights to Shanghai, connecting it with **297** destinations worldwide.
- Transit centers of the world's **three largest** logistics integrators are all under operation in the international cargo & mail and courier service zones at Shanghai Pudong International Airport.



Source: 1. Blue Book of Shanghai International Shipping Center Development 2018; 2. 2018 Xinhua-Baltic International Shipping Centre Development Index Report (The “2017 Xinhua-Baltic International Shipping Centre Development Index” was jointly published by Xinhua News China Economic Information Service, China Financial Information Center and the Baltic Exchange)



Science and Technology Innovation Center with Global Influence

Aiming to build a comprehensive national technology and innovation center, Shanghai closely follows the trends of scientific development and industrial revolution to further strengthen its technology and innovation competence. So far, Shanghai has contributed to one third of the cutting-edge technological achievements, national-level technology awards and type-1 newly developed drugs in China.

Sci-tech Innovation Achievements

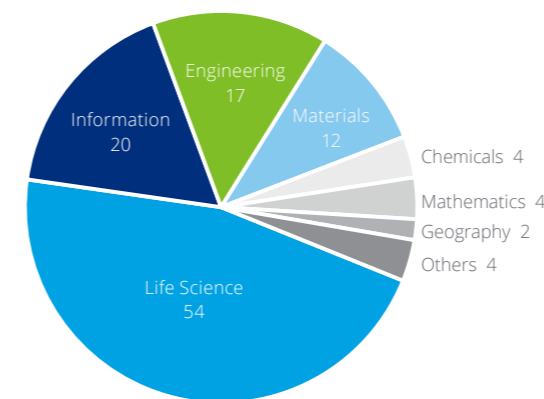
- In 2017, R&D expenditure in Shanghai accounted for **3.8%** of the local GDP; on average, every 10,000 people possess 41.5 invention patents, **2.4** times the number in 2012.
- In 2017, 13 scientists from Shanghai were newly elected as members of the Chinese Academy of Sciences (CAS) and the Chinese Academy of Engineering (CAE), accounting for **10.2%** of the country's total newly elected academicians that year while making the total number of Shanghai-based academicians rise to **182**.
- During 2015 to 2017, the number of high-tech enterprises in Shanghai stood at **7,642**. By the end of 2017, a total of **11,462** high-tech achievement transformation projects had been recognized and **172** qualified companies listed on the technology and innovation board (N Board) of Shanghai Equity Exchange.
- Zhangjiang Comprehensive National Science Center was established, achieving breakthrough advances.
- In 2017, China's homemade C919 large passenger plane made its first trial flight from Shanghai, marking China's success in mastering core technologies of modern trunk liner development and production.

All-round Innovation and Prioritized Breakthrough

In 2017, Shanghai stood at the forefront of national scientific and technological innovation, carrying out nearly one thousand major national sci-tech projects.

All-round Development: Innovation has been encouraged in various fields including AI, information technology, biomedicine, high-end equipment, new energy, smart NEV and intelligent manufacturing, and favorable policies issued in support of the establishment of foreign-invested R&D centers.

Prioritized Areas: Efforts have been stepped up in prioritized area innovation. The first batch of three major municipal-level sci-tech projects, including one related to human phenome, have been launched in Shanghai. The development of the first six R&D and achievement transformation platforms has gone underway, covering fields like microelectronics, biomedicine, integrated circuit, smart manufacturing, brain-inspired chip and graphene.



The Number of Key Laboratories in Different Areas in Shanghai

Source: 1. Regulations of Shanghai on Promoting the Transformation of Technological Achievements; 2. Opinions on Promoting New-generation AI Development; 3. Several Opinions from the Shanghai Municipal Government on Further Supporting Foreign-invested R&D Centers to Contribute to Developing Shanghai into a Technology and Innovation Center with Global Influence; 4. Shanghai Science and Technology Innovation Center Index Report 2017 (compiled by Shanghai Institute for Science of Science)

Vibrant Innovation and Entrepreneurship

Shanghai is flourishing with great innovation and entrepreneurship enthusiasm among citizens and businesses. In 2017, 7,302 SMEs and startup teams joined the Shanghai Session of China Innovation and Entrepreneurship Competition, which made the city best performer for the third consecutive year in terms of the number of participants. In the same year, over 500,000 Shanghai citizens participated in local innovation and entrepreneurship activities.

Over 500 Makerspaces

- Incubating and serving over 16,000 sci-tech businesses
- Supporting more than 380,000 entrepreneurs

National-level Incubation System for Sci-tech Enterprises

- 49 national-level incubators
- 82 national-level makerspaces

National Demonstration Bases for Innovation and Entrepreneurship

- A total of seven

Shanghai Little Tech Giants (including those under development)

- 161 newly-recognized enterprises bring the total number to 1,799

Science and Technology Innovation Center with Global Influence (Continued)

Zhangjiang Comprehensive National Science Center



As a core component of Shanghai's ambition to grow into an innovation center of science and technology with global influence, the Zhangjiang Comprehensive National Science Center aims to substantially complete a basic framework for its development by 2020.

Foreign-invested R&D Centers

In order to promote innovation and vitality in the region, Shanghai is encouraging foreign-invested enterprises to set up R&D centers in the city and continuously transform and upgrade these centers into global R&D centers and open innovation platforms featuring core technologies.

Case Study: Shanghai Innovation Center of Medtronic

As a giant in the global medical device industry, Medtronic has over 80 manufacturing bases and 50 R&D centers worldwide. Among them, the Shanghai Innovation Center has emerged as the largest comprehensive research center outside the US.

The Shanghai Innovation Center is taking the lead in innovation with 20 labs for surgical simulation, 3D printing, in vitro experiment, etc. In addition to project engineering and development, the center has a full industry chain from research to production across main business areas of four major groups under Medtronic. In the past five years, the center has developed 24 products, of which 22 have come on the market and 17 have been present in markets beyond China. Going forward, Medtronic will build a medical innovation accelerator "mLab" in collaboration with Shanghai Lingang Economic Development Group and accelerate its integration into Shanghai's innovation ecosystem, fueling the upgrade of regional innovation capacities.

Zhangjiang Comprehensive Laboratory Facilities

A "1 + X research directions" pattern has been adopted in Zhangjiang. "1" refers to a megascience facility cluster and "X research directions" refer to photonic science and technology, life science, energy science and technology, brain-like intelligence, nanotechnology and computer science, among others. As of now, sci-tech infrastructure projects have basically completed for Shanghai Synchrotron Radiation Facility (SSRF), protein facilities, super computers, ultra-intense and ultra-short laser experiment equipment and soft X-ray free electron laser.

Sci-tech Innovation Platforms

Innovation units, research institutes and R&D platforms are major contributors to the development of the Zhangjiang National Science Center. The center has witnessed the establishment of Tsung-Dao Lee Institute and will soon embrace the first group of national labs. In the near future, it will attract renowned domestic universities and colleges as well as their research institutes to set up branches in Zhangjiang.

An Innovation Network

Shanghai has made proactive efforts to set up an innovation network in the YRD region featuring integration of the chains of innovation, industry, capital and policy. Through the study on the subject titled *Action Plan of Innovatively Building a Science and Technology Innovation Network in the YRD Region*, the city will promote the openly sharing and interaction of innovation resources among provinces and municipalities in the region.

Action Plans for Major Sci-tech Projects

Shanghai is initiating and leading action plans for major sci-tech projects to engage in international sci-tech competition and cooperation. It has launched 73 major projects including megascience facilities, platforms enabling R&D and application of technologies, and major capacity-upgrading industry projects, and on top of these, the International Study of Human Phenome Project has also been launched.

One of Its Six R&D Centers Globally ▲ Unilever	Its Largest Central Research Institute in the Asia-Pacific Region ▲ Bosch	One of Its Four R&D Centers Globally ▲ Eaton	One of Its Four R&D Centers Globally ▲ Sanofi	One of Its Five R&D Centers Globally ▲ Schneider
One of Its Four R&D Centers Globally ▲ SAP	One of Its Six R&D Centers Globally ▲ Novartis	One of Its Five R&D Centers Globally ▲ Delphi	One of Its Five R&D Centers Globally ▲ Roche	One of Its Four R&D Centers Globally ▲ Honeywell
One of Its Five R&D Centers Globally ▲ General Electric	Its Largest R&D Center in Asia ▲ Wilmar	Its Regional Headquarter ▲ Volvo Construction Equipment	Its Third Largest Strategic R&D Center Globally ▲ Cisco	Its Second Largest R&D Center Globally ▲ Philips
One of Its Seven R&D Centers Globally ▲ Lilly Pharmaceuticals	Its Largest Multi-functional R&D Center Globally ▲ Dow	Its Only R&D Center in the Asia-Pacific Region ▲ Cabot	Its Second Largest R&D Center Globally ▲ Air Products and Chemicals	Its Second Largest Comprehensive R&D Center Globally ▲ Medtronic
One of Its Four R&D Centers Globally ▲ Johnson & Johnson	Its Only R&D Center Integrating Nutrition and Diagnosis Research Globally ▲ Abbott	Its Second Largest R&D Center Globally ▲ 3M		

Major Foreign-Invested R&D Centers in Shanghai

Chapter V Infrastructure



Commercial Facilities

As a pivotal hub for commerce and trade, Shanghai is well equipped with commercial facilities, including office buildings, star-rated hotels offering quality accommodation and conference and exhibition venues for different purposes, which can satisfy all kinds of business needs.



Office Buildings

Shanghai boasts a variety of office buildings that can meet diverse corporate needs. By the end of the first quarter of 2018, the rental rate of class-A office buildings registered the lowest vacancy rate of **5.1%** since 2015.

In 2017, the stock of office buildings in Shanghai reached **9.89 million m²**, mainly located at **six core commercial zones** in Lujiazui, Huangpu, Jing'an, Xuhui, Changning and Zhuyuan, and **nine emerging ones** in Hongkou, Yangpu, Yangjing, etc.



Convention and Exhibition Venues

Shanghai is endeavoring to build itself into an international center of convention and exhibition. In 2017, Shanghai held **1,020 exhibitions** with a total area of **17.7 million m²**, among which **75.1%** were international exhibitions covering an area of **13.29 million m²**. With 26 exhibition projects recognized by the Union of International Fairs (UFI), Shanghai stands as a city holding the largest number of UFI certifications in China. It is also where the China Representative Office of UFI residents. As National Exhibition and Convention Center (Shanghai) put into operation, the total amount of exhibition space available in Shanghai has exceeded 1 million m², **ranking first among major exhibition cities in the world.**



Hotels

As of the end of 2017, Shanghai had **229 official star-rated hotels**, among which **72 were five-starred, 67 four-starred and 66 three-starred**, offering business travelers from around the world a pleasant accommodation environment and well-equipped meeting facilities.



Broadband

In 2017, the average Internet access and download speeds of Shanghai households reached **35Mbps** and 11.31Mbps respectively; 3G/4G networks were accessible to over **98% users across the city**; and WLAN access points (APs) exceeded **180,000**, with 906 public places offering free public Wi-Fi access.

National Exhibition and Convention Center (NECC)

Co-built by the Ministry of Commerce of China and the Shanghai Municipal Government, NECC is the world's largest single architecture and convention and exhibition complex with a total floor area of 1.47 million m², among which 1.27 million m² are above ground. Facilities at NECC, including exhibition halls, the NECC Plaza, office buildings, and a premium hotel, are linked together by the 8-meter-high elevated Exhibition Boulevard for easy access to different functional areas.

NECC operates 500,000-m² exhibition areas in total, including 400,000-m² indoor exhibition halls and 100,000-m² outdoor area. Its 16 exhibition halls can meet the needs of different-scale exhibitions and conventions.



Source: 1. Shanghai Almanac 2017; 2. Official website of NECC



Human Resources

As a city of inclusiveness, Shanghai is proactively bringing in talent with an open mind over the years. As part of its efforts to accelerate the development of "Five Centers", the city is endeavoring to attract the most needed top-notch talent in high technology, finance and trade, and aviation and shipping while establishing a multilevel talent pool to align with corporate needs. It is also continuously improved its talent growth system featuring well-developed standards, openness and inclusiveness, and efficient operation to meet the demands of the development of Shanghai as a global Technology and Innovation Center.

Diverse High-caliber Talent

➤ **An Increase of Professionals:** In 2017, approximately 62,000 high-caliber professionals in different fields were introduced to Shanghai, among which about 7,500 were Chinese engaged in technological innovation and entrepreneurship. Up to now, the number of technological innovation and entrepreneurship talented professionals in the city has surpassed 75,000, who have brought high-end technological achievements and leading scientific projects to Shanghai. In the same year, 13 scientists based in Shanghai were newly elected as members of CAS and CAE¹, which brought the total number of CAS and CAE scientists in Shanghai to 182, accounting for 10.2% of the total in China, a 12-year record high.

Number of Professionals in Shanghai Selected into Talent Programs (As of the end of 2017)

- 196** in the National Program for Special Support of Eminent Professionals
- 1,011** in the National Recruitment Program of Global Experts
- 3,223** in Shanghai Pujiang Talent Program
- 798** in Shanghai Recruitment Program of Global Experts
- 392** in Shanghai Talented Youth Development Program
- 760** in Shanghai Sailing Program of Talented Youth in Science and Technology

➤ **Pooling of Foreign Talent:** Shanghai has been ranked first by foreign experts in the competition "Amazing China - the Most Attractive Chinese Cities for Foreigners"² for five consecutive years. In 2017, about 110,000 overseas experts were introduced to Shanghai, and the number of foreigners working or starting business in the city amounted to 215,000, ranking No.1 in China. These overseas professionals have become an important part of the city's attempt to upgrade its talent structure.



Note: 1. CAS and CAE refer to the Chinese Academy of Sciences and the Chinese Academy of Engineering respectively; 2. The competition is held by the Ministry of Science and Technology of China, who jointly select the winners with the State Administration of Foreign Experts Affairs.
Source: 1. Shanghai Report on Science and Technology Progress 2017 published by of Shanghai Municipal Science and Technology Commission; 2. Statistical Communiqué of Shanghai Municipality on the 2017 National Economic and Social Development; 3. Shanghai Statistical Yearbook 2017

A Multitude of Highly-educated Talent

Now, Shanghai is home to 64 general institutions of higher learning (independent colleges included), 49 institutions offering postgraduate programs and 20 schools for adult intermediate and higher education. Based on abundant educational resources, the city has well developed a talent pipeline for enterprises of all kinds. It is expected that more than 40% of the working-age population will have received higher education.

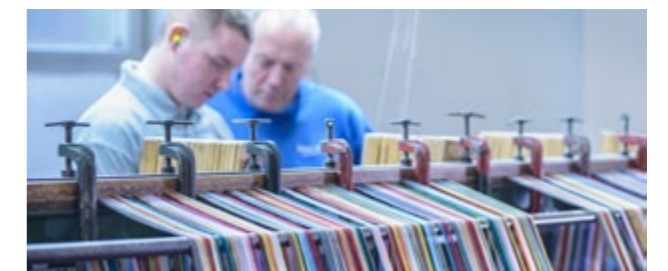
Part of the Institutions of Higher Education in Shanghai

"Double First Class" Universities World-class universities World-class disciplines	Fudan University Tongji University Shanghai Jiaotong University East China Normal University
An International University Sino-US partnership Member of the Sino-Foreign Cooperative University Union	New York University Shanghai
A Research-based University Co-established by the Shanghai Municipal Government and the CAS	Shanghai University of Science and Technology

An Ample Supply of Technical Talent

Shanghai houses 689 adult vocational training institutions, securing an ample supply of technical talent for the city.

In 2017, 94 professional technicians from electricity, steel, shipping, aviation, automobile and other industries were listed in Shanghai Talent Cultivation Program of One Thousand Technical Experts. Among them, 73% were workers at the forefront of production. Committed to the pursuit of excellence and innovation, they have made tremendous contributions to lifting the technical level of Shanghai.



Educational and Medical Facilities – Educational Facilities

Shanghai boasts well-developed basic education system and abundant international education resources, where the former emphasizes much on promoting the well-rounded development of students and cultivating their creativity, while the latter provides more options and convenience for foreigners living and working in Shanghai.

Basic Education

Well-developed Educational System

In 2017, Shanghai was home to 3,192 schools, including 1,591 kindergartens, 741 primary schools, 818 middle schools, 30 special education schools, and 12 reformatory schools, hosting a total enrollment of about 1.93 million students.

Shanghai boasts adequate teaching faculties and steady growth in educational investment. By the end of 2017, the total faculty number of Shanghai's primary and middle schools reached 136,000, and that of colleges and universities was 74,000. In Shanghai's general public budget of 2017, the budget expenditure on education recorded RMB 89.05 billion, i.e. RMB 28.79 billion at municipal-level and RMB 60.26 billion at district-level respectively.

Remarkable Educational Quality

Four Gold Medals

In the Chinese Physics Olympiad 2017, high school students from Shanghai won four gold medals in total, ranking 8th among all the divisions.

Seven Trophies

In the 38th Odyssey of the Mind 2017 World Finals, students from Shanghai primary and middle schools contributed 7 trophies to the total 11 won by the Chinese team.

Top in the World

Middle and high school students from Shanghai have topped the world for two times in the tests of reading, mathematics and science in the Program for International Student Assessment (PISA).

Shanghai High School

Established in 1865 and originally known as Longmen Academy, Shanghai High School, covering an area of about 56 acres, currently enrolls over 4,200 students, among which about 1,200 students are studying in the local division, and nearly 3,000 in its international division.

Shanghai High School is known for its outstanding teaching quality, manifested by the fact that its students have posted top scores in Shanghai during the university entrance examinations for many years. Each year, a large number of its graduates are admitted by Peking University, Tsinghua University and other privileged universities.



International Education

Abundant International Education Establishments

Shanghai is home to a great number of international education establishments. By 2017, there had been 188 institutions and programs (29 institutions and 159 programs) run under the Chinese-foreign cooperation, among which 166 are providing degree education, and the rest 22 for non-degree education.

Adequate International Schools

Shanghai boasts abundant educational resources for children of expatriates. By 2017, Shanghai had hosted 36 international schools with a total of 30,404 students.

A Non-exhaustive List of Well-known International Schools in Shanghai

- Shanghai World Foreign Language Academy
- Dulwich College Shanghai
- Shanghai American School
- Shanghai Pinghe Bilingual School
- YK Pao School
- Wellington College International Shanghai
- Shanghai Singapore International School
- Yew Chung International School of Shanghai
- Concordia International School Shanghai
- British International School Shanghai

Shanghai American School

Founded by the United States Consulate in 1912, Shanghai American School is one of the largest and oldest international schools in Shanghai.

The school currently operates two campuses in Pudong and Puxi with a total enrollment of over 4,000 students from 44 countries and regions, 98% of whom are channeled into top-ranked universities around the world.



Source: 1. *Shanghai Almanac 2017*; 2. Official website of Shanghai High School; 3. Official website of the Shanghai American School



Educational and Medical Facilities – Medical Facilities

Shanghai has a host of medical institutions that meet international standards, ranking second nationally in terms of the number of 3A hospitals, and taking the lead in the development of many medical specialties. Shanghai plans to establish a group of cutting-edge clinical medical centers, key clinical departments and research-oriented hospitals as a part of its accelerated efforts to build itself into an Asian medical hub, and a stronghold in providing world-class medical services and leading the future development of healthcare with its international competitiveness and influence.

Case Study: Huashan Hospital Affiliated to Fudan University

Founded in 1907, Huashan Hospital Affiliated to Fudan University is renowned as one of the most internationalized teaching-based and research-driven medical centers.

The hospital boasts state-of-the-art medical technologies and leading medical experts working on dozens of key specialties. Adjacent to Biyun International Community, Huashan Hospital Pudong provides convenient medical services for foreign people living in and around the community.

Complete Public Health System

As of the end of 2017, Shanghai was home to 5,144 medical and healthcare institutions of all kinds at different levels, including 363 hospitals and 308 community health service centers with a total of 188,000 medical personnel, 68,300 of which were practicing doctors.

By the end of 2017, Shanghai led the development of 11 first-level medical specialties, such as clinical medicine, and 16 preponderant specialties in China, including hematology and endocrinology. 25 medical institutions in Shanghai were conferred altogether 163 national key clinical specialty projects.



Abundant Medical Institutions for Foreigners

Shanghai has been improving steadily its international medical services with over 20 international medical institutions in the city now.

Shanghai is knitting plans to gradually include foreign medical services into the district-level health planning management. Meanwhile, the municipal government is promoting the internationalized transformation of special medical services in public medical institutions, and is making efforts to establish a number of specialized medical centers focusing on rare diseases.

Besides, public hospitals in Shanghai are seeking to build cooperative partnerships with international medical institutions, represented by the establishment of Huashan Worldwide Medical Center and the cooperation between ParkwayHealth and Ruijin Hospital. Through deepened collaboration, medical expertise and technology are exchanged to ensure improved medical services for patients.



Source: 1. *Shanghai Almanac 2017*; 2. Official website of Huashan Hospital Fudan University; 3. Official website of ParkwayHealth

Raffles Hospital Shanghai

Raffles Hospital Shanghai is jointly invested by Shanghai Lujiazui Group and Raffles Medical Group from Singapore, with an aim at building a top-notch hospital providing quality medical services for local residents and foreigners in Shanghai. With a gross floor area of 40,000 m² on a 12,500-m² land site, the hospital, equipped with 400 beds, will offer professionally comprehensive medical services with world-class medical technologies. The construction of the hospital will be finished in 2018 after two years of building.

ParkwayHealth

A member of Parkway Pantai Group, Asia's leading private medical group, ParkwayHealth has developed into a well-known foreign medical institution in Shanghai since its first operation in 2006.

ParkwayHealth has set up outpatient departments and specialized inpatient centers with complete department system, advanced facilities and quality services in the consular districts, Lujiazui Financial City and Hongqiao. ParkwayHealth has developed direct settlement partnerships with more than 50 international insurance companies to guarantee enhanced services for local and international residents in Shanghai.

Urban Living Environment



Shanghai offers its residents a pleasant living environment featured by fresh air and adequate green spaces, where they can enjoy a culturally enriched life with easy access to a wide range of cultural facilities including libraries, museums, and recreation centers. A variety of sports amenities available and international sports events held here add to the diversity of citizens' sporting life.

Clean Air and Green Environment

In 2017, 277 days in Shanghai recorded an air quality of Class I and II, rising by 9.8% compared with that in 2013. The average PM 2.5 concentration was 39 $\mu\text{g}/\text{m}^3$, declining by 37.1% compared with the average of 2013.

Shanghai owned 243 parks and dotted green spaces in a total area of 830.8 hectares in 2017, bragging a per capita of 8 m^2 and a forest coverage of 16.2%.

Libraries

An integrated alliance led by Shanghai Library has covered 312 local libraries, serving about 4 million library card holders from over 160 countries and regions.

Shanghai Library is making extensive efforts in digitizing its collections, and some of its digital resources can be accessed online for free.

Entertainment

As of the end of 2017, Shanghai was home to, both at district- and city-level, 25 mass art centers, 210 artistic performing groups, 24 public libraries, 49 archives and 125 museums. The Great World Intangible Cultural Heritage Center, World Expo Museum and Shanghai Symphony Museum are now all publicly available.

International Sports Events

An array of high-profile international sporting events has been held in Shanghai, which brought fascinating game-watching experiences to spectators. In 2017, Shanghai hosted 162 major games of 41 sports, 61 of which were of international level.



Sports Facilities

In 2017, 210 community fitness centers, 75 walking trails and 65 ball courts in Shanghai were built or rebuilt. On December 31, 2017, the public leisure zone along the sides of Huangpu River, which stretches 45 kilometers from Yangpu Bridge to Xupu Bridge, was open to the public.

Major International Sports Events

- IAAF Diamond League Shanghai
- World Snooker Shanghai Masters
- FINA World Championships
- Shanghai ATP Masters 1000
- Formula 1 Heineken Chinese Grand Prix

Major Stadiums

- Shanghai Indoor Stadium
- Shanghai Stadium
- Shanghai Oriental Sports Center
- Qizhong Forest Sports City Arena
- Hongkou Football Stadium
- Shanghai International Circuit

Featuring a blend of modern and traditional Chinese culture, the diverse and inclusive Shanghai is attractive not only for its architectural landmarks, such as iconic skyscrapers, the bustling Nanjing Road Pedestrian Street, and classical western-style buildings along the Bund, but more for its vibrant culture that lies in local cuisine served by time-honored restaurants and art performances staged in the theaters, and the vibe of Old Shanghai that penetrates every corner of the city.

> Food

As an international metropolis, Shanghai offers the best food from home and abroad that fulfills every discerning appetite in both high-end restaurants along the Huangpu River and the small diners hidden in the alleys. Traditional Shanghai snacks finely prepared with carefully-selected ingredients are especially welcomed by domestic and international visitors.

> Entertainment

Shanghai boasts rich cultural and recreational resources, where superstars from around the world stage shows and performances, and a wide range of music, tourism, and culture festivals take place. A number of bars and night clubs are operated for visitors and citizens to enjoy their nightlife to the fullest.

> Traveling

Featured by a distinctive culture of diversity and inclusiveness developed in the interaction of different cultures, Shanghai is where visitors can find a perfect blending of modern designs with classical heritages no matter they are in shopping destinations such as Tianzifang touristic alley and Xintiandi commercial block, or business centers such as the Shanghai Tower and the Oriental Pearl TV Tower, or cultural attractions such as Zhujiajiao ancient town and Guangfulin Relics.

7:00
Find your best breakfast options from traditional Shanghai snacks such as Xiao Long Bao steamed buns, pan-fried dumplings, Wonton dumplings, salty soybean milk, fried chive cakes, fried pancakes, and fried bread sticks.

10:00
Discover how Shanghai has changed with time by visiting shops innovatively renovated from traditional residential buildings in Tianzifang alley on the culture-themed Taikang Road and the masterpieces designed by the renowned Hungarian-Slovak architect Ladislav Hudec.

13:00
Enjoy family time and fresh air in parks such as Shanghai Disneyland, Happy Valley, and Oriental Land, and take a ferry across the Yangtze River to visit China's third largest island Chongming Island.

17:00
Fulfill your appetite with a bite of authentic Shanghai-style delicacies in an upscale restaurant or just a humble diner.

20:00
Delight yourself with a charming Shanghai silhouetted by the blinking neon lights in a walk along the Bund or a cruise tour on the Huangpu River at the sunset.

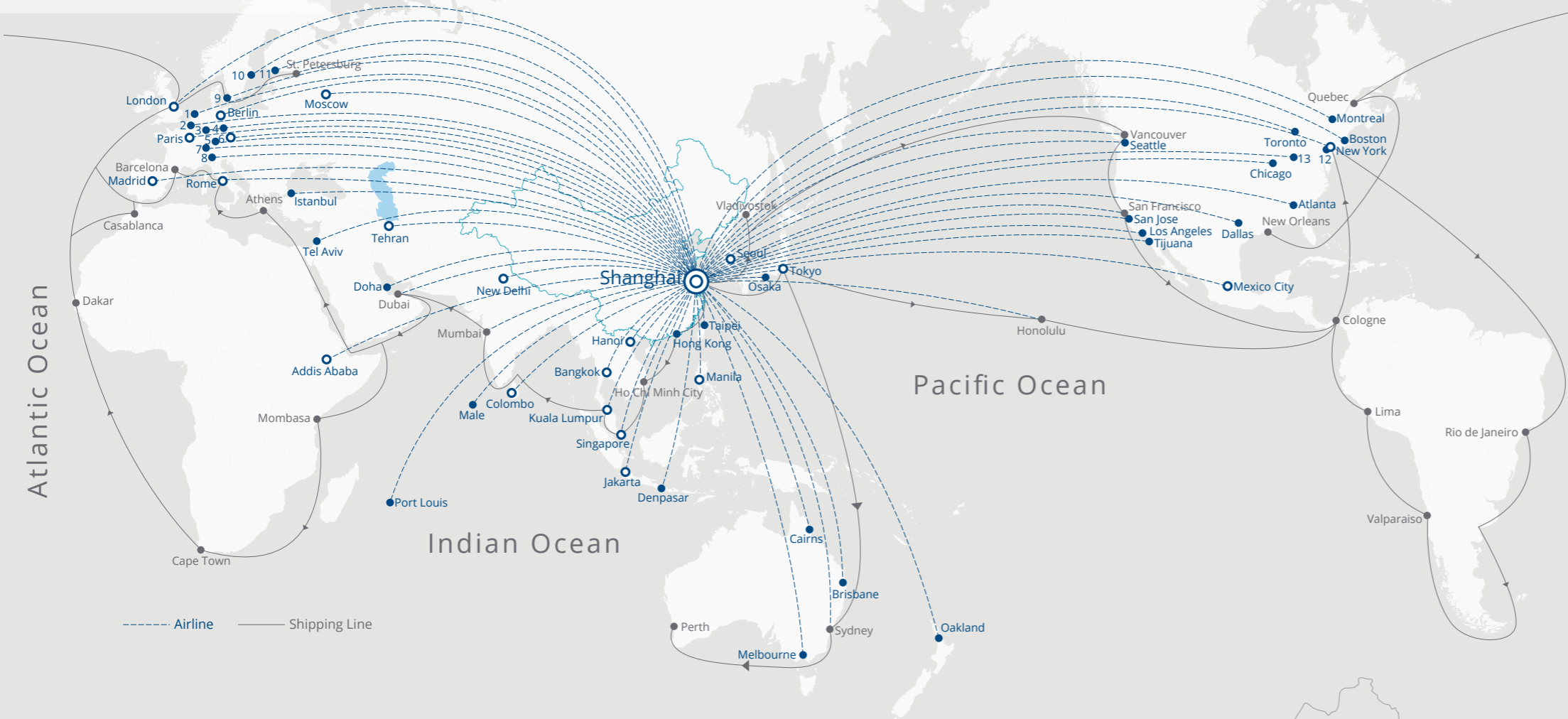
23:00
Enjoy your nightlife to the fullest in bars and night clubs along the Hengshan Road, Huaihai Road, and Daxue Road, as well as in the Xintiandi commercial block.

Source: Shanghai Almanac 2017

1. Amsterdam
2. Brussels
3. Frankfurt
4. Prague
5. Munich
6. Vienna
7. Zurich
8. Milan
9. Copenhagen
10. Stockholm
11. Helsinki
12. Newark
13. Detroit

Arctic Ocean

Transportation Network



Shanghai, a strategic gateway to the YRD region, enjoys broad hinterlands and convenient transportation. Thanks to its multimodal transportation network made up of expressways, railways, airways and waterways, Shanghai, the largest economic center and trading port in China, is ready to build itself into an open and multi-functional modern metropolis.

Rail Transportation

As a pivotal rail transportation hub in China, Shanghai is the departure city of a number of trunk railways, including Beijing-Shanghai, Shanghai-Nanjing, Shanghai-Hangzhou and Shanghai-Kunming Railways, while railways in Jiangsu, Zhejiang and Anhui Provinces are all under the management of the Shanghai Railway Bureau. The city has established a well-planned passenger transport system centered on three major railway stations – Shanghai Railway Station, Shanghai Hongqiao Railway Station and Shanghai South Railway Station. As of the end of 2017, under the rail transport system made up of three main stations plus three auxiliary stations (Shanghai West Railway Station, Shanghai Anting North Railway Station and Shanghai Songjiang Railway Station), Shanghai's total rail length reached **465 km** with an annual passenger traffic volume of **212 million** (excluding those carried along the Jinshan Railway).

Air Transportation

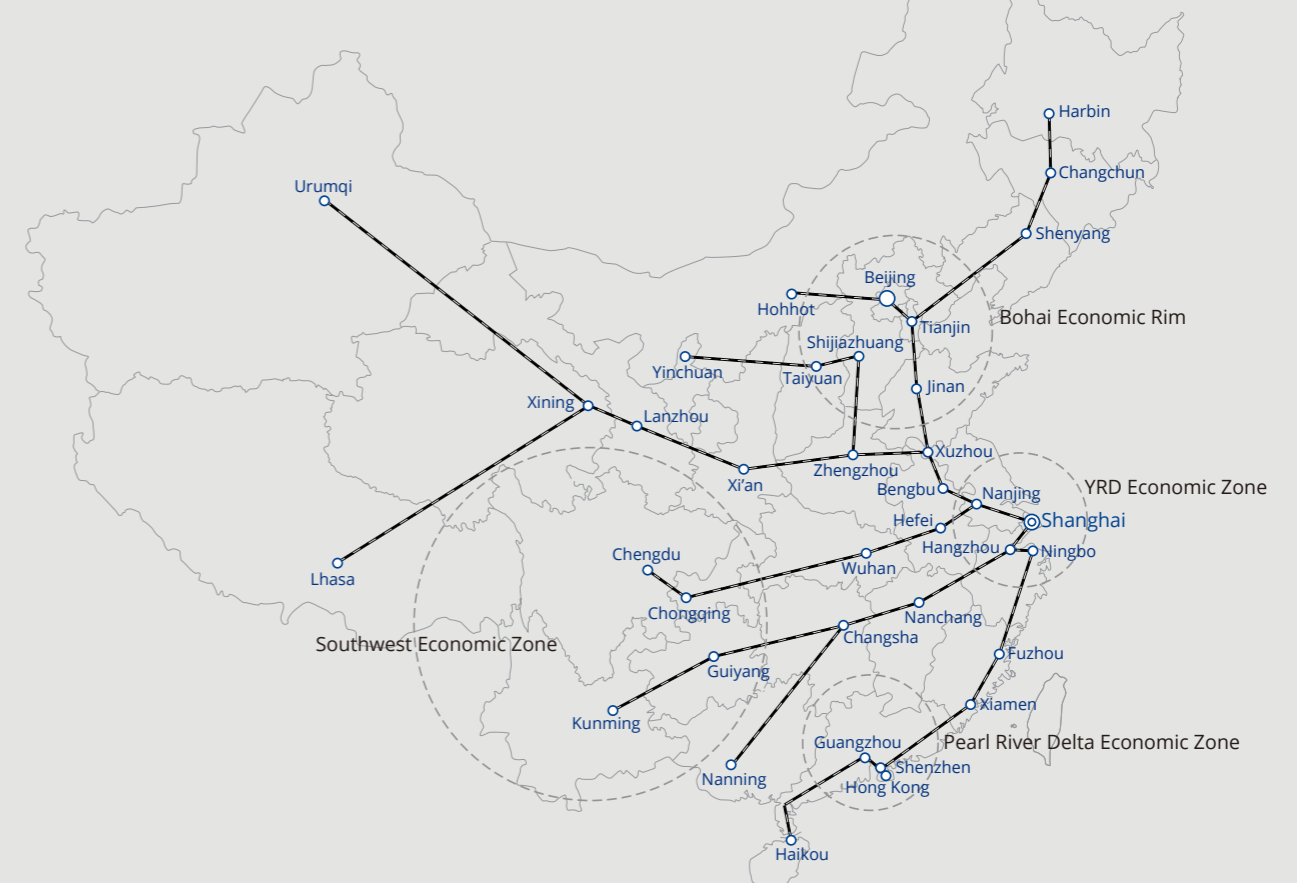
Shanghai, a major integrated aviation hub in China, has two international airports – Shanghai Pudong International Airport and Shanghai Hongqiao International Airport, which provide ground-handling service to **110 Chinese and international airlines**, with an airline network covering **158 Chinese cities** and **139 international destinations in 50 countries and regions on 5 continents**. In 2017, the two airports completed a passenger throughput of over **110 million person-times** and a cargo & mail throughput of over **4.2 million metric tons**, ranking **fourth** and **third** respectively in the world and **first** in China.



Source: Shanghai Almanac 2017

Shipping

Shanghai has prospered as a world-renowned port city, and Shanghai Port serves as a major port for China to open up to the rest of the world and do business globally. In 2017, Shanghai Port handled an **all-time record high** throughput of over **40 million TEUs of containers**. In December 2017, the Phase-IV Terminal of Shanghai Yangshan Deep Water Port, the world's **largest automated container terminal**, started trial operation.



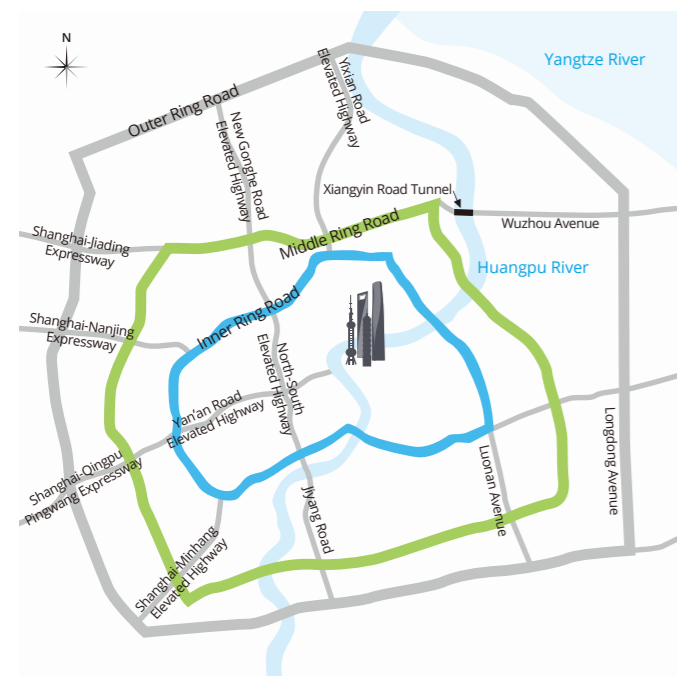
Transportation Network (Continued)

Shanghai, with a full-fledged urban management system, is renowned for its safe and efficient urban transportation. Well-developed transportation network and modern urban infrastructure provide convenient transport services for residents in Shanghai and strong support for industry clustering.

Urban Rail Transit

As the third city in mainland China operating metro lines, Shanghai is now served by an extensive metro network. As of March 2018, 16 metro lines (excluding one maglev line) have been put into operation with a **total length of 673 km**, the **longest** in the world, and daily ridership peaked at about 12.36 million, equivalent to the population of a megacity. The annual ridership in 2017 reached **over 3.95 billion**, the **second largest** in the world.

Shanghai has established a convenient urban rail transit network consisting of **over 50** transfer stations and featuring an average transfer walking time of less than 10 minutes.



Road Transportation

As of the end of 2017, Shanghai had a total road length of **13,292 km**, including **825 km** highways.

According to a third-party research institution, Shanghai ranked 18th in terms of urban road traffic congestion, **better than other major cities in China such as Beijing, Guangzhou, Nanjing and Chongqing.**

Shanghai will continue to provide safe and reliable transportation services, enabling, by 2020, residents in the central city to commute **within 45 minutes** and travel to New Towns **within one hour** on average.

Source: 1. Shanghai Metro; 2. The 13th Five-Year Plan for Integrated Transportation Development of Shanghai

Chapter VI Summary and Prospect



Summary and Prospect

Throughout the history of Shanghai, opening-up is a key word. Developing from a small town alongside the Huangpu River in southeastern China into an international metropolis of great importance in the Asia-Pacific region, Shanghai has witnessed and profoundly benefited from constant opening-up. Nowadays, driven by China's new round of reform and opening-up, Shanghai, leveraging its inherent openness, innovation-driven development and improved government services, works jointly with its neighboring cities to facilitate the development of the whole country and even the Asian-Pacific region, and connect China with the rest of the world. With its distinctive strengths, Shanghai has been recognized as a land of opportunity for foreign investors and entrepreneurs.

➤ **Inherent Openness: Deepened Reforms and Opening-up Attracting Top Professionals Worldwide**

Shanghai, as an international metropolis, has gathered elites from all over the world. Leveraging its well-developed talent ecosystem, Shanghai has inclusively welcomed professionals worldwide with comprehensive services, policy support, and diverse job opportunities created by its numerous industry clusters, guaranteeing them a stage to fulfill their career dreams by playing to their strengths.

As a pilot program for Shanghai and even China's expanded and deepened reforms and opening-up, SHFTZ provides new patterns and valuable experience for China to establish a new open economy system. With a focus on institutional innovation, SHFTZ has implemented systematic and integrated reforms in investment, trading, finance, and interim and ex-post supervision through opening-up and innovation, offering duplicable successful knowhow nationwide to deepen China's reforms and opening-up.

➤ **Innovation-driven Development: Industry Upgrading Facilitated by Entrepreneurship and Innovation**

As the saying goes, "many a little makes a mickle." Shanghai's long-standing development shapes its distinctive industry landscape today. Taking advantage of China's industry transformation and upgrading, Shanghai is optimizing its manufacturing industry in every aspect to build the "Shanghai Manufacturing" brand. Meanwhile, in line with international standards, Shanghai is constantly developing all factors in the financial market, getting involved in the deployment of international shipping resources and engaging in the global trade. Now Shanghai is embracing the overall industry upgrading driven by the integrated development of manufacturing and service sector.

Innovation is an indispensable driving force for industry development. Born out of but growing beyond traditional industries, the economy featured by new technologies, new industries, new forms of business and new models has brought new possibilities for Shanghai's industry development. The mass entrepreneurship and innovation have created a stimulating environment for innovation, and also shaped a diversified industry landscape in Shanghai. Based on its traditional advantages and today's transformation and innovation, Shanghai has witnessed great economic vitality, enabling plenty of opportunities for foreign investors.

➤ **Improved Government Services: Alignment with International Standards for Globally-oriented Business Environment**

Shanghai has made it an unswerving goal to create better business environment. In recent years, to optimize Shanghai's business environment in line with the highest international standards, the governments at all levels have kept abreast of the highest international standards to establish optimized institutional frameworks by borrowing advanced governance philosophies from all over the world. As a pioneer in policy and service reforms, Shanghai, in an effort to facilitate foreign investments, has implemented comprehensive and multidimensional favorable policies, streamlined procedures, and sound legal system to ensure all-round services for enterprises throughout their whole life cycles.

“Shanghai Spirit”: To Be an Inclusive City
in Pursuit of Excellence with Broad-minded
Wisdom and Magnificent Modesty

Openness makes the city inclusive as the
ocean embraces all streams;
Innovation enables its pursuit of excellence;
An extensive talent pool endows it with
broad-minded wisdom;
All-round services show its magnificent modesty.

The “Shanghai Spirit”, as the city's core value, has made it a more open and inclusive city through reform and opening-up, and is guiding its further development towards an innovative, ecologically sustainable, and culturally significant global city of excellence.

Afterword

The *White Paper on Environment for Foreign Investment in Shanghai* ("White Paper") is published by Shanghai Municipal Commission of Commerce annually since 2006 to provide updated information on the investment environment and opportunities available to foreign investors and enable their informed decision-making regarding their investment and operation in Shanghai. Based on the information and data related to the economic and industry development of Shanghai, the annual White Paper aims to demonstrate the progresses Shanghai has made in all aspects of its investment environment over the year, serving as an effective channel of communication between the municipal competent authorities and foreign-invested enterprises in the city. This White Paper is a joint project made possible with the strong support and great contribution from various government departments in Shanghai, including Shanghai Municipal Development and Reform Commission, Shanghai Municipal Commission of Economy and Informatization, Shanghai Municipal Science and Technology Commission, Shanghai Municipal Administration of Industry and Commerce, Shanghai

Municipal Intellectual Property Bureau, Shanghai Municipal Transportation Commission, and Shanghai Municipal Commission of Housing and Urban-Rural Development. We are grateful for their admirable efforts to collect and provide information and data during the preparation of this White Paper.

Our special appreciation is also extended to Deloitte China ("Deloitte"). Engaged by the Shanghai Municipal Commission of Commerce, Deloitte has developed this brand new 2018 White Paper featuring a professional, objective and all-round analysis and overview. Professionally improved in style and layout, this year's edition is more readable and visually attractive.

To benefit more investors with feasible information on the foreign investment environment in Shanghai, this year's White Paper, available in both Chinese and English versions, provides an overview of the investment environment in Shanghai with regards to the aspects of government policies, government services, business environment, and infrastructure. Your comments and suggestions will be greatly appreciated.

Deloitte.

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