

2020

White Paper

On Environment for Foreign Investment in Shanghai

Edited by Shanghai Municipal Commission of Commerce





Preface

During the Global Trade in Services Summit of the 2020 China International Fair for Trade in Services, Chinese President Xi Jinping called on the international community to jointly foster an open and inclusive environment for cooperation, unleash the power of innovation in driving cooperation forward, and promote mutually beneficial cooperation. His speech rallies confidence in the global recovery amidst the COVID-19 pandemic.

“Our world is going through profound changes unseen in a century, and the COVID-19 pandemic is accelerating such changes,” said President Xi. In this trying time, solidarity is key. With its people united as one, China has demonstrated its strength, efficiency and speed in this fight and received global recognition. In addition, it is the first economy to show signs of recovery and has proven to be highly resilient and have great potential.

In China’s economic map, Shanghai stands out like a bright star and the year 2020 is an important milestone in the city’s development roadmap. While the world is increasingly plagued by various risks and challenges, Shanghai has stayed true to its goals. In regards to the “Five-Center” initiative, Shanghai will preliminarily establish itself as an international center of economy, finance, trade and shipping, and lay the framework in becoming a science and technology innovation center with global influence by the end of this year. The city has been making all-out efforts to push forward the “Three Missions” program from the beginning of 2020 and has made significant progress on all three fronts: An opening-up policy and institution framework is in place in the Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone (SHFTZ); the Shanghai Stock Exchange Science and Technology Innovation Board (the SSE STAR Market) is playing an increasingly greater role in developing an open, transparent and well-regulated capital market; and the high-quality integrated development of the Yangtze River Delta (YRD) region has been steadily progressing. Furthermore, this year marks the 30th anniversary of

the opening-up and development of the Pudong New Area. Having transformed from a rural farmland to a prosperous modern urban area, Pudong will continue to create economic miracles in the New Era.

Unswervingly upholding the opening-up policy along its development path, Shanghai has created and perfected its own ways of embracing opportunities and challenges. Amidst the current health crisis when opening-up for close cooperation is needed more than ever, Shanghai has kept its doors wide open. It has ensured existing and potential regional headquarters of transnational corporations a more promising future. As a pioneer in the national initiative of reform and opening-up, Shanghai has become a new growth pole on the global market and an accelerator for the development of multinational corporations.

In the New Era, Shanghai is entrusted with the responsibility of driving the domestic economy and connecting it with international markets. Taking on such an important role, the city will continue to optimize its business environment, and launch a new round of market-oriented reform policies for more efficient resource aggregation and distribution. At the 9th Plenary Session of the 11th Shanghai Municipal Committee of the Communist Party of China, it was made clear that efforts must be devoted to building Shanghai into a socialist modern metropolis of international prestige, and a strong representative of China in international cooperation and competition. It must take the lead in globalization, trend setting and upgrading of fundamental functions. To this end, Shanghai will act in accordance with the highest international standards and best practices to deepen reforms and strengthen innovation, proactively carry out more pilot programs for opening-up, and develop an internationally competitive system to better connect to global markets. Already a pioneer in China, the city is determined to attain new heights in the future.

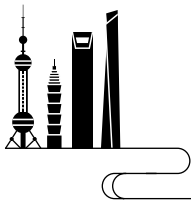


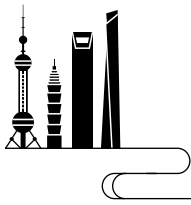
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Chapter I

Overview of Shanghai



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 (1279-1368). 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 featuring 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. Equipped with a multi-level transportation network, Shanghai is welcoming all visitors from around the world.

When visiting Shanghai in November 2019 for the second consecutive year, President Xi Jinping made it clear that the city must enhance its functions in allocating global resources, nurturing sci-tech innovations, propelling high-end industries and pioneering China’s expanded opening-up, in addition to fulfilling the “Three Missions” he set for the city at the first China International Import Expo (CIIE). In response, Shanghai has been prioritizing the strengthening of the “Four Functions” in its pursuit of high-quality economic growth and accelerated establishment of a socialist modern metropolis enjoying international prestige.

A Courageous Sailor of the Boat Towards the Future

Looking ahead, amid COVID-19 and major changes unfolding in the world, Shanghai is honored to take on the crucial responsibility of driving the domestic economic circulation and connecting it with the international circulation.

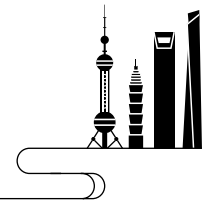
Taking advantage of its relatively developed high-end factor market, Shanghai will continue to strengthen local economy by making it more open and innovation-driven, further focusing on the services industry, and attracting more headquarters and resources. Relentless efforts will also be made to enhance the city’s capacity as an international center for economy, finance, trade, shipping, and sci-tech innovation featuring strengthened “Four Functions” and key areas including brand building, institutional innovation, reform and opening-up, innovation and entrepreneurship, talent pool and quality life, on its way to a new city-building miracle in the New Era.

Highlights of Shanghai

- An Alpha+ global city¹ & one of the world’s top 10 megacities
- The largest economic center in China
- The highest GDP in China
- The highest per capita disposable income in China
- The largest volume of trade in services in China
- The most competitive city in China
- No.3 in the Global Financial Centers Index²
- One of the world’s 10 most economically vibrant cities³
- No.1 in the China Financial Centers Index in terms of comprehensive competitiveness and financial market scale⁴
- The world’s largest gold trading center
- The world’s second largest diamond trading center
- The world’s second largest futures trading center
- One of the world’s three pricing centers for non-ferrous metals
- Home to one of the world’s busiest ports – Shanghai Port, which tops the world for the 10th consecutive year in container throughput
- No.3 in the 2020 Xinhua-Baltic International Shipping Centre Development Index

Note: 1. Released in November 2019 by the Globalization and World Cities Research Network (GaWC); 2. Released in September 2020 by the London-based Z/Yen Group Limited (The Global Financial Centers Index is the world’s most authoritative assessment of the competitiveness of the world’s leading financial centers); 3. Released in June 2019 by Schroders, a global investment manager (The Schroders Global Cities 30 Index uses a number of factors, including expected economic growth rate and estimated disposable income, population size and investment potential in the next ten years, to evaluate a city’s economic vibrancy and development prospect); 4. China Financial Centers Index (CFCI 11) released by China Development Institute

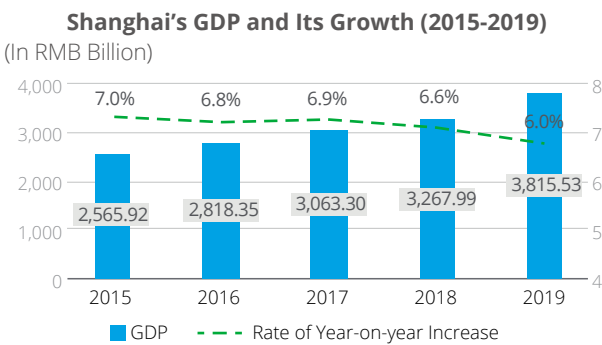
Overview of Economic Growth



An Economic Leader in China

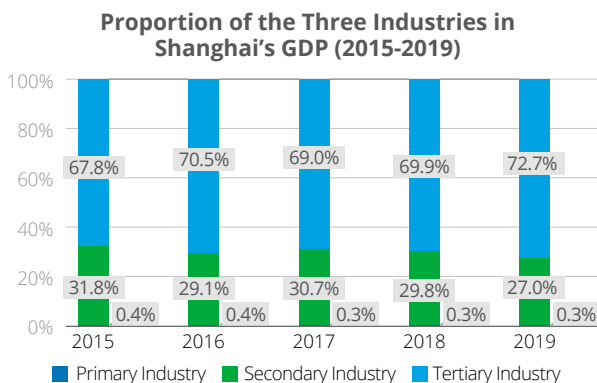
Following the new development pattern in which the domestic market is the mainstay while domestic and international markets boost each other, China has maintained a steady overall economic growth which has been recognized internationally. According to the interim report released by the Organisation for Economic Co-operation and Development (OECD) in September 2020, in the midst of the overall global economic downturn, **“all G20 countries with the exception of China will have suffered recession in 2020”**. Shanghai, China’s largest economic center, has been gathering new momentum and is on track to achieve further high-quality economic development.

Over the years, Shanghai has taken the lead in GDP and GDP per capita, attaining nearly the same levels as some developed economies. In the first half of 2020, the city reached a GDP of over RMB 1.73 trillion. Due to a steady recovery of the tertiary industry, Shanghai’s economy has shown great resilience and the decline rate of GDP has continued to narrow.



Continuously Optimized Economic Structure

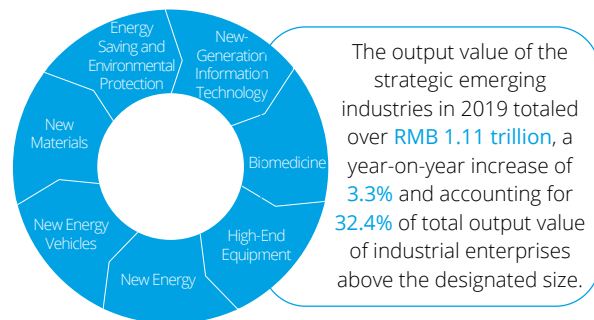
In 2020, the COVID-19 pandemic delivered a large blow to Shanghai’s economic and social development. However, the city has almost recovered to a pre-epidemic situation. This testing time has enhanced Shanghai’s economic resilience, vitality and inclusiveness. In the first half of 2020, its economic structure was continuously optimized and the added value from the three industries respectively accounted for 0.2%, 24.5% and 75.3% of regional GDP.



Rebooted Industrial Development

In the first half of 2020, the added value from the secondary industry in Shanghai reached RMB 425.68 billion. Total output value of industrial enterprises above the designated size¹ was over RMB 1.50 trillion. Among the six pillar industries, electronic information and biomedical manufacturing maintained a steady growth. Meanwhile, total output value of the strategic emerging industries increased by 5.5% from the previous year to RMB 597.62 billion. Among them, the total output value of new energy vehicles increased by 95.7% from the last year and that of new-generation information technology up by 10.5%.

In the first half of 2020, investment in the secondary industry increased by 15% year on year and the six pillar industries saw an increase of 34.5%. Moving forward, Shanghai will step up a transformation and expansion of the manufacturing industry to be greener, smarter and more technology-driven. It will utilize improved technologies, “Internet +”, big data and artificial intelligence (AI), and in turn further strengthen the “Shanghai Manufacturing” brand.



Steady Tertiary Industry Development Propping up the Economy

Tertiary industry development remained steady, providing enormous momentum for Shanghai to recover from the COVID-19 calamity and maintain positive growth. In the first half of 2020, the added value from the tertiary industry in Shanghai totaled over RMB 1.30 trillion. Although down slightly (0.6%) compared with the same period in the previous year, the proportion of tertiary industry growth in regional GDP continued to increase. Despite the coronavirus pandemic, industries based on internet, digitization and sci-tech innovation such as information services, finance, healthcare and other sectors of social concern progressed rapidly. They managed to counter the negative growth trend and achieve remarkable growth. Amidst the normalized COVID-19 prevention and control in China, industries heavily struck by the epidemic have also displayed steady recovery and development.

Recession-defying Growth of the Service Industries in the First Half of 2020

Category	Rate of YoY Increase
Information and Communications, Software and IT Services	13.5%
Healthcare and Other Sectors of Social Concern	8.0%
Finance	7.4%

Note: 1. Industrial enterprises above the designated size refer to those with an annual main business revenue of RMB 20 million or more.

Source: 1. *Statistical Communiqué of Shanghai on the 2019 National Economic and Social Development*; 2. *Shanghai Municipal Government Work Report 2020*; 3. Economic development data of Shanghai in the first half of 2020 officially released by Shanghai Municipal Statistics Bureau



Overview of Economic Growth (Continued)

Increasing Attractiveness for Foreign Investment

In recent years, Shanghai has continued to open its doors and has established a new foreign capital-based development pattern driven by services, headquarters economy and R&D centers, making it a top choice for foreign investors.

By the end of June 2020, a total of 188 countries and regions had invested in Shanghai, 746 regional headquarters of multinational companies had been settled here, of which 116 are Asia-Pacific or global headquarters, and 471 foreign-invested R&D centers had been set up. In the first half of 2020, Shanghai attracted USD 10.28 billion paid-in capital from foreign investors, an increase of 5.4% over the previous year, while the paid-in capital attracted by the tertiary industry in Shanghai increased by 13.2%, accounting for 95.3% of the city's total.

The Development of Foreign-invested Companies in Shanghai (2019)

- 6,800** newly-established foreign-invested projects
- An increase of USD **50.25 billion** in contractual foreign investment
- An increase of USD **19.05 billion** in paid-in capital
- 50** new regional headquarters of multinational companies
- 20** new foreign-invested R&D centers

Steadily Growing Import and Export Trade

From January to August in 2020, the import and export trade volume in Shanghai reached RMB 2.19 trillion, an increase of 0.5% over the previous year. In August 2020, the import and export trade volume reached RMB 312.51 billion, an increase of 5.8% over the previous year with growth in both the import and export trade.

- Major internal and external trade markets are the EU, the US, ASEAN and Japan
- From January to August in 2020, the import and export trade volume contributed by Shanghai-based foreign-invested companies reached RMB 1.41 trillion, an increase of 1.7% over the previous year, accounting for 64.3% of total trade
- In 2019, trade conducted by the Belt & Road countries and strategic node cities accounted for 22.4% of the city's total
- In 2019, Shanghai continued to rank first among all port cities in the world in terms of total value of import and export goods

High-quality Development of Financial Market

In the first half of 2020, Shanghai's financial market transaction volume reached RMB 1,068.58 trillion, an increase of 13.4% over the previous year. Shanghai houses a variety of factor markets including stocks, bonds, futures, currencies, notes, foreign exchange, gold, insurance, and trusts. In 2019, 54 new licensed financial institutions were opened in Shanghai and a range of financial innovation products including the "Shanghai-London Connect" and "Shanghai-Shenzhen 300 ETF options" were launched. By the end of 2019, listed securities on Shanghai's security market increased by 3,554 to 17,623.

Overview of Financial Market Growth (in the first half of 2020)



Steadily Growing Consumer Market

In the first half of 2020, Shanghai was the only city in China to have its retail sales of consumer goods exceed RMB 600 billion, with a total of RMB 694.68 billion. Since May 2020, Shanghai has seen positive growth in consumption and has a growth rate which is steadily increasing.

Increased Online Retail Trade

- In the first half of 2020, online retail stores realized sales of RMB 122.74 billion, an increase of 5.0% from the previous year. This accounted for 17.7% of total sales, a year-on-year increase of 3.7%

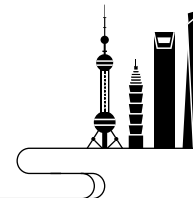
Progress in Business Transformation

- In the first half of 2020, new consumption models kept emerging, demonstrated by "night-time economy", "brand economy", "first-store economy" and "tax exemption and refund economy". These models further boost the consumer market in Shanghai
- Many retailers have decided to open their first stores in Shanghai. As of the end of 2019, a total of 986 "first stores" had opened in Shanghai, among which 2% are first stores globally or in Asia and 22% are first ones in China

Note: Unless otherwise specified, all of the above mentioned data is as of the end of 2019.

Source: 1. *Annual Communiqué of Shanghai (2019)*; 2. *Shanghai Municipal Government Work Report 2020*; 3. Data officially released by Shanghai Municipal Statistics Bureau

Three Missions



In 2020, Shanghai is making all-out efforts to push forward the “Three Missions”¹ under the guidance of the new development philosophy for high-quality economic development.

The Lin-gang Special Area of SHFTZ

The Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone (SHFTZ) was officially inaugurated on August 20, 2019. Since its inception, the Lin-gang Special Area has remained committed to the “Five Majors” framework: a major base designed for global talent recruitment and international innovation cooperation; a major hub offering coordinated onshore and offshore services in finance and trade; a major springboard for domestic firms going global; a major channel linking markets and resources in China and overseas; and a major pioneer engaging in international economic governance. It seeks to keep in alignment with the most competitive free trade zones recognized globally and strives to implement a differentiated policy system to further open up its borders and achieve high-quality development.

One-year Achievement Made by the Lin-gang Special Area

Fulfilled over 50% of the 78 tasks of policy and institutional innovations specified in the Master Plan of the Lin-gang Special Area

Issued 107 policies, of which 32 are considered innovative

Sealed 358 cooperation agreements amounting to RMB 271.36 billion

STAR Market and Its Registration-based IPO Pilot System

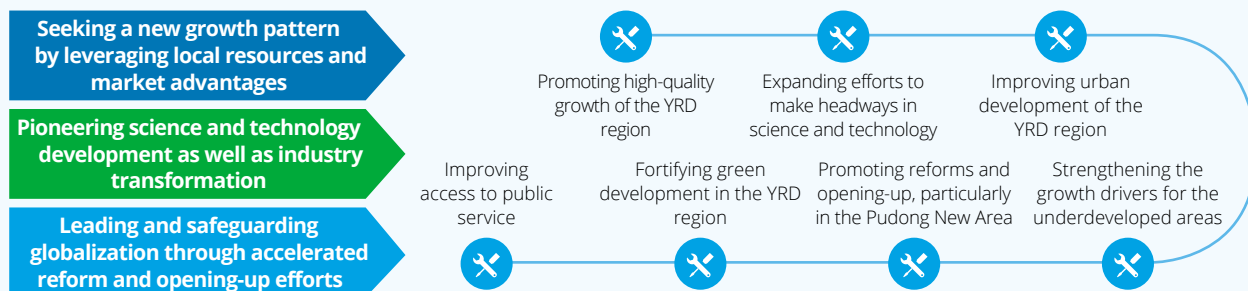
The STAR Market, or the Science and Technology Innovation Board, epitomes the capital market reforms taking place in China. The STAR Market commenced operations at the Shanghai Stock Exchange (SSE) on July 22, 2019, and after one year it has seen 1,400 companies go public and has made sweeping breakthroughs in stock floats and trading. The registration-based IPO system rolled out alongside the STAR Market adds direct finance into China’s once indirect finance-dominated financial system. This meaningful innovation enables tech companies to boost the efficiency of how they allocate precious resources, making them globally competitive.

- ☑ **Major Systematic Reforms:** Increasing the exemplary role of technological innovation-enabled development, and making the STAR Market a leading financing channel featuring loosened regulations and clustering industries;
- ☑ **Registration-based IPO Pilot System:** Optimizing the issuance system and resource allocation efficiency;
- ☑ **Trading Regime Innovation:** Ensuring a stable, vibrant and fair market, and enabling the IPO pricing approach at work.



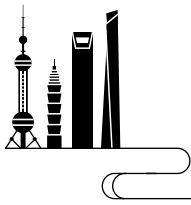
A Push for the National Strategy of Integrated YRD Development

The YRD region is a powerful engine for China’s economy and a pillar of international economic activity. Even though it only occupies 4% of the country’s land mass and encompasses less than 10% of the population, it generates close to 25% of China’s GDP. The region holds the key to China’s march towards modernization and across-the-board opening-up. Guided by the *Outline of the Yangtze River Delta Region Integrated Development Plan* – which was issued by the State Council on December 1, 2019 and focused on the strategy of “One Growth Pole, Three Zones and One Highland”² – Shanghai stands ready to enhance its urban capacity and core competitiveness as an international metropolis and a future-facing pace-setter of YRD region development.



Note: 1. “Three Missions” refer to establishing the Lin-gang Special Area of SHFTZ, launching the STAR Market and registration-based IPO pilot system, and promoting the YRD region integrated development plan as a national strategy; 2. “One Pole, Three Zones and One Highland” respectively refer to a strong and vigorous growth pole, a high-quality development demonstration zone, a modernized pioneering zone, a regional integrated development demonstration zone, and a highland for reform and opening-up in the New Era.

Source: 1. *Outline of the Yangtze River Delta Region Integrated Development Plan*



Three Missions (Continued)

“6+2” Innovations in System Reform of Lin-gang Special Area

The Lin-gang Special Area of SHFTZ has been giving full play to its autonomy entitled in reform, development and innovation since its inauguration. As a new opened-up area, it is dedicated to driving forward new development patterns and high-quality development, and becoming a model that demonstrates people-centered urban development and a most preferred destination for global innovators and entrepreneurs.

Free Investment

Building an investment system aligned with global standards to liberalize and facilitate investment and improve the investment environment

- **Further opening up for foreign investment:** Lifting the limit of foreign ownership in industries such as telecommunications, technology, education and health; and being the first in China to introduce branches of well-known overseas arbitration institutions to build an Asia-Pacific arbitration center;
- **Facilitating business registration:** Implementing the notification and commitment system and the business registration confirmation system to continuously simplify the registration processes for market players.

Free Capital

Building a more opened-up and innovative financial system that enables free flow of capital to better support the real economy

- **Piloting reforms in the financial industry:** Taking the lead to facilitate cross-border settlement of RMB and cross-border assets transfer concerning domestic trade financing for qualified enterprises and streamline the approval of cross-border financing amount for high-tech enterprises;
- **Building the Dishui Lake Financial Hub:** Driving cross-border finance, international trade, and digital economy; and attracting global outstanding talent;
- **Launching landmark projects:** Chinese Securities Legal Service Center, Ping An New Infrastructure Investment Fund, and Shanghai-CBC Yangtze River Delta Strategic and Emerging Innovation Fund.

Free Mobility of Practitioners

Building a system supporting the free mobility of practitioners and an open platform clustering domestic and overseas talent

- **Enhancing the openness of policies targeting overseas talent:** Establishing a new mechanism for foreign high-level professionals to apply for permanent residence permits and try out electronic port visas; relaxing restrictions on the employment of overseas talent in multiple types of modern services; and loosening restrictions on foreign professionals' age, education and work experience;
- **Enhancing the attractiveness of policies targeting domestic talent:** Reducing the years required to “transfer from residence permit to household registration booklet”; independently developing a directory for the introduction of skilled professionals; independently approving the introduction of talent and the household registration of returned overseas students; and providing favorable housing policies tailored for talent;
- **Building platforms for talent clusters and services:** Lin-gang Special Area Branch of Western Returned Scholars Association; International Talent Services Hub; and Pioneering Park for Overseas Chinese Scholars.

Free Trade

Setting up a high-standard trade system that features less restrictions and easier procedures and pushing forward the development of Yangshan Special Comprehensive Bonded Zone

- **Establishing the Yangshan Special Comprehensive Bonded Zone:** Pioneering in customs supervision mechanism reform since its inauguration on May 16, 2020;
- **Promoting the launching of new trade models:** Piloting direct delivery of goods with no need of customs declaration, international cross-port transshipment and cargo-consolidation, and bonded warehousing and display of imported cars in large quantities;
- **Clustering industry leaders:** 18 international and domestic leading enterprises to settle here, including Amazon East China Procurement and Distribution Center and Maersk Asia-Pacific Distribution Center.

Free Transportation

Establishing a highly opened-up free transportation system with optimized capability to integrate and allocate shipping resources

- **Improving the efficiency of administrative approval procedures:** Reducing the time to transfer the ownership of ships and get necessary certificates to one day through decentralization of administrative approval authority;
- **Promoting the registration of international navigation ships:** Attracting more elements of shipping to cluster, with the international navigation ship “New Yangshan” being the first to register in Yangshan Port following the inauguration of the Lin-gang Special Area;
- **Launching major projects:** The transshipment and cargo-consolidation supervision center of Shanghai Deep-Sea Port International Logistics, Yangshan transshipment and cargo-consolidation hub of Sinotrans, and the cargo distribution and transportation system of Shanghai International Port Group.

Quick and Convenient Flow of Information

Forming an international telecommunication infrastructure to upgrade the capacity for cross-border data connection

- **Rolling out Key Projects:** Launching projects like an international big data hub, dedicated channels for international Internet data, new-type Internet exchange points and the “Information Flying Fish” Global Digital Economy Innovation Island;
- **Improving the construction of information infrastructure:** Launching dedicated plans like industrial Internet of things (IIoT) and telecommunication infrastructure; and achieving full coverage of gigabit fiber services for households and 10,000 megabits services for office buildings.

Tax System

Gradually implementing special tax policies and constantly reducing taxes

- The policy of cutting business tax on companies in the key industries to 15% is officially landed;
- Taking the lead in implementing a total of 17 innovative tax collection and management measures like “No tax declaration needed in case of no tax payable and no invoices issued” and allowing the production branches registered by Shanghai companies in the Lin-gang Special Area to complete tax declaration locally;
- Specifying the implementation plans of individual income tax subsidies granted to overseas professionals, tax on trade in goods and services within the physical fence zone of the Special Area, and VAT on service exports.

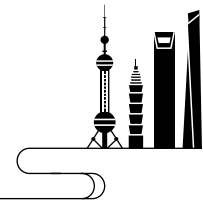
Risk Management System

Accelerating the building of the framework of comprehensive risk management system, and the mechanism of coordinated, joint and intelligent supervision

- Building and putting into service the integrated information management service platform of the Lin-gang Special Area;
- Taking advantage of cutting-edge technologies like AI, big data, block chain to form the “system+technology” risk monitoring and prevention system, with the development of 9 functional modules already completed.

Source: 1. Official website of SHFTZ Lin-gang Special Area Administration

Three Missions (Continued)



STAR Market Operating Steadily in Its First Year

The STAR Market is a special platform designed to integrate Shanghai's efforts in developing itself into an international center of finance and sci-tech innovation, and to open a new chapter of registration system reform in capital markets in China. Since its establishment, the STAR Market has been a capital market pioneer in many regards. Upon its first anniversary, it released the SSE Science and Technology Innovation Board 50 Index. As of May 31, 2020, it had issued 109 new shares and raised a total of RMB 127 billion, accounting for 39% of the newly-issued A-shares and 42% of the total financing amount of A-shares. The STAR Market will continue to promote a regulation-based and transparent capital market which is inclusive, vibrant and resilient, and develop itself into a major financing platform for sci-tech innovation enterprises in China.



- ☑ **A bolster for sci-tech innovation:** The STAR Market is designed to attract cutting-edge tech companies in sectors such as new-generation information technology, biomedicine, energy saving and environmental protection and new materials to beef up China's economic system.
- ☑ **Innovative audit process:** Focusing on information disclosure and open inquiry-based review, the STAR Market audits all applications under open and transparent rules throughout the cycles.
- ☑ **Market-based issuance system:** Through a market-based IPO pricing approach, along with mandatory requirements on sponsoring institutions for follow-up investment and professional evaluation on issuers, the STAR Market extensively operates the strategic investor system and Greenshoe Option mechanism with a view to optimizing its IPO pricing function.
- ☑ **Inclusive listing standards:** The STAR Market launches five listing standards for enterprises with equal voting rights. In addition, it allows qualified red-chip enterprises to be listed in the form of Chinese Depositary Receipt (CDR), and conditionally accepts certain enterprises with differentiated voting rights and those which are not yet profitable but meet designated requirements to be listed.

Promoting the Integrated Development of the YRD Region

As China enters a new stage of high-quality economic development, it gets more important to promote regional integration of developed areas, with their influences radiating to neighboring areas and even the whole country. The high-quality integrated development of the YRD region can translate into enhanced regional economic capacity and greater presence in the world, thus better serving the economic circulation within China and between China and the world. As a leading force in the YRD region, Shanghai will continue to empower the integrated development of the region by making more contributions to develop the region into a powerful growth pole in China.



Integrated development and related measures can break administrative barriers and enhance policy coordination, enabling production factors to flow in a larger scale and different areas to exploit their own comparative advantages to the full, so as to achieve high-quality development.

Integration

High Quality

- Setting up an integrated market system to achieve infrastructure connection, sci-tech innovation industry integration, joint protection and governance on eco-environment, and public services sharing
- Promoting integrated development of the region from through project coordination to institutional innovation
- Following the new development philosophy to improve the capability of sci-tech innovation and industry integration, better balance urban and rural development, set an example for harmonious and green development, and pursue a coordinated and open development
- Pioneering in quality, efficiency and driving-force transformation

Joint Innovation

Setting up major innovation platforms to promote digital economy and launching new infrastructure projects, as a way to accelerate digital transformation and build an innovative economic powerhouse in the YRD region

Environmental Protection

Enhancing coordinated regulation on ecosystem, spatial protection and regional environment; and promoting coordinated prevention and control on environmental pollution, especially air pollution

Urban-Rural Coordination

Promoting integrated development of urban and rural areas and enhancing cross-regional cooperation through joint efforts in transportation, product markets, credit management, etc.

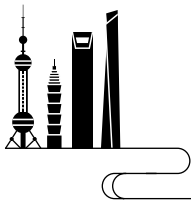
Opening-up for Win-win Results

Achieving higher-level opening-up to boost the high-quality development in the YRD region by driving forward Shanghai's "Three Missions" and "Five-Center" initiative and enhancing its "Four Functions"

People's Well-being

Launching education alliances, pilot medical insurance card services and integrated health-care services in the YRD region to make it easier to access public services at any locations across the region

Source: 1. Outline of the Yangtze River Delta Region Integrated Development Plan



One Platform

In May 2017, Chinese President Xi Jinping announced at the Belt and Road Forum for International Cooperation that China would hold the China International Import Expo (CIIE) in Shanghai on an annual basis starting from 2018. The past two years have witnessed fruitful achievements in the first and second CIIE. The third CIIE, a grand international economic and trade event held against the backdrop of normalized epidemic prevention and control sends the world a strong signal that China will stay committed to opening-up and sharing its development opportunities, while the expanding “spillover effect” implies confidence and expectation of foreign-invested companies on Shanghai and the broader Chinese market.

The Second CIIE: New Era, Shared Future

As an important diplomatic event hosted in China which highlights China’s reform and opening-up endeavor, the second CIIE was successfully held in Shanghai on November 5–10, 2019. It was not only an event about exhibitions and forums, but also a platform for civil diplomacy and cultural exchange. Stories about CIIE never end, as China will only open to the world wider. The CIIE will feature good performance, good results and continued success in the years to come, while creating more opportunities to support world economic growth.



Spillover Effect of the CIIE

Hongqiao Pinhui, the Hongqiao Import Commodity Exhibition and Trading Center, as a perennial exhibition and trading platform to amplify the spillover effects of the CIIE, relies on the bonded logistics center and the Pinhui platform to strengthen the connection between exhibitions and bonded warehouses. With the combination of bonded areas for display and cross-border e-commerce platform for sale, Hongqiao Pinhui enables a smooth conversion from “exhibits to commodities”, thus achieving the coordination between online transaction, offline exhibition and bonded warehouse storage. At the beginning of September 2020, Hongqiao Pinhui Jiangsu Center was established in Changzhou Jiangnan Global Port as a pilot program launched in the YRD region outside Shanghai. Since then, the Center has introduced more than 200 kinds of products to local and nearby consumers, further releasing spillover effects and promoting the integrated development of the YRD region.

The Third CIIE will be held on November 5–10, 2020 in the National Exhibition and Convention Center (Shanghai), during which the principles of opening-up and inclusive cooperation will continue to be followed in hosting a first-rate high-profile international exposition.

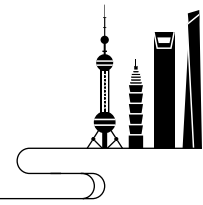


Highlights of the Third CIIE

- Four new dedicated areas for public health and epidemic prevention, energy conservation and environmental protection, smart travel, as well as sporting goods and events
- Widely-discussed topics set for the first time, such as public health and non-bank finance
- New model of “inviting exhibitors while helping them negotiate with purchasers” to facilitate communication between the two parties
- Exploration of live-streaming commerce, and one-stop service for exhibitors through an innovated customs system and bonded warehouse
- The world’s top 10 enterprises from industries ranging from pharmaceuticals, medical equipment, dairy, cosmetics, high-end consumer products, inspection and testing, automobiles, industrial electricals and engineering machinery, mostly registered for the event

Source: 1. CIIE official website

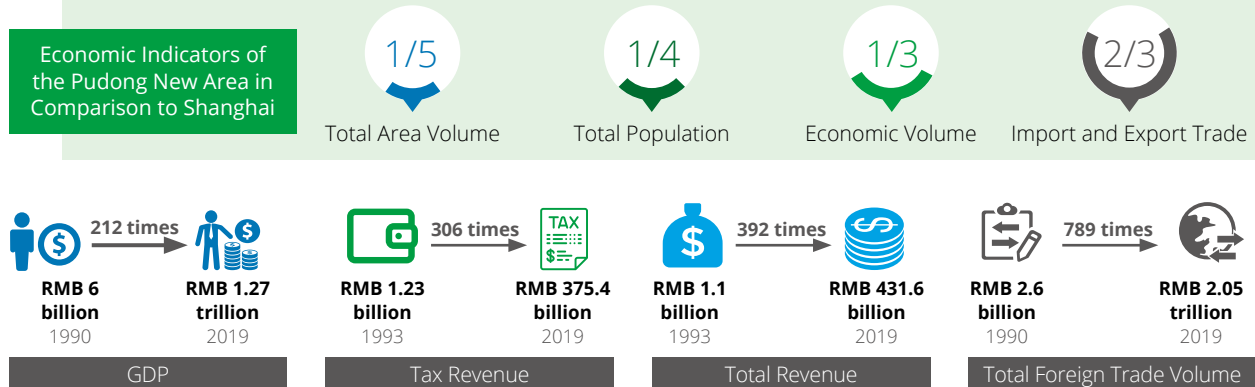
Thirty Years of Reform and Opening-up in the Pudong New Area



The Pudong New Area flourished with the implementation of reform and opening-up. Since the CPC Central Committee and State Council announced the opening-up of Pudong in April 1990, Pudong has been undertaking a number of national strategies and has made great strides in economic globalization. Over the past 30 years, Pudong has transformed from a rural village into a modern metropolitan district. It truly is an epitome of China's reform and opening-up and Shanghai's modernization campaign.

Pillar of Growth for Shanghai's Economic Development

Occupying only 1/8,000 of China's land mass, the Pudong New Area contributes to nearly 1/80 of national GDP and 1/15 of national import and export volume. As China's first district with over RMB 1 trillion GDP, Pudong has been exemplary for the whole country in pursue of high-quality development.



A Foreign Investment Highland

The open investment environment of the Pudong New Area makes it a top choice for foreign investors. Currently, Pudong ranks first in terms of foreign-investment success across China and has attracted a total of 35,500 foreign-funded enterprises to set up offices in the district. In the first half of 2020, Pudong's paid-in foreign capital reached USD 4.69 billion, accounting for 46.1% of the city's total executed FDI.

With the largest number of global R&D centers established by both large multinational and domestic corporations, the Pudong New Area is also an ideal place for multinational corporations to set up their regional headquarters. Currently, Pudong is home to 346 regional headquarters of multinational corporations including Volvo, Merck, Roche and Danone, among which 131 are Asia-Pacific headquarters. As of September 2020, as many as 320 Fortune Global 500 companies had invested in over 1,200 projects in Pudong.

Highly Concentrated Financial Factors

The past thirty years has witnessed great development in Pudong's financial industry. It has emerged as one of the leading financial strongholds with complete factor markets across the world.

Pudong has the largest number of foreign-funded banks, foreign-funded insurance companies and shipping insurance operation centers in China. It is also home to 13 national financial infrastructure platforms including the SSE and 1,083 licensed financial institutions. As a core area of Shanghai's financial services industry, Lujiazui has attracted one-third of China's mutual fund investment companies and houses more than 90% of foreign-invested private equity funds in the country. 63 globally-renowned investment management institutions have set up 86 foreign capital management companies in Lujiazui, accounting for more than 90% of the country's total.

High-quality Development of Services Trade

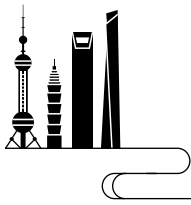
At the forefront of Shanghai's services trade development, the Pudong New Area mainly focuses on the growth of transportation, tourism, and professional management and consulting. Since 2010, the volume of imports and exports in Pudong has grown by an average annual rate of 10%, reaching about USD 87.16 billion, or 47.3% of Shanghai's total in 2019. As China's first pilot free trade zone, the SHFTZ has carried out a series of reforms in investment, trade, finance and operational and post-operational supervision during the past seven years since its establishment. It issued the first negative list for foreign investment and the first negative list for cross-border services trade. As a result, the service industry has opened further to foreign investors, greatly promoting the development of services trade in Pudong.

Core Functional Area for Sci-Tech Innovation

Pudong has a complete set of sci-tech innovation factors. It has pooled more than half of leading innovation talent and entrepreneurial experts and over one fourth of high-tech enterprises of the city to form a strong base for sci-tech innovation. Around 100 Fortune Global 500 companies have set up R&D centers in Pudong, and the number of foreign-funded R&D centers had reached 257 by the end of June 2020, accounting for 52.3% of Shanghai's total.

Pudong is Shanghai's core functional area for building its reputation as a sci-tech innovation center with global influence, while the Zhangjiang area in the center of Pudong is a pivotal growth pole for innovation. Zhangjiang boasts 59 municipal specialized technology service platforms, 380,000 sci-tech professionals, and many large scientific facilities such as the Shanghai Synchrotron Radiation Facility (SSRF) and the Shanghai Superintense Ultrafast Laser Facility (SULF). There is a strong focus on the development of the integrated circuits (ICs), biomedicine and AI industries. This provides an important platform for new academic ideas, scientific discoveries, technological inventions and industry development directions.

Source: 1. *Statistical Yearbook of the Pudong New Area (2019)*; 2. Shanghai Pudong New Area Commission of Commerce



Five-Center Initiative – Building a Global City of Excellence

During the past 20 years, Shanghai has witnessed remarkable progress in enhancing urban capacities and core competitiveness and building “Five Centers”. 2020 is a vital year for Shanghai’s Five-Center initiative, since this year marks the preliminary completion of building the city into an international center of economy, finance, trade and shipping as well as the formation of a basic framework for building a sci-tech innovation center with global influence. Looking forward, Shanghai will stay focused on promoting the development of “Five Centers” in line with the highest international standards and best practices to become a global city of excellence and a modern socialist metropolis with international appeal.



*A Global City of Excellence
An International Modern Socialist Metropolis*

A More Vibrant and Innovation-driven City

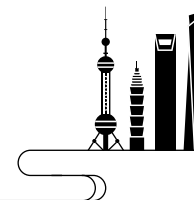
A More Attractive and Culturally-thriving City

A More Sustainable and Ecologically-sound City

- ☑ **Towards a global economic center featuring great economic strength and world leading industries**
With a focus on strengthening its capability to allocate global resources and promote sci-tech innovation, Shanghai is endeavoring to establish a more globally competitive factor market, enhance the influence of “Four Brands” and accelerate to optimize its modern economic system.
- ☑ **Towards a global finance center adapting to China’s current economic strengths and the role of the RMB in the international monetary system**
Shanghai will promote the launching of more global financial projects and establish a multi-level financial market system with strong international presence to strengthen the global competitiveness of local financial institutions and build a financial ecosystem aligning with international standards.
- ☑ **Towards a global trade center as a hub in the international trade and investment network**
Aiming to put in place a trade system in line with the rules of global trade and investment, Shanghai will accelerate the establishment of a new development pattern where import, export, domestic trade and foreign trade are equally underlined and build itself into an international consumer city and center of exhibition.
- ☑ **Towards an international shipping center with the capability to allocate shipping resources globally**
Shanghai will preliminarily build itself into an international container shipping hub and an aviation hub in Asia Pacific. It will set up a modern shipping service system and accelerate the development of a full-fledged cruise economy to establish a world-leading home port for cruises.
- ☑ **Towards a sci-tech innovation center with global influence**
Shanghai will complete the basic framework for building a national comprehensive science center in the Zhangjiang area. A number of functional platforms for transforming sci-tech achievements and major function areas that lead industry development will be in place. Efforts will also be made to stimulate vibrant innovation and entrepreneurship and optimize institutional set-up so that the city will better accommodate to the innovation-driven model of development.



Four Functions – Strengthening the Core Competitiveness of Shanghai



As proposed by President Xi Jinping when he visited Shanghai in November 2019, Shanghai should strengthen its four major functions in allocating global resources, pioneering China's expanded opening-up, nurturing sci-tech innovations and propelling high-end industries, to achieve quality economic development with a wide-open market. As China strategically envisages a mutually beneficial growth pattern for domestic and international development in a new era, Shanghai has made constant efforts to strengthen its "Four Functions", and enhance its capability to gather, deploy and leverage high-end resources, so as to increase urban capacities and core competitiveness with advantageously optimized development pattern, economic structure and growth poles.

Allocating Global Resources

The key to building Shanghai into a global city of excellence is to accelerate the improvement of its urban capacities and core competitiveness, especially the ability to gather and allocate global high-end resources as a hub for factor flow. In light of this, Shanghai will continue to **strengthen its function of allocating global resources**, with a view to enhancing its power of pricing, voicing and standard-setting in the global market and governance system, and facilitating the free flow of production factors in the course of globalization.

Shanghai has strived to promote the development of the "Five-Center" initiative to increase the international appeal of its factor markets, enhance the influence of the "Four Brands", and accelerate the development of a modern economic system, basically building itself into a global economic powerhouse with stronger comprehensive economic strength, higher industry capacities and enhanced ability to gather and allocate resources.

Nurturing Sci-Tech Innovations

Developing Shanghai into a sci-tech innovation center with global influence is strategically and fundamentally important for the city to grasp opportunities in future international cooperation and competition. Shanghai will **strengthen the function of nurturing original technological innovations**, so as to achieve firsts in key areas and break bottlenecks that limit development to build strategic sci-tech strength for the nation, and promote authentic innovations empowered by technological and institutional breakthroughs.



Source: 1. Shanghai Municipal Government Work Report 2020

Pioneering China's Expanded Opening-up

With openness as a prestigious advantage, Shanghai, in the context of economic globalization, has expanded its opening-up to act as a test field for high-standard rules in international investment and trade, and to undertake the mission of blending deep into the global industry and supply chains. Following the trends of global economic integration, Shanghai will further **strengthen the function of pioneering opening-up** to promote reforms, development and innovation, and actively engage in the global network of economy and innovation, while facilitating the construction of transportation hubs and new infrastructure to ensure hardware support.

Shanghai has dedicated itself to fully advancing the completion of the "Three Missions", building an open economic system at a higher level, and using the opportunities and benefits of institutional innovation brought about by the "Three Missions" and CIE as a powerful driving force for practical development.

Propelling High-end Industries

High-end industries are essential for advancing quality socioeconomic development, and enhancing urban capacities and core competitiveness. In view of this, Shanghai will **strengthen the function of propelling high-end industries**, with a focus on those with high growth, high added value and core technology in line with the new trend of global industry development. Efforts will also be made to speed up the building of an optimized industry system to develop new economic engines for quality development and move up the industry chain, in a bid to lead a new round of technological revolution and industry transformation.

Shanghai has endeavored to maintain stable growth enabled by optimized economic structure, promote supply-demand reforms, transform economic generators, and advance the development of modern services and advanced manufacturing, thereby ensuring sizable and quality economy increase.



Chapter II

Government Policies



An Open and Stable Policy Environment

As opening-up is China's fundamental state policy and foreign investment plays a unique and significant role in China's economic development, great importance should be attached to foreign investment to promote quality development and modernization. As China's first single unified body of law governing foreign investment, the *Foreign Investment Law of the People's Republic of China*, along with relevant judicial interpretations and regulations for its implementation, came into effect in 2020. The optimized policy environment demonstrates that China has been committed to a win-win approach while unwaveringly pursuing to further open up its market.

Foreign Investment Law

The *Foreign Investment Law* emphasizes the equal treatment of domestic and foreign companies and further opening-up and covers the promotion, protection and management of foreign investment. It stipulates the implementation of the "pre-establishment national treatment and negative list" management system on foreign investment. It also sets the framework for the foreign investment information reporting system, so as to ensure equal and legitimate participation of foreign-funded companies in standards setting and government procurement. This better protects the rights and interests of foreign investors, and manifests the constant improvement of the legal system.

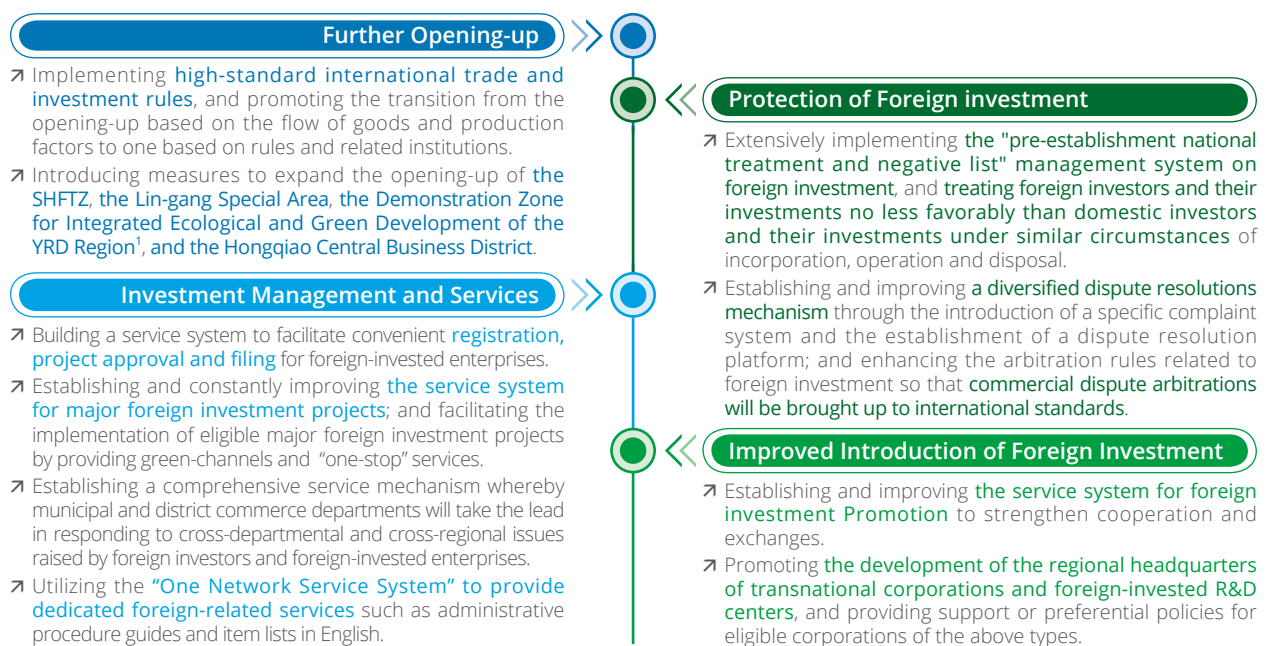
New Negative Lists on Foreign Investment for Facilitating Internationalization and Further Opening-up



At the end of June 2020, in order to progress opening-up to a higher level, the National Development and Reform Commission (NDRC) and the Ministry of Commerce of China (MOFCOM) released the *Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition)* and the *Special Administrative Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones (2020 Edition)*.

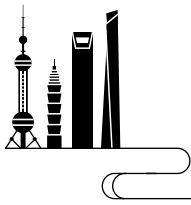
The 2020 negative lists are the latest supportive documents released to promote the negative list management mechanism after implementation of the *Foreign Investment Law*. According to these lists regarding nationwide foreign investment, the number of sectors that are off-limits is reduced from 40 to 33, the opening-up of key service industries is further expanded, and the restrictions of access to the manufacturing and agriculture industries are eased. For foreign investment in pilot free trade zones, the number of prohibited industries is reduced from 37 to 30, the regulations prohibiting foreign investment in traditional Chinese medicine decoction pieces are removed, and vocational education institutions are now allowed to be foreign-owned.

Shanghai has consistently been regarded as one of the most desirable destinations for foreign investment in China, and foreign investment has in turn become an indispensable part in advancing an open economy in Shanghai. As the first local foreign investment regulation issued by a provincial people's congress following the release of the *Foreign Investment Law*, the *Shanghai Regulations on Foreign Investment* has contributed to creating a stable, transparent, predictable and fair market environment for foreign investors in Shanghai. Against this backdrop, Shanghai will continue to take the lead in China's high-level opening-up, and welcomes overseas investors with an open and inclusive policy environment.



Note: 1. The Demonstration Zone for Integrated Ecological and Green Development of the YRD Region is a pilot area for the integrated development of the YRD region which has been approved by China's State Council. The area covers Qingpu District in Shanghai, Wujiang District in Suzhou of Jiangsu Province, and Jiashan County in Jiaxing City of Zhejiang Province.

Source: 1. Official website of Shanghai Municipal Government; 2. *Shanghai Regulations on Foreign Investment*



An Open and Stable Policy Environment (Continued)

The devastating COVID-19 pandemic has swept through the world since its outbreak in early 2020, casting a shadow over the global economy and posing unprecedented challenges to China's foreign investment attracting strategy. Against this backdrop, Shanghai has continued efforts to expand opening-up by introducing favorable policies to support enterprises return to work as soon as possible. It has also strived to create a safe and stable business environment for companies in Shanghai in attempt to maintain attractiveness to foreign investors. Targeted, timely and effective policy making is a vital part of the Shanghai government's efforts to combat COVID-19, and has manifested the mettle of this city to win the war against the epidemic and the metropolis' sincerity and resolve to promote and protect foreign investment.

Helping Enterprises Get Through the Pandemic

In order to ease the economic burden on enterprises and help them get through the COVID-19 pandemic, Shanghai issued the *Measures for Supporting Enterprises to Engage in the Fight Against the COVID-19 Epidemic and Achieve a Smooth and Healthy Development Amid the Epidemic* ("Shanghai's 28 Policy Measures") policy. It introduces supportive policies such as tax discounts, rent exemptions and financial support to facilitate the development of all types of companies in Shanghai, with a special focus on key enterprises engaged in epidemic prevention and control, and those greatly affected by the epidemic, especially small- and medium-sized enterprises (SMEs). It also addresses the problems faced by businesses regarding the delay of return to work of employees. Detailed rules on the implementation of the 28 Policy Measures have been successively promulgated, clarifying who will take charge, to whom the measures apply and how the policies are interpreted. The effective implementation of the 28 Policy Measures is essential to the economic recovery of Shanghai and helps to ensure a stable business environment.

Shanghai's 28 Policy Measures

- To support enterprises fight against the epidemic
- To effectively reduce the burdens on companies of different types
- To increase the financial support for companies in need
- To help companies avoid large-scale laying off
- To facilitate orderly work resumption
- To improve the business environment with better services

100 Questions and Answers on the "Shanghai's 28 Policy Measures"

The *100 Questions and Answers on the "Shanghai's 28 Policy Measures"* was promulgated based on the questions of businesses concerning the "Shanghai's 28 Policy Measures" for supporting enterprises fight against the COVID-19 epidemic and the details on the implementation of the policy issued by multiple authorities in Shanghai. The straightforward document will help businesses better understand the policy and take advantage of the supportive measures for work resumption and stable growth amid the COVID-19 epidemic.

Special Section on Epidemic Prevention and Control

A special section has been added in the Shanghai government web portal of One Network Service System and the official government app "Suishenban" to provide the latest updates and news on the epidemic in Shanghai. The city has also pushed notifications regarding various epidemic-related policies in a timely manner to targeted individuals and businesses via the personal or corporate webpage on the System. This has provided critical support in epidemic prevention and control, return to work and production, as well as stabilizing the business environment in Shanghai.

Stabilizing Foreign Investment

The *Measures on Implementation of Opinions of the State Council on Further Improving the Utilization of Foreign Investment in Shanghai* ("24 Measures to Stabilize Foreign Investment"), issued by the Shanghai Municipal Government in April 2020, provides detailed counter measures on four major tasks: 1) to expand opening-up; 2) to further promote investment; 3) to deepen reform on facilitating investment; and 4) to protect the legitimate interests of foreign investors, with a view to further attracting and stabilizing foreign investment by creating an investment-friendly environment with greater openness to offset the negative effects of the pandemic.

Promoting Foreign Investment

- Establishing an incentive mechanism to attract investment;
- Publishing guides to facilitate foreign investment;
- Encouraging investment promotion activities, foreign investment projects which are in line with Shanghai's industry development, professional social organizations, investment platforms, and talent introduction events.

Expanding Opening-up

- Implementing the negative list investment management mode for foreign investment, and accelerating the opening-up of finance, new-energy vehicle and other sectors;
- Supporting further opening-up of key industries in the SHFTZ and the Lin-gang Special Area and promoting their good practices.



Facilitating Investment

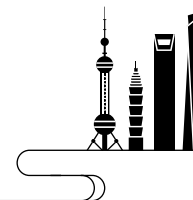
- Streamlining bank transaction procedures for foreign direct investment and piloting the payment facilitation program for foreign-funded projects;
- Promoting the single-window service platform for handling foreigner work and residence permits;
- Exploring and establishing a joint review mechanism to enable one-time approval of land applications for foreign-funded projects with a unified certificate.

Protecting Foreign Investors' Interests

- Improving the communication and rights protection system for foreign investors;
- Strengthening the implementation of regulatory policies and intellectual property protection;
- Supporting foreign-funded enterprises to participate in standard setting and government procurement.

Source: 1. Official website of Shanghai Municipal Government; 2. *Measures for Supporting Enterprises to Engage in the Fight Against the COVID-19 Epidemic and Achieve a Smooth and Healthy Development Amid the Epidemic*; 3. *Measures on Implementation of Opinions of the State Council on Further Improving the Utilization of Foreign Investment in Shanghai*

Supportive Policies for the Headquarters Economy



Committed to strengthening its capacity in allocating key high-end global resources, Shanghai has developed a vibrant headquarters economy through its relentless efforts to consistently expand opening-up. The introduction of supportive policies which attract foreign investors to invest in Shanghai has built enormous momentum in terms of facilitating industry development, talent recruitment, technological innovation and resource integration for Shanghai's "Five-Center" initiative. At the same time, Shanghai has given full play to its strong cluster effect from being the hub of regional headquarters (RHQs) of multinational corporations (MNCs), and driven the shaping of a dual-circulation development pattern relying on both domestic and international economic markets with the domestic market being the mainstay.

Criteria for Recognizing RHQs

☑ RHQs of MNCs:

- Foreign-invested enterprises with independent legal personality;
- A minimum total asset value of USD 200 million of the parent companies;
- Minimum registered capital of USD 2 million.

☑ Holding Companies:

- A minimum total asset value of USD 200 million of the foreign investor one year before its application to be the RHQ.

☑ Regional Head Offices:

- Foreign-invested enterprises or their branches with independent legal personality;
- A minimum total asset value of USD 100 million of the parent companies;
- Minimum registered capital of USD 1 million or a minimum working capital of the same amount appropriated for the company's branch.

Supportive Policies

Shanghai has issued a series of supportive policies for developing its headquarters economy to further deepen opening-up by encouraging MNCs to establish their RHQs in the city, thereby expanding the city's functions and upgrading its capacities.

Types of Funding	Policies
Subsidy for Establishment	An eligible RHQ is entitled to 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 three-year rental subsidy at the annual rate of 30%.
	An eligible center which 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 is entitled to 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 Upgrading the Level of Current RHQs	An eligible existing RHQ upgraded to cover Asia, Asia-Pacific or broader regions is entitled to a lump sum subsidy of RMB 3 million.
Others	Supports in multiple aspects such as trade, entry-exit, capital operation and talents attraction are provided.



Opinions of Shanghai Municipal People's Government on Promoting the Development of Regional Headquarters of Multinational Corporations in Shanghai



Circular of Shanghai Municipal People's Government on Printing and Issuing the Revised Provisions of Shanghai on Encouraging Multinational Corporations to Establish Regional Headquarters in Shanghai



Circular of Shanghai Municipal Commission of Commerce and Shanghai Municipal Finance Bureau on Printing and Issuing the Revised Measures for the Use and Management of Earmarked Funds for Encouraging Multinational Corporations to Establish Regional Headquarters in Shanghai

Promoting the Concentration of RHQs and Fully Bringing out Their Value

- Further Facilitating Foreign Investment
- Enhancing Trade and Logistics Convenience
- Increasing the Freedom and Convenience of How MNCs' Use Capital
- Improving Research and Development Convenience
- Strengthening Relevant Safeguards for Headquarters Functions

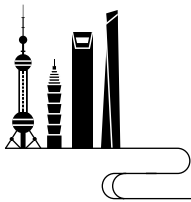


With distinctive advantages of inclusiveness and open-mindedness, Shanghai has been closely following the forever changing business operation models and the global landscape of MNCs. It has made great breakthroughs in policy making and implemented concrete measures to increase the freedom and convenience of capital use, and facilitate investment, trade, logistics, and R&D, truly making this city an ideal place for MNCs to establish or relocate their headquarters.

Shanghai is the first city in China to introduce such innovative and undoubtedly competitive headquarters economy policies. It has taken the lead nationwide by constantly upgrading headquarters economy policies concerning the classification of headquarters and the extent of incentives in accordance with changing national and regional development demands. It has thus established itself as the No.1 city in the country in terms of convenience to set up foreign-funded companies and the number of MNCs.



Source: 1. Circular of Shanghai Municipal People's Government on Printing and Issuing the Revised Provisions of Shanghai on Encouraging Multinational Corporations to Establish Regional Headquarters in Shanghai; 2. Circular of Shanghai Municipal Commission of Commerce and Shanghai Municipal Finance Bureau on Printing and Issuing the Revised Measures for the Use and Management of Earmarked Funds for Encouraging Multinational Corporations to Establish Regional Headquarters in Shanghai; 3. 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 Science and Technology Innovation Center



Innovative Policies for the Lin-gang Special Area of SHFTZ

Since its founding, the Lin-gang Special Area of SHFTZ has been committed to building itself into a special economic function zone having a global influence. Efforts have been made in the Special Area to reform and innovatively develop in line with international standards. In response to new trends in the global arena, the Special Area will continue to deepen institutional reforms and innovations on free trade and investment. This will help upgrade Shanghai's industry growth as well as increase market efficiency in connecting with other parts of China and the world.

Overall Plan: Circular of the State Council of China on Printing and Issuing the "Overall Plan for the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone"

The Lin-gang Special Area aims to build itself into a globally influential and competitive special economic function zone which is in line with international rules and best practices. It is piloting globally competitive policies and mechanisms in key sectors that are defined by national strategies, have large global demand but require higher-level opening-up. The Area is also intensifying its risk management and stress testing of an open economy to ensure free investment, trade, capital, transportation, mobility of practitioners as well as the quick and convenient flow of information.

Administration Procedures: Procedures of Shanghai Municipality on the Administration of the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone

The administration procedures ensure that the Lin-gang Special Area has a sound business environment guaranteed by the rule of law. This set of regulations, working in conjunction with the national reform of delegating powers, are the highlights of the reform in the Lin-gang Special Area.

Special Supportive Policies: Opinions of CPC Shanghai Municipal Committee and Shanghai Municipal People's Government on Implementing Special Supportive Policies to Promote the High-quality Development of the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone

Shanghai has carried out 9 major measures and 50 specific policies focused on giving greater reform autonomy, building a more favorable environment for the development of human resources, and providing favorable fiscal, tax and financial policies to support the development of the Lin-gang Special Area. Such policies will help the Area transform into a new modern town in Shanghai and function as a livable, opened-up and innovative hub featuring ecological, smart model and industry-based development.

Action Plan: Action Plan on Developing the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone Centering on the "Five Majors" Framework (2020–2022)

The Lin-gang Special Area is working to build itself into an important base for innovation with collaboration from international talent, a globally competitive hub for clustering market resources, and a livable modern town featuring high-quality lifestyles. By 2022, the Area is expected to have initially formed the "Five Majors" framework, and preliminarily established an institutional system for investment and trade which is aligned with international standards, demonstrating its comprehensive advantages as a core function area of Shanghai in fulfilling the "Four Functions" of the city.

Policies for Industry Support

As part of its effort to support key industries, the Lin-gang Special Area has successively introduced the "1 + 4" industry policy and a series of other favorable policies to drive the development of the high-tech, cultural, commerce and financial industries. In addition, an industry plan focusing on further liberalization in innovative industries with a "7 + 5 + 4" modern industry system was released, with a view to accelerating the development of an open industry system with competitive strength in the international market.

- "7" refers to a cluster of 7 advanced manufacturing industries: ICs, AI, biomedicine, civil aviation, new-energy and intelligent connected vehicles, high-end equipment manufacturing, and green remanufacturing;
- "5" refers to the 5 high-capacity sectors of modern service industry: New international trade, cross-border financial services, modern shipping services, information services, and professional services;
- "4" refers to 4 features of an innovative open economy: Offshore economy, smart economy, blue economy, and headquarters economy.

Policies for Financial Innovation

In a bid to achieve a higher-level financial opening-up and innovation, the People's Bank of China, the China Banking and Insurance Regulatory Commission and the Shanghai Municipal Government issued "30 Financial Measures" to promote an innovative pilot program in the Lin-gang Special Area. Using these measures as a base, the Special Area released its own "50 Financial Measures", which provide further policy support for the comprehensive opening-up and innovative development of the financial sector.

- Implementing all-round, in-depth and high-level financial opening-up;
- Further strengthening institutional innovation and risk stress testing of an open economy;
- Accelerating the cultivation of a financial and related institutional system with strong international and domestic financial resource allocation capabilities;
- Establishing and improving the eco-system of financial support for the development of key industries;
- Improving personalized and comprehensive services.

Policies for Talent Recruitment

In order to build itself into a talent hub which attracts exceptional creative minds, the Lin-gang Special Area has launched a series of supportive policies for talented professionals at all levels by leveraging its institutional innovation advantage and autonomy in talent management.

- Encouraging more convenient services for foreign talent, and granting subsidies to offset differences in the individual income tax burden for foreign professionals;
- Shortening the period required to "transfer from residence permit to household registration booklet" in the Lin-gang Special Area. For professionals working in the Area, the period has been reduced from 7 years to 5 years. For backbone professionals of certain employers which meet key industry layout requirements of the Area, the period has been shortened from 7 years to 3 years.

Pilot Policies for Strengthening Competition

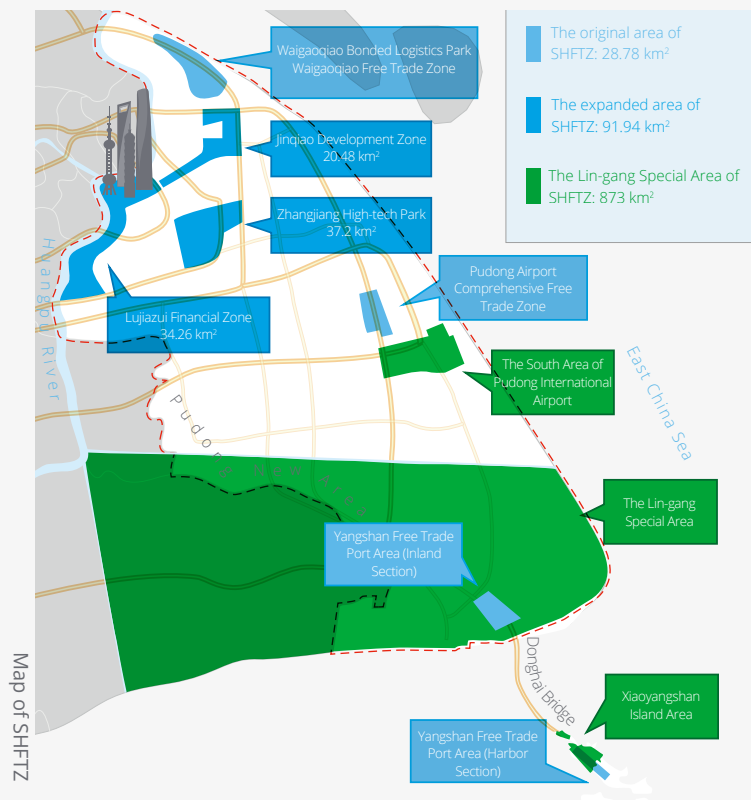
With an aim of bringing vitality to the market, ensuring fairness and creating a globally-oriented and rule-based business environment, the Lin-gang Special Area has launched targeted policies to strengthen competition. The first batch of 11 pilot measures aims to simplify procedures and put in place an innovative mechanism for fair competition review.

- Piloting a system for anti-monopoly reviews
 - Tentatively implementing the monopoly agreement exemption system
- Innovating in the working mechanism for fair competition review
 - Improving the third party review and evaluation mechanism
 - Improving the social supervision mechanism of fair competition
 - Emphasizing the rules of the fair competition review system
 - Establishing a coordination mechanism between competition policies and other economic policies
 - Strengthening and improving anti-monopoly law enforcement
- Establishing a mechanism for evaluating the implementation of competition policies
 - Formulating competition policies in an innovative way
 - Advocating a culture of fair competition

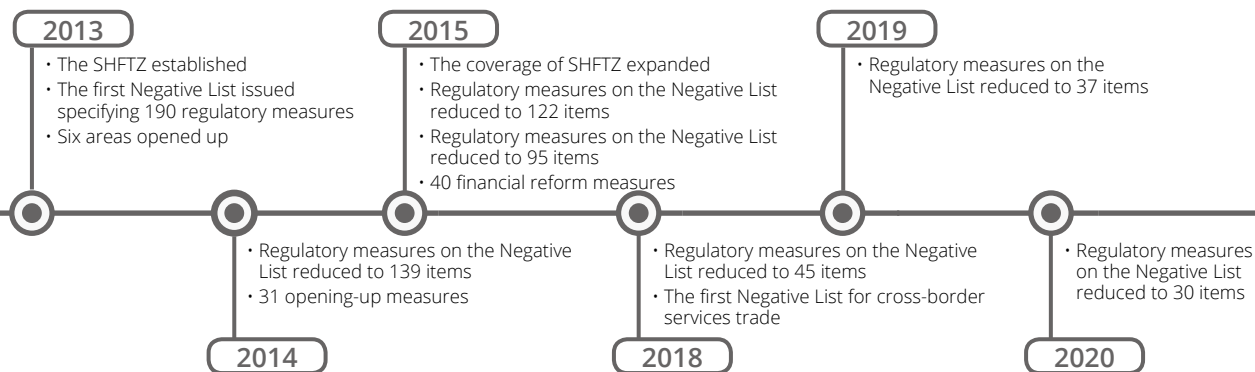
Source: 1. Official website of SHFTZ Lin-gang Special Area Administration

Institutional Innovation in the SHFTZ

As the first pilot free trade zone in China, the SHFTZ has been committed to its mission of exploring how to deepen reform and expand opening-up since its establishment seven years ago. With a close focus on the primary task of institutional innovation, it has implemented bold trials and reforms, and successfully developed the first set of institutions for free trade in alignment with international standards. Meanwhile, it has played a leading role in facilitating trade and investment, government function transition, and financial opening-up and innovation, as well as in enhancing operational and post-operational supervision, inspiring the whole country in terms of institutional innovation.



Policy Milestones in the SHFTZ



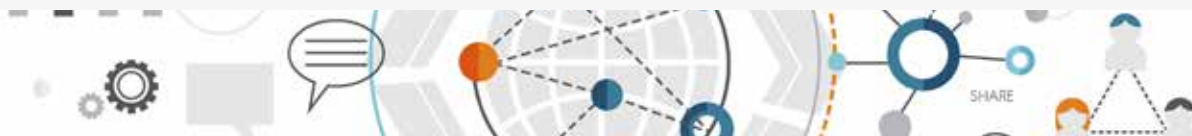
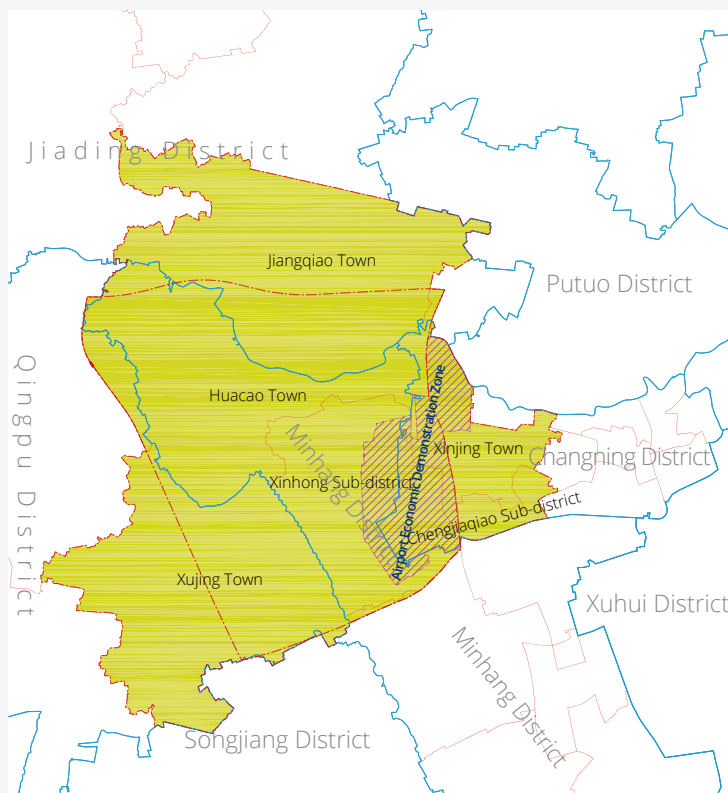
By the end of June 2020, 12,000 foreign-invested enterprises had been newly established in the SHFTZ, representing 77% of the new ones in Pudong New Area and bringing in a paid-in capital of USD 37.1 billion. In addition, import and export volume had continued to increase in the SHFTZ, accounting for over 40% of the total in Shanghai. As a powerhouse for institutional innovation, the SHFTZ has created plenty of successful experience that has been adopted in varied sectors and at different administrative levels in China. Among the 260 institutional innovation programs launched and promoted across the country or in certain zones by MOFCOM, 124 are innovated or jointly contributed by the SHFTZ.

- ✔ **More Fields Opened up for Investment**
 The SHFTZ is home to a number of pioneering foreign-invested programs, including the nation's first Sino-foreign joint-venture of wealth management corporation, foreign-owned vocational skill training institution, Sino-foreign joint-venture of travel agency, foreign-owned sailor dispatching agency, and wholly foreign-invested hospital. As of the end of 2019, it had led the way in opening 49 fields for investment in China.
- ✔ **Financial Reform in Line with Leading International Standards**
 The SHFTZ takes the lead in implementing financial reforms by launching ten batches of innovative measures involving two-way cross-border RMB cash pooling, centralized cross-border RMB receipts and payments under current accounts, and settlement of foreign exchange capital of foreign-invested enterprises.
- ✔ **Convenient International Trade**
 The SHFTZ has adopted a series of innovative reform measures, such as establishing a system of managing investment with the negative list system as its core, opening an "integrated window" for international trade, launching a service center for offshore trading, setting up accounts for free trade, advancing the pilot program for the reform of "separating certificates from business license", and classifying supervision on goods status.
- ✔ **Sound Business Environment Guaranteed by the Rule of Law**
 The SHFTZ is home to the first FTZ intellectual property court and financial court, as well as the Copyright Service Center SHFTZ, a professional platform providing intellectual property-related services.

Source: 1. Official website of SHFTZ Administrative Committee

Innovative Development in the Hongqiao Central Business District

As a key node in the YRD city cluster, the Hongqiao Central Business District (CBD) serves as a powerhouse to drive the high-quality economic development in the YRD region. As the integrated development of the YRD region is promoted as a national strategy, this youngest CBD in Shanghai is expected to play new roles in the country's economic development, including an international open hub, a world-class CBD and a new platform for Shanghai's international trade center initiative. It has been enhancing institutional innovation, improving the governance mechanism and making better use of its advantage in connecting to the YRD region, the rest of China and even the Asia Pacific, to accelerate the building of a future-oriented global pivot.



Building a World-class CBD

The Hongqiao CBD is pushing forward the clustering of professional service providers, as part of its efforts to promote the application of new technologies, products and services. The development of high-tech industries including AI, IoT, satellite positioning and big data is encouraged and an international AI center is being built here. To enhance its role as a high-end business center for international trade, the CBD is improving supporting commercial facilities including hotels and apartments. It is also developing an economy driven by office buildings and attracting businesses by implementing tailored policies and plans for different areas and office buildings. A total of 37 distinctive parks or office buildings to be built in three batches will make this CBD a new landmark for trade.

Establishing a New Open Platform for International Trade

To further increase the spillover effects of the CIIE, the Hongqiao CBD is working on building an import and export distribution center and a new platform for international trade. It is speeding up its pace to cultivate high-capacity trade entities and establish the "1+N" trade platform matrix based on the Hongqiao Import Commodity Exhibition and Trading Center. The CBD is also pioneering in building a global digital trade port, and nine industry parks were selected as its first batch of function platforms in May 2020, including the Smart Industry Park of Shanghai Ali Center and the YRD E-commerce Center.

Source: 1. Official website of Shanghai Hongqiao Central Business District Administrative Committee

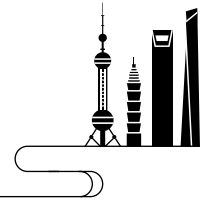
Strengthening the Role as an International Open Hub

The CBD has been strengthening its role as an international open hub by creating a headquarters economy highland, fostering an exhibition economy and gathering leading international organizations and agencies. As of September 2020, a total of 338 companies had been headquartered in the CBD, and renowned overseas trade agencies such as the Sino-European International Cooperation Foundation and the Singapore Enterprise Center had opened their branches here. Besides, it is implementing pilot programs to further open up areas including digital trade, financial services, information services and exhibition services.

Creating a World-ranking Business Ecosystem

Benefiting from the "Smart Hongqiao" program and the Hongqiao Transportation Hub, the CBD has kept improving its information infrastructure, transportation network and public service facilities, in an attempt to create a world-class business ecosystem. It has also established the Hongqiao International Business Talent Hub to improve its talent services mechanism, and stepped up its policy support in fiscal subsidies, land use and financial services.

Incentive Policies for Science and Technology Innovation



With a global vision guided by international leading practices, Shanghai has been bringing together foreign-invested R&D centers for joint development. In January 2020, the *Regulations on Promoting the Development of Shanghai as a Science and Technology Innovation Center* was issued in Shanghai to ensure a strong institutional support for implementing the innovation-driven development strategy and enhance the city's capacity and core competitiveness. Looking forward, Shanghai will make more efforts to build itself into a significant global innovation hub, paving the way for the city to function as a science and technology innovation center with global influence.

The *Regulations on Promoting the Development of Shanghai as a Science and Technology Innovation Center* is dedicated to sparking market entities' enthusiasm in sci-tech innovation, increasing the city's capability of nurturing original innovations, and improving its innovation environment. Focused efforts have been made to promote the development of infrastructure and top R&D institutions and to facilitate major projects. It is a clear demonstration of Shanghai's commitment to providing favorable environment, inclusive and fair supporting policies and effective guarantee mechanism for innovation.

- ☑ **Increasing the capability of nurturing original innovations:** Making better plans for the layout of scientific research development, ensuring more effective supporting policies and enabling mechanisms for scientific research, and speeding up the building of national laboratories and comprehensive national science centers;
- ☑ **Encouraging talents' entrepreneurship:** Establishing and improving mechanisms for talent recruitment, cultivation, and evaluation. Implementing incentive based on performance practices and promote the free flow of talents. Actively providing better conditions and platforms for all kinds of talents to make science and technology innovation;
- ☑ **Incubating more innovation entities:** Pioneering in making legislations to support the development of new R&D institutions, and delegating more decision-making power to scientific research institutions regarding personnel recruitment, title assessment, organization structuring, new scientific research projects approval and research achievement disposal;
- ☑ **Creating a fault-tolerant innovation environment:** Improving regulatory measures for new technologies, industries, business forms and models in accordance with the principle of encouraging innovation, inclusiveness and prudence;
- ☑ **Establishing innovation platforms:** Giving full play to the role of Zhangjiang Comprehensive National Science Center, and capitalizing on the policy advantages offered by the SHFTZ, the Lin-gang Special Area and the Demonstration Zone for Integrated Ecological and Green Development of the YRD Region, to further promote innovations across the city and the region.

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

Dedicated to inspiring social motivation of and to increasing the transfer and commercialization of sci-tech achievements, Shanghai is introducing policies which support every stage of the transformation process.

- ☑ **Management system for rights and interests of R&D achievements:** Endowing researchers with ownership or long-term ownership of their R&D achievements;
- ☑ **Tax support:** Enforcing the policy of personal income tax deferral, levying personal income tax on rewards in cash in accordance with the standard of incidental income, and expanding the coverage of personal income tax deferral for incentive stock;
- ☑ **Market mechanisms in R&D achievement commercialization:** Introducing a market pricing system for R&D achievements to calculate the net income yielded by their transfer and commercialization;
- ☑ **R&D incentive policy:** Over 70% net income coming from the transfer and transformation of R&D achievements used to reward researchers and research teams.

Perfecting the Credit Environment in Favor of High-tech Enterprises

In September 2019, Shanghai issued the *Service Plan for Offering Loans and Credits to High-tech Enterprises*. A new type of loan has been put into place, which is in favor of first-time loan applier and micro, small and medium-sized high-tech enterprises. It allows companies to raise capital through measures including intellectual property pledge, accounts receivable pledge and order financing. By improving loan accessibility, lowering financing costs of enterprises and optimizing service models, the new dedicated loan will greatly improve the credit environment for local high-tech enterprises.

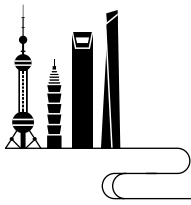
- ☑ **Improving loan accessibility:** Making clear the prerequisites for obtaining loans, offering diverse variety of loan portfolios, and prioritizing the support for first-time loan applier and micro, small and medium-sized high-tech enterprises;
- ☑ **Lowering financing costs:** Improving the mechanism for granting credits, and encouraging banks to adopt more diverse risk control measures when offering loans to high-tech enterprises;
- ☑ **Optimizing service models:** Putting into place relevant mechanisms to guide banks to offer credit funds to targeted micro, small and medium-sized high-tech enterprises.

Case Study: Social R&D Input

In recent years, Shanghai has emphasized increasing R&D expenditure to build itself into a science and technology innovation center with global influence. In 2019, R&D expenditure in Shanghai reached RMB 152.4 billion, up by 12.1% over the previous year.



Source: 1. *Rules for Promoting the Transformation of Science and Technology Achievements in Shanghai*; 2. *Regulations on Promoting the Development of Shanghai as a Science and Technology Innovation Center*; 3. *Guide to High-tech Projects of the 2020 Action Plan for Science and Technology Innovation*; 4. World Bank



Incentive Policies for Talent Recruitment

Recognizing the significance of talented minds in long-term development, Shanghai has in recent years implemented competitive policies that motivate talent pooling, such as high-level talent recruitment projects and the “4+1” measures, accelerating its efforts to build itself into a talent hub with global appeal. Shanghai has attracted talented professionals from all around the world with livable environment and profound career opportunities, so as to maintain ever-increasing vitality for development and creativity.

Targeted Policies to Encourage Talent Recruitment

High-level Talent Recruitment Project

- Attracting professionals in 13 key areas, including origin of the universe, celestial observation, and photonic science and technology
- Implementing classified talent assessment reform
- Setting up long-term and stable fund guarantee mechanism and social security scheme
- Carrying out “Case-by-Case” mechanism for talent recruitment

Encouraging Entrepreneurship Talents

- Offering guaranteed start-up loans and interest subsidies
- Granting social security subsidies for start-ups
- Providing rental subsidies for start-ups
- Providing policy support for foreign students to start businesses in Shanghai

Bringing Together Chinese High-level Talents

- Granting household registration to eligible graduates from World-class Universities in Shanghai²
- Upgrading talent service capacities and integrating online talent services into the One Network Service System
- Implementing classified talent assessment reform in sectors of IC, AI and biomedicine

Vigorously Attracting Overseas Talents

- Offering preferential loans for foreign students to start businesses in Shanghai
- Loosening restrictions on the approval of household registration to key members of start-ups established by foreign students
- Granting the foreigner’s residence permit to eligible professionals in the Demonstration Zone for Integrated Development of the YRD Region
- Raising welfare benefits for individuals with the foreigner’s residence permit
- Optimizing the fast-service channel of professional title evaluation for high-level overseas experts

Shanghai HR Alliance

As part of Shanghai’s efforts to recruit much-needed talent in key areas, the Shanghai HR Alliance, comprised of HR employees from different businesses, is established as a talent service and cooperation platform. It is committed to talent recruitment, development and consultation, along with HR-related exchanges, and works to promote the talent policies of Shanghai and channel targeted professionals in key areas with top management and innovation capabilities to member companies.



Shanghai International Talent Policy Guide

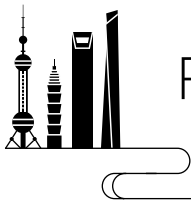
Catering to the needs of potential business investors and professionals, Shanghai released the *Shanghai International Talent Policy Guide* (the “Guide”) in August 2019, which covers 87 policies on innovation & entrepreneurship and daily life services. The Guide has different versions to cater different needs, namely “Overseas Talent Employment Edition”, “Overseas Talent Entrepreneurship Edition”, “Domestic Talent Employment Edition” and “Domestic Talent Entrepreneurship Edition”. With a full range of talent policies, the Guide serves as a useful tool for those who come to the city to work, start a business or settle down.

Note: 1. Referring to *Measures for Supporting Foreign Students to Start Businesses in Shanghai*, *Measures for the Management of Foreigner’s Residence Permit in Shanghai*, *Circular on Fulfilling the Work of Supporting Eligible Foreign Graduates to Work in Shanghai*, *Measures for the Management of Shanghai Start-up Park for Foreign Students* and *Measures for Supporting Foreign Students’ Innovation and Entrepreneurship in the Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone*; 2. Referring to Shanghai Jiao Tong University, Fudan University, Tongji University, and East China Normal University
Source: 1. *Shanghai Science and Technology Progress Report 2019*; 2. *Shanghai’s Action Plan for High-level Talent Recruitment Project*; 3. *Measures for Supporting Foreign Students to Start Businesses in Shanghai*; 4. *Measures for Non-Shanghai Chinese Graduates to Apply for Household Registration in Shanghai 2020*



Chapter III

Government Services



Fostering a Favorable Business Environment Aligned with International Standards

Shanghai is fully aware that a constantly optimized business environment ensures high-quality development. Keeping abreast of the highest international standards, Shanghai is continuously improving its business environment from every aspect in 2020, as best exemplified by the “1+2+X” pattern. Through development of the “One Network Service System” and the “One-stop Urban Management Network”, the megacity endeavors to streamline administration procedures and improve overall management. It aims to build itself into a rule-based open economic center which features the most convenient trade and investment as well as the best-functioning and standardized government services.



Optimizing the “One Network Service System” Government Service

One Network Service System	Unified Acceptance Platform Access to 2,519 service items
	Four Unified Services
	<ul style="list-style-type: none"> ↑ Unified authentication system 35.47 million personal users and over 2.1 million corporate users ↑ Unified customer service 147,200 appeals received and processed with 99.25% of them resolved ↑ Unified payment A total of 32.07 million processed payments ↑ Unified express delivery A total of 1,949 accepted items and 2.2 million express packages delivered

Note: As of the end of September 2020

By pushing forward the development of the “One Network Service System”, Shanghai has ensured that 95.39% of administrative procedures can be completed online or in one visit at most and 83.69% of service items can be handled online. The turnaround time for approvals has been reduced by 59.8% thanks to the implementation of the notification and commitment system, digital licenses and shared data, and the “no materials needed” policy has been applicable to 52 frequently accessed public service items. In addition, the one-stop government service app “Suishenban” has been put into use to improve online approval efficiency and move more services online. Efforts have also been made to promote the “One Network Service System” and digital licenses across the YRD region. Shanghai will continue to improve its “One Network Service System” government service. It is intent on transforming from focusing on administrative power to emphasizing both administrative power and public services, and from providing services to providing optimized services. This will create more satisfying experiences for individuals and businesses.

One-stop Network Empowering Urban Management

Shanghai has established a “One-stop Urban Management Network” to provide targeted public services and achieve efficient urban operations, further enhancing the coordinated urban management across different departments and administrative levels. Based on smart policing, big data and cloud computing technologies and in line with 86 first-level indicators, the Network has shared over 2.5 billion pieces of information and provided an integrated access to dozens of administrations such as public security, landscaping, housing, transportation, emergency management, civil defense, weather service and healthcare security. It can directly reflect all dimensions of the city's macro situation of urban operation.



Creating a Globally Competitive Business Environment

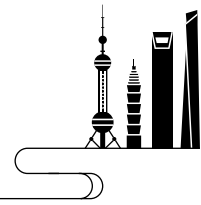
As shown the *Regulations of Shanghai Municipality on Optimizing Doing Business Environment* released in April 2020, Shanghai aims to create a stable, fair, transparent and predictable environment where all types of market entities are encouraged to invest and expand their businesses.

By continuously improving the business environment and having favorable policy backing from the implementation of the *Regulations*, the city will continue to build a market-oriented service platform to boost the vibrancy of all the market entities, responding efficiently to their requests without disrupting their daily operation.

	Reform Highlights
Business Incorporation	• Just one application form on the one-stop service system for business incorporation; fee-free corporate stamps; business address and name registration notification and commitment system
Construction Permit	• One-stop approval for social-invested construction projects with a gross floor area of under 10,000 m ² ; a five-step approval process completed within 24 days; reform of simplifying multiple reviews to just one step
Electricity Supply	• Approval procedures for low-voltage micro and small enterprises shortened to 10 days; pilot programs of adopting notification and commitment-based approval for 10kv power users
Real Estate Registration	• Only one procedure needed for commercial real estate transfer and registration; use of address to inquire the physical status, seizure and mortgage situation, cadastral map and owner details of a registered real estate
Cross-border Transaction	• One window for cross-border payment and settlement; implementation of the “two-procedure declaration”, shipside delivery of imports, and shipment of exports upon arrival at port
Contract Execution	• Establishment of new-generation architecture for courts in Shanghai; implementation of online case filing; promotion of the e-delivery system and national court price inquiry and valuation mechanism

Source: 1. *Action Plan for Deepening the Development of an International First-class Business Environment in Shanghai*; 2. *Regulations of Shanghai Municipality on Optimizing Doing Business Environment*; 3. Official website of Shanghai Municipal Government

Improving Investment Service System



On the road to developing an open economy system, Shanghai has been providing enterprises with efficient and convenient services to enhance foreign investor and entrepreneur confidence in long-term investment and business operations. The Shanghai municipal government is constantly enhancing its efficiency in providing services for enterprises by improving its institutional set-up through relevant policies and building platforms for government-business communication, as part of its efforts to optimize investment and development environment for domestic and foreign companies and promote the sustainable development of industries.

Institutional Set-up

To further promote foreign investment and enhance communication between the government and foreign-funded enterprises, the Shanghai municipal government has put in place a multi-level system to provide multi-channel services and regular activities for foreign-funded enterprises. This has kept enterprises informed and helped them understand the latest development of government policies.

Policy Making

- Developing a **mechanism for entrepreneurs to participate in policy-making conferences related to their enterprises**
- Adopting a **public hearing system** for the formulation of rules and regulations concerning foreign enterprises
- Encouraging foreign enterprises to participate in professional standard making in Shanghai and ensuring that foreign enterprises receive the same treatment as domestic enterprises

Policy Interpretation

- Updating preferential enterprise policies through “**Shanghai Enterprise Service Cloud**”
- Providing bilingual services for foreign-invested enterprises through a **dedicated service window in the “One Network Service System”**

Policy Transparency

- Encouraging participation of foreign-invested enterprises in **government procurement**
- Informing foreign businessmen of the latest development in government policies through press spokespeople, government websites and journals published by the foreign investment association

Government-Business Communication

- Improving government-business communication on foreign investment by hosting **round-table meetings** to help solve problems that enterprises may have in production or business operations
- Strengthening the **contact service system for key foreign-invested enterprises** by conducting one-on-one discussions with these enterprises on policy publicity, project promotion and problem solving
- Building an **enterprise information database** to keep abreast of development trends on foreign investment

Protection of Rights and Interests

- Building a complaints system consisting of **19 complaint centers at both the municipal and district levels for foreign-invested enterprises**. **Professional complaint liaisons** covering 27 departments are available for foreign-invested enterprises in various industries
- Establishing a “one-stop” **complaints handling mechanism for foreign-invested enterprises** at both the municipal and district levels to improve service efficiency

Corporate Service System

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

Shanghai Foreign Investment Promotion Service Platform

The Shanghai Foreign Investment Promotion Service Platform was officially inaugurated at the 2019 Shanghai City Promotion Convention in November 2019. As a vehicle for Shanghai to promote and protect foreign investment and optimize foreign investment services, the platform is specifically designed to communicate the investment environment of Shanghai to the global community; provide business matching services; and provide corporate services. It introduces a round-table mechanism for government-business communication and key enterprise liaisons who can provide foreign investment services from start to end. In order to build itself into a comprehensive one-stop service platform for foreign investment promotion, it has integrated with the “One Network Service System”, the “Shanghai Enterprise Service Cloud” platform and the “Map for Shanghai Industries” to ensure interconnection and information sharing.



Shanghai Foreign Investment Development Board

The Shanghai Foreign Investment Development Board, also known as “Investing Shanghai”, is the only municipal two-way investment promotion agency in Shanghai. Headquartered in Shanghai, the Board has developed a global services network composed of overseas agencies established in Los Angeles, Osaka, London, Frankfurt, Goteborg and other cities. The Board encourages domestic and foreign enterprises to play an active role in investing and upgrading Shanghai’s industries. It 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 enterprises can make their best investment decisions.

<http://www.investsh.org.cn>

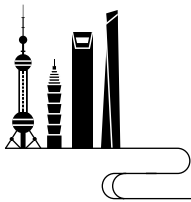


Shanghai Enterprise Service Cloud

Shanghai Enterprise Service Cloud, an e-government platform, offers a window into government policies and professional services (other than those of examination and approval) for foreign-funded enterprises. The platform provides “Three Services and One Evaluation”, i.e. one-stop policy service, one-door professional service, one-network government service and evaluation on business development environment, so as to provide comprehensive services for Shanghai-based enterprises regardless of ownership category, scale or life cycle stage. As of September 2020, the platform had received over 30 million visits and handled nearly 80,000 demands, helping improve the satisfaction of enterprises.

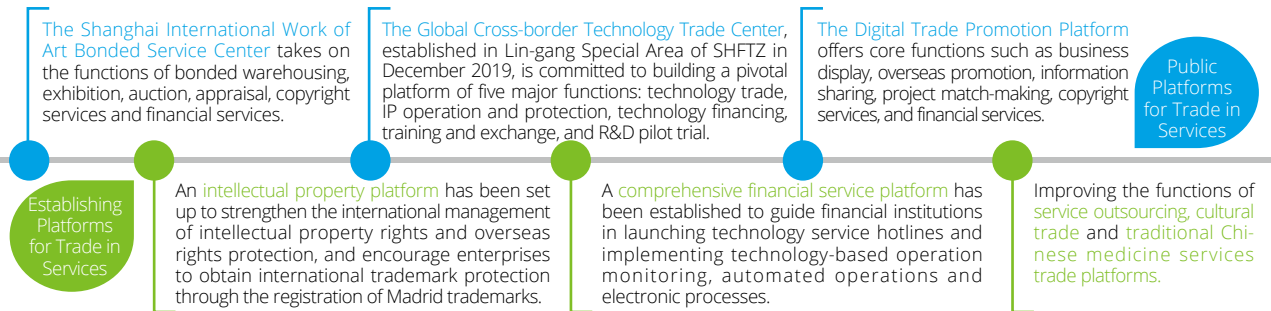


Source: 1. Shanghai Municipal Commission of Commerce; 2. Official website of Shanghai Foreign Investment Development Board



Accelerating Innovation in Services Trade

Shanghai has ranked first in terms of import and export of services trade in China for consecutive years. In the previous two pilot programs of innovative development of services trade, Shanghai has set a good example by actively exploring ways to expand opening-up, cultivate market entities, further facilitate services trade, and innovate on regulatory system. In 2020, Shanghai was selected as one of the pilot regions for comprehensive deepening of services trade innovation development. On this basis, Shanghai will make all-out efforts to promote the reform, opening-up and innovation of trade in services, boost the economic restructuring and upgrading and quality development, and create more diversified investment opportunities and broader development space for foreign investors in China.



Continuously Improving Services Trade Facilitation

- An optimized "single window integrated platform"**: Shanghai is the first in China to bring the administration of trade in services to the "single window integrated platform" for international trade. In addition to the administration of technology trade and service outsourcing, endeavors are being made to incorporate the function of export tax rebate and foreign exchange payment for technology trade, and explore the establishment of a dedicated services trade section within the platform.
- Promotion of online processing**: Online registration of contracts on technologies that are unrestricted for import and export is encouraged. Enterprises may upload online electronic copies of contract registration applications, contract texts, documents certifying the legal status of both parties to a contract, etc.
- YRD regional cooperation**: Shanghai, Jiangsu, Zhejiang and Anhui have signed a cooperative agreement on co-building a "single window integrated platform" for international trade in the YRD region, so as to promote secure data sharing and cross-regional declaration; improved the connectivity between the platform and relevant systems to increase the efficiency of data use; and explored the integration of pilot features to enhance cross-border trade facilitation in the region.

China International Fair for Trade in Services

As one of the three major exhibition platforms for China's opening-up to the outside world, China International Fair for Trade in Services (CIFTIS) is committed to building itself into a leading services trade exhibition both in China and around the world. At the 2020 CIFTIS, Shanghai was invited as the only Guest of Honor city to participate in the exhibition and hold theme day activities.

At the event, in addition to the innovation and development achievements in the services trade of technology, finance, culture and overseas consumption, Shanghai has also displayed a number of new achievements in public service for overseas market development, including a series of reports on "Shanghai Services Trade Overseas" and Guide on Shanghai's Trade in Services Development in Key Overseas Markets (Panama Volume and Germany Volume).

Innovation Highlights

Officially inaugurated in Shanghai on May 16, 2020, Yangshan Special Comprehensive Bonded Zone is the only special integrated bonded zone among 151 special customs supervision zones in China. In this special bonded zone, account book management is cancelled and statistics are automatically collected and analyzed through a public information platform. The high international competitiveness of the special bonded zone is fully demonstrated in its declaration mode, trade control, internal management, statistical system, information management, and collaborative management.

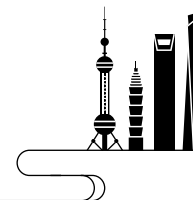
On the basis of fully implementing the comprehensive bonded policies, Yangshan Special Comprehensive Bonded Zone will also implement targeted policies and mechanisms to further facilitate services trade with fewer restrictions and easier procedures, so as to promote the integrated development of trade in services and goods and high-end manufacturing, and to optimize services and provide more development opportunities for trade and supply chain enterprises in the zone.



Yangshan Special Comprehensive Bonded Zone

Source: 1. Shanghai Municipal Commission of Commerce; 2. Shanghai Municipal Administration for Market Regulation

Improving Supporting Services for Intellectual Properties



In recent years, Shanghai has made remarkable progress in intellectual property (IP) innovation, protection, application, management and service, and now ranks among the top cities in China in terms of overall IP development. The city is committed to developing into an Asia-Pacific IP hub for high-standard IP protection. The protection of IP is a strategic measure to enhance the city's core competitiveness, set an example for international IP protection and fully allow the value of IP to be realized.

Improving the IP Services System

☑ Improving the Efficiency of IP Administration

- Completing the IP institutional reform at the municipal and district levels to achieve integrated administration of patents, trademarks and geographical indications

☑ Optimizing IP Service Platforms

- Launching the pilot (Shanghai) platform for the international operation of the State Intellectual Property Operation Public Service Platform
- Upgrading the service capacity of China (Pudong) Intellectual Property Protection Center
- Establishing the Shanghai Intellectual Property Financial Service Alliance to promote innovation in IP financial services
- Deepening reform in IP by delegating power, streamlining administration and optimizing government services; and adding 11 IP-related public services in the "One Network Service System"

☑ Improving the IP Protection System

- Launching activities such as the "Iron Fist" IP administrative enforcement campaign, and the 100-day Action of IP Protection for the CIIE
- Building a coordination mechanism for administrative protection of IP in the YRD region and 12 other provinces and cities
- Setting up branches of the National Oversea IP Dispute and Guidance Center

Optimizing the IP Trial System

☑ Improving the Trial System

The Shanghai Intellectual Property Court plays the role of judicial assistants in preliminary hearings and exploration of new styles of writs and form files. It has introduced the first *Rules for Appropriate Disclosure of Technical Review Opinions*, and promoted the separate handling of complicated and simple cases.

☑ Building a Coordination Mechanism for Judicial Protection of IP in the YRD Region

The high courts of Jiangsu, Zhejiang, Shanghai and Anhui have signed the *Exchange and Cooperation Agreement on Judicial Protection of IP Between the People's Courts in the Yangtze River Delta Region* to establish a coordination mechanism for judicial protection of IP in the region.

☑ Measures to Optimize the IP Trial System by District Courts

- **Pudong:** Issuing the *Interim Guidelines on New Trial Procedures for Civil IP Cases*
- **Xuhui:** Guiding the involving parties to confirm undisputed facts and claims at trial through pre-trial communication and interpretation at trial
- **Yangpu:** Launching reform in court trials such as submitting written documents and exchanging evidence before trial, sorting out points in dispute, and disclosing judges' conviction
- **Putuo:** Building a professional trial team to improve trial efficiency

Deepening International IP Exchange

☑ In 2019, the 16th Shanghai International Intellectual Property Forum was held under the theme of "enhancing international cooperation in IP protection and building a world-class business environment". Shanghai has been facilitating the operation of World Intellectual Property Organization (WIPO) Arbitration and Mediation Center in the city, as part of its efforts to expand international influence.

☑ The International Symposium on Judicial Protection of Intellectual Property Rights in the New Era was held by Shanghai High Court to conduct specific-topical discussions with experts from the EU. The 3rd Advanced Seminar on Overseas Protection of Intellectual Property Rights in International Trade was held by Shanghai International Trade Service Base for Overseas Intellectual Property Rights Protection in cooperation with British institutions of higher education.

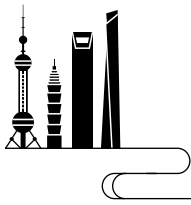
☑ With the support of Shanghai International College of Intellectual Property of Tongji University, Shanghai has forged an international cooperation and talent training agreement in the field of IP with WIPO and other internationally renowned universities and institutes.



Case Study: Action Plan for Strengthening the Protection of Intellectual Property Rights

In April 2020, Shanghai issued the *Action Plan for Strengthening the Protection of Intellectual Property Rights*, which focuses on the task of all-round IP protection. According to the action plan, by 2022, the city's IP protection system will be more complete, general awareness of IP protection will have significantly improved, and the social satisfaction of IP protection will have reached a new high; by 2025, Shanghai's IP system will be fully brought into play in stimulating innovation and optimizing the business environment, and will be a solid international example of IP protection featuring a complete and sound system and a highly favorable environment. The release of the *Action Plan* shows that Shanghai will act in accordance with the highest international standards and best practices to comprehensively improve its capability in IP protection and create a world-class business environment that honors intellectual value.

Source: 1. *White Paper on the Intellectual Property Development in Shanghai 2019*; 2. Shanghai Intellectual Property Administration; 3. *White Paper on the Intellectual Property Trials by Courts of Shanghai 2019*



Providing Superior Talent Services

To further enhance the city's core competitiveness as a global sic-tech innovation center, the Shanghai municipal government is dedicated to pooling exceptional talent. To this end, it has taken systematic measures to attract multi-level innovation talent and address the needs of high-caliber professionals and overseas experts in terms of career development, social security, administrative services, and quality of life.

Convenient Administrative Services for Foreign Professionals

Convenient Visa Procedures

An online application-based service window at the Exit-Entry Administration Bureau of the Shanghai Public Security Bureau is open for eligible foreign workers to apply for work-type residence permits. Appointments can be submitted online at any time, after which the online system will provide an accurate checklist of all documents required for visa issuance. 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. The turnaround time is reduced to just an hour. In a word, this application procedure enables online application at any time and immediate issuance with no need to submit passports.

Employment and Entrepreneurship Support

The Shanghai municipal government has issued a bundle of policies to provide comprehensive employment and entrepreneurship support for foreign professionals and returned overseas students. These include financial support and social security subsidies for starting business, intellectual property protection, "green channel" for residence permit application or household registration and other professional services. At the same time, companies in Lin-gang Special Area of SHFTZ can directly hires outstanding foreign graduates from domestic and overseas universities to work in Shanghai.

Comprehensive Financial Services

Thanks to the efforts of government authorities in coordination with local banks, personal credit cards customized for high-caliber professionals working in Shanghai are available on request through a streamlined application procedure to facilitate domestic and overseas payment. For their convenience, professional service teams are ready to provide a green channel for faster application, and a series of personal client financial services such as the purchase of foreign currencies with salary income and exclusive account managers.

One-stop Talent Services

Shanghai has established the Service Center for International Technology Innovation Talent to provide targeted one-stop talent services for employees working in the AI, IC and biomedicine sectors. As of today, there are as many as 18 services available in the Service Center, including household registration management and services regarding employment. The Shanghai Service Center for Foreigners Working in China has also been established to authorize category A, B and C work permits for expatriates working in China.

Dedicated Apartments

Shanghai is committed to developing market-based leased housing programs. In 2019, 101,000 newly built or transformed housing units and 128,000 private properties operated by government authorities were made available for leasing. A well-regulated, multi-stakeholder market system for leased housing is taking shape, supplying differentiated residence solutions. In addition, in an effort to address young workers' access to residences, the government has allocated more land for leased housing in key employment-intensive dual-function areas for living and industry development and areas near metro stations, to offer dedicated apartments 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
- Experts 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

Mutual Talent Recognition in the YRD Region

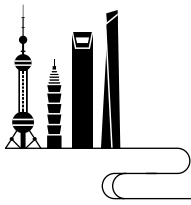
Promoting the sharing of foreign talent in the YRD plays an important role in developing an open mechanism for human resource cooperation and sharing, which will ensure high-quality integrated regional development. In September 2020, measures for the mutual recognition of advanced foreign professionals were adopted in the Demonstration Zone for Integrated Ecological and Green Development of the YRD Region. Related laws and regulations allow for advanced foreign professionals to be offered a work permit for as long as 5 years, and once a foreign professional is recognized in any one of the following regions: Qingpu District in Shanghai, Wujiang District in Suzhou of Jiangsu Province, and Jiashan County in Jiaxing City of Zhejiang Province, he/she will be treated as a recognized foreign professional in all the three locations.

Source: 1. *Implementation Measures for Further Supporting Overseas Students to Start Businesses in Shanghai*; 2. Official website of Shanghai Municipal Government



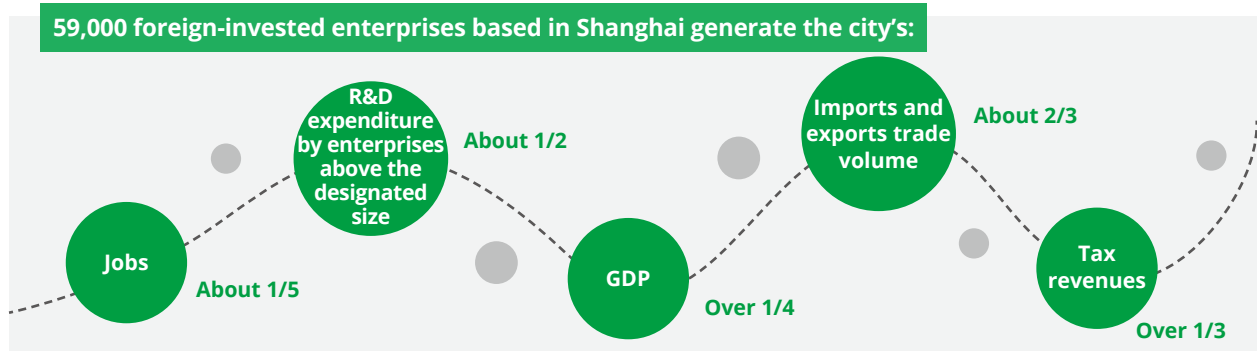
Chapter IV

Business Environment



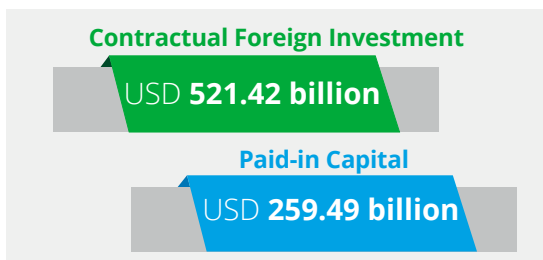
Overview of Foreign Investment

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



Sustained Growth of Foreign Investment

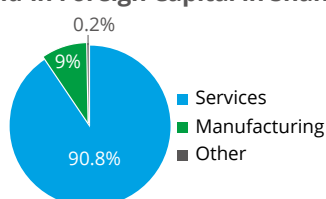
In 2019, Shanghai witnessed the largest number of new foreign-invested projects and paid-in capital. As of the end of 2019, Shanghai had a total of:



Optimized Structure of Foreign Investment

- **The service industry is the main domain attracting foreign capital.** In 2019, Shanghai attracted 6,604 foreign-invested service projects, with paid-in capital increasing by 11.6% year on year to USD 17.29 billion and representing 90.8% of the city's total paid-in capital.
- **The "1+4" pattern of foreign investment is taking shape.** Within the service industry, commercial services attracts the most investment, contributing to 30% of the total paid-in foreign capital in Shanghai. The other four sectors – information services, commerce and trade, financial services and real estate present a balanced development, respectively accounting for 15%, 11%, 11% and 11% of the city's total paid-in foreign capital.

Paid-in Foreign Capital in Shanghai in 2019



Source: 1. Shanghai Municipal Commission of Commerce

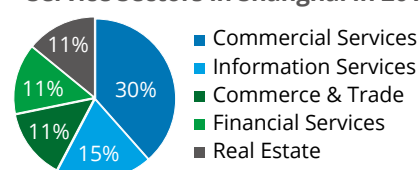
A Wide Range of Overseas Investors

As of the end of 2019, a total of 188 countries and regions had invested in Shanghai. Among them, Hong Kong, Singapore, the Netherlands, Japan, the US, Ireland, the UK, Korea, Germany and France were listed as the top 10 investors (by paid-in capital and excluding free ports), with paid-in capital amounting to about USD 16.79 billion, accounting for 88.2% of the city's total.

In 2019, Asian countries and regions and the US expanded their investment in Shanghai in 2019: The investment from Hong Kong, Singapore, Japan and Korea increased by 18.4%, 61.9%, 4.7% and 86% respectively, and that from the US was up by 29.6%.

- **Commercial services rises as the pillar for attracting foreign investment.** This sector, represented by regional headquarters and holding companies, has seen its paid-in foreign investment grow for four consecutive years. In 2019, the paid-in foreign capital increased by 11.4% from the previous year to USD 5.62 billion, remaining the most favored sector of foreign investors.
- **Technological and information services are building new momentum for the expansion of foreign investment.** Technological services (which offers R&D and technological services to biomedicine, AI and new energy) and information services (mainly composes of "Internet +" projects) are the two fastest-growing sectors and together contributed to 60% of foreign capital growth.

Paid-in Foreign Capital Attracted by Major Service Sectors in Shanghai in 2019



Overview of Regional Headquarters of Multinational Corporations



Over recent years, Shanghai has been improving supportive policies for regional headquarters (RHQs), in line with the new trends in multinational corporation (MNC) development and new rules of international trade and investment, to attract and encourage the establishment of RHQs by MNCs. Aiming to be a metropolis that is home to the largest number of RHQs of MNCs in the Chinese Mainland, Shanghai will make further efforts to fully improve the scale and capacities of MNCs in the city.

Increasing Number of Regional Headquarters



Shanghai hosts the most RHQs of MNCs in China. As of the end of September 2020, Shanghai had attracted:

RHQs of MNCs



Asia-Pacific HQs



Impressive Contributions to Shanghai's Economy

By the end of 2019, the number of RHQs made up 1.2% of foreign-invested companies in the city but accounted for over 17% of the aggregate net profits generated by these foreign-invested companies, contributing substantially to Shanghai's economic growth. The automobile, electronics and electrical engineering, wholesale and retail, chemical and biomedicine industries made particularly remarkable contributions to the total amount of taxes. While the food, biomedicine, chemical and service sectors have seen a leap in the growth rate of aggregate taxes.

Constantly Upgrading Capacities

Encouraged by the constantly upgrading capacities of the RHQs in Shanghai, leading global enterprises are following suit by establishing their headquarters in the city for further development. Now a total of 132 MNCs have located their HQs covering Asia or larger regions in Shanghai, including 19 Fortune Global 500 companies. These MNCs are mainly specialized in the major industries that Shanghai is focusing on such as biomedicine, intelligent manufacturing, ICs, new materials, digital information technology and AI.

Improving Headquarters Functions

Over **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**

Case Study: Cargill's Asia-Pacific Headquarters for Agricultural Supply Chain in Shanghai

In August 2020, Cargill announced that it would set up its Asia-Pacific headquarters of agricultural supply chain in Shanghai, demonstrating its ambition and determination to expand its presence in the Chinese market. Cargill's agricultural supply chain involves the purchasing, storing, transporting, distributing and processing of grains and oilseeds such as wheat, corn, barley, sorghum, as well as vegetable oils and meals.

In recent years, Cargill has made big investments in China, including the Cargill ONE Innovation Center in Shanghai for the R&D of customized flavor to fit Chinese customers' taste buds.

Source: 1. Information Office of Shanghai Municipal Government 2. Shanghai Municipal Commission of Commerce



Overview of Foreign-invested R&D Centers

As of the end of September 2020, Shanghai was home to 475 foreign-invested R&D centers with over 40,000 researchers, ranking first in China. Supported by the clustering of high-end global resources for innovation including capital and talent, the city has established an open innovation system featuring cooperation, collaboration and sharing. Meanwhile, the Shanghai municipal government has introduced relevant policies¹ to encourage foreign-invested enterprises to set up R&D centers and open innovation platforms in Shanghai. The government incentivizes foreign-invested R&D centers to develop global competitiveness to help build Shanghai into a global innovation hub and accelerate its integration into the global innovation network.

A Concentration in High-tech Industries

In Shanghai, foreign-invested R&D centers have concentrated in high-tech industries, such as equipment manufacturing, biomedicine, chemical manufacturing and electronic information. In the biomedicine industry where foreign-funded research hubs are most concentrated in Shanghai, most of the global leading pharmaceutical companies have set up their R&D centers in the city, seeing China as a key market for future business growth.



Examples of R&D Centers in Shanghai Established by Top Pharmaceutical Companies

- **Roche** is the first multinational pharmaceutical company that builds its stand-alone R&D center in Shanghai, which was upgraded into a global innovation hub in October 2019 as the company's third largest strategic center worldwide.
- **Novartis** set up its Shanghai R&D center in 2006, which later became the company's third largest one globally after those of Switzerland and the US.
- **Pfizer China R&D Center** in Shanghai, one of the largest among all R&D centers established by multinational companies in China, is Pfizer's key research hub in the Asia-Pacific region and the whole world.
- **Johnson & Johnson** built its Asia-Pacific innovation center in Shanghai, as one of the company's four external global innovation powerhouses.

Basing R&D Centers in Shanghai to Serve the World

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 example, most of the R&D centers established in Shanghai by top pharmaceutical companies serve the Asia-Pacific region or even the globe. Increasingly more multinational companies base their research hubs in Shanghai that are capable of developing new products for Asia and beyond.

Examples of Other Foreign-invested R&D Centers

- AstraZeneca, a world-leading biopharmaceutical company, upgraded its Shanghai R&D center into a global one and set up an AI innovation center.
- Juno Therapeutics, a global leader in T-cell immunotherapy, collaborated with Wuxi AppTec to build in Shanghai the largest pharmaceutical R&D service platform in Asia.
- Morimatsu set up a R&D center in Shanghai for innovative hi-tech product development, such as smart modular factory and bioengineering system.
- Lear, a world's top five auto parts supplier, established an Asia-Pacific R&D center in Shanghai.



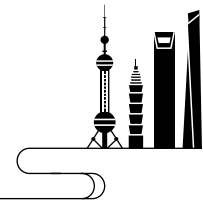
Case Study: Biomerieux China Co., Ltd.

Biomerieux, a worldwide leader in in-vitro diagnostics, established its regional headquarters of Greater China in Shanghai and received authenticated certificates from the Shanghai municipal government in 2018, and set up its Greater China R&D center in the Pudong New Area in 2020. Its revenue in Greater China has ranked second among all regions of the Group. Founded in 1897, Biomerieux is the largest in-vitro diagnostics company in France and the largest one in the world in microbial in-vitro diagnostics. It takes a leading position in pathogen precision diagnosis with overarching medical solutions in terms of microbiology, immunology and molecular biology.

Biomerieux's Pudong-based R&D center is the company's third largest base globally for research, production and operation after those of France and the US. It has teamed up with Fudan University Shanghai Cancer Center, Ruijin Hospital, Huashan Hospital and Shanghai Children's Medical Center to establish R&D centers for scientific research. The abundant medical resources in Shanghai bring significant convenience to the cooperation between businesses and local hospitals.

Note: 1. *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 Science and Technology Innovation Center* (Shanghai Municipal Government Publication [2017] No.79)
Source: 1. Shanghai Municipal Commission of Commerce

Globally Competitive Modern Manufacturing System



A Leading Brand of “Shanghai Manufacturing”

As a traditionally flourishing sector in Shanghai, manufacturing has been a pillar for municipal economic development. In 2019 Shanghai gained about RMB 967.07 billion, or an year-on-year increase of 0.4%, in industrial value added, with its gross industrial output reaching nearly RMB 3.55 trillion, down by 0.3% from the previous year.

Strategic emerging industries in Shanghai have taken the lead in growth. In 2019 they generated a gross industrial output of over RMB 1.11 trillion, and represented 32.4% of the aggregate of the city's enterprises above the designated size. Propelled by a slew of new energy vehicle (NEV) and electronic information projects, the metropolis saw investment into manufacturing and six pillar industries in particular soar by 21.1% and 24.2% respectively year over year.

Rosy Future Shaped by “Intelligently Manufactured in Shanghai”

Following the recent national strategies of developing China into a manufacturing powerhouse and a global innovation hub as well as supply-side reform, Shanghai has been shifting its focus from “Made in Shanghai” to “Intelligently Manufactured in Shanghai”, with an aim of evolving as an incubator for China's intelligent manufacturing applications, a creator of core technology, and a systematic solution provider.

The intelligent manufacturing industry in Shanghai with a total value of over RMB 90 billion in 2019 ranks among the frontrunners in China in terms of industry scale and capacity. Since its transition from automation to digitalization has been primarily completed, the city is in a good position to build unmanned factories.



Specific Industry Directions

Clustering resources for prioritized key sectors to make targeted breakthroughs

Superior Industry Parks

Featuring excellent operation teams and optimized business environment

Sound Industry Ecosystem

Agglomerating enterprises for clustering and space-intensive development

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

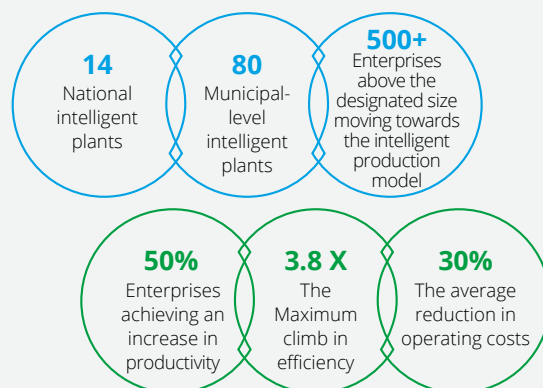
Strategic Emerging Industries

- New-generation information technology
- Intelligent manufacturing equipment
- Biomedicine and advanced medical equipment
- NEVs and intelligent connected vehicles
- Aerospace
- Oceanering equipment
- High-end energy equipment
- New materials
- Energy conservation and environmental protection

Six Pillar Industries

- Automotive manufacturing
- Electronic information product manufacturing
- Complete equipment manufacturing
- Petrochemical engineering and fine chemicals manufacturing
- Quality steel manufacturing
- Biomedical manufacturing

Achievements made in key areas such as automobile and high-end equipment:

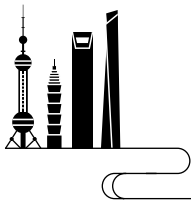


A Nascent Ecosystem of Specialized Parks

Aiming to bring itself to the forefront of science and technology and the uppermost of industry chains, Shanghai announced its plan in 2020 to build 26 specialized industry parks. This initiative will facilitate a high-quality industry development driven by industry parks that feature greater competitive edge and unique positioning.

These 26 specialized industry parks add up to nearly 110 km², each spanning from 3 to 5 km², while enjoying an increased industry land of over 25 km². The parks, defined by the “small yet strong” concept, are dedicated to six major areas of IC, AI, biomedicine, aerospace, new materials, and intelligent manufacturing, as part of the effort to develop Shanghai into a model of industry-enabled urban development.

Source: 1. Transformation and Upgrading of the Manufacturing Sector in Shanghai During the 13th Five-Year Plan Period; 2. Shanghai Master Plan (2017–2035); 3. Policies on Accelerating the Building of Specialized Industry Parks to Attract Industry Investment



Globally Competitive Modern Manufacturing System (Continued)

Moving up the Global Value Chain

As one of the most important industrial hubs in China, Shanghai aims to steer its manufacturing sector towards cutting-edge, disruptive technology and other indispensable high-end areas along the value chain.

“Microchip Factory” – ICs

Shanghai houses one of the most concentrated microchip clusters and boasts the most complete industry chain and greatest technological prowess. The cluster covers everything from microchip design and fabrication to equipment materials and IC package testing.

- Home to over **600** IC companies
- Creating an aggregate investment worth over RMB **300 billion**
- Pooling **40%** of industry talent in the country

“Computing Factory” – AI

Shanghai has seen AI technology come of age and has been recognized as the first pilot zone for AI innovative application in China.

- Home to **1,100+** leading AI companies
- Comprised of industrial enterprises above the designated size which yield an output value of over RMB **140 billion**
- Home to about **100,000** industry professionals

“Cells Factory” – Biomedicine

Shanghai’s sophisticated biomedical industry features abundant innovation factors, advanced supporting infrastructure and strong international presence.

- Contributing **7.4%** to the national economic output by the industry
- Boasting **1/5** of China’s high-caliber experts including academicians from the Chinese Academy of Sciences and Chinese Academy of Engineering
- Received **1/3** of the country’s total approvals for Class-1 Innovative Medicine in 2019

Rapid Biomedical Innovation

- In 2019, the local biomedical industry recorded RMB 383.33 billion of economic output, up by 11.6% from the previous year. Meanwhile, the biomedical manufacturing industry saw a 79% year-on-year increase in fixed asset investment. Innovation is blossoming across the sector;
- At present, biomedical companies in Shanghai are conducting cutting-edge studies into fields such as cancer immunotherapy, cell therapy, gene therapy, innovative medical equipment and next-generation sequencing, constantly enhancing the innovation capability of the industry.

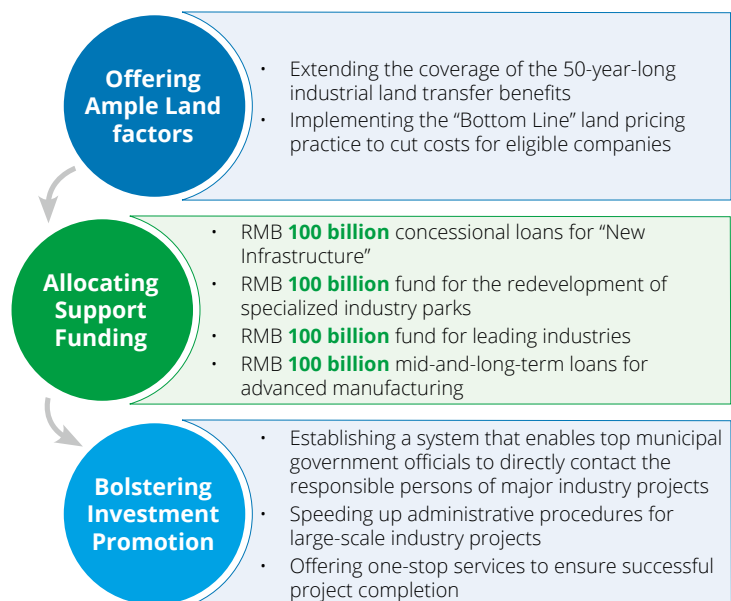
Leading Biotech Companies to Fill the Innovation Gap

- Shanghai MicroPort Endovascular MedTech and seven other companies went public on the STAR Market, making up 26.7% of biomedical businesses listed on the Board;
- Eight companies such as Hrain Biotechnology in Shanghai received 12 (or 57.1% of China’s total) clinical trial approvals for cell therapy;
- In the first half of 2020, Fosun Kite Biotechnology and JW Therapeutics were among the first to file applications for CAR T-cell therapy nationwide;
- Junshi Biosciences launched the first domestic PD-1 immune cell therapy drug and Henlius Biotech launched the first domestic biosimilar drug.

Accelerated Development of New Economic Drivers

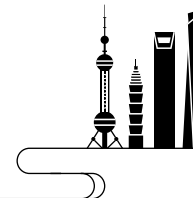
To develop new drivers of economic growth, Shanghai has shifted its focus to “New Infrastructure” and the online economy in 2020. This can be seen through the construction of new infrastructure types such as 5G-powered information infrastructure, AI, Industrial IoT and intelligent connected vehicles.

With a view to directing capital flows and harnessing the leverage effect, Shanghai will provide financial assistance featuring both public and private investment, by setting up four RMB 100 billion earmarked funds dedicated to supporting leading industries, offering concessional loans for “New Infrastructure” development, providing mid-and-long-term loans to major players in advanced manufacturing, and promoting the redevelopment of specialized industry parks. This will ensure that a diverse range of financial facilities are readily available to the real economy.



Source: 1. Circular of Shanghai Municipal People’s Government on Agreeing to Policies on Accelerating the Building of Specialized Industry Parks to Attract Industry Investment (Shanghai Municipal Government General Office Publication [2020] No.31); 2. Action Plan of Shanghai for Promoting Online New Economic Development (2020–2022); 3. Action Plan of Shanghai for Promoting New Infrastructure Development (2020–2022)

An International Trade Center Aligned with High Standards



Faced with continuing trends of economic globalization, Shanghai is building on its advantages as an international trade center. By 2020, Shanghai will have preliminarily built itself into an international trade center with a pivotal role in the network of global trade and investment. Shanghai will optimize the structure of trade for goods and services, and expand the volume of re-export trade, offshore trade as well as digital trade, as part of its efforts to achieve simultaneous development of imports and exports with an equal focus on domestic and foreign trade.

Simultaneous Development of Imports and Exports

In spite of the global trade downturn, **the global and national share of trade handled by Shanghai Port has maintained stable growth in recent years.** In 2019, Shanghai's total import and export volume increased to over RMB 8.42 trillion, **exceeding veteran international trade centers like Hong Kong and Singapore.**

In 2019, Shanghai's import and export volume reached a total of over RMB 3.40 trillion, an increase of 0.1% from the previous year. Specifically, the import volume was more than RMB 2.03 trillion and the export volume was over RMB 1.37 trillion, with high-tech products accounting for 41.2% of the total.

Equal Focus on Domestic and Foreign Trade

Thanks to an open, inclusive and mutually beneficial trade cooperation, foreign-invested companies enjoy a globalized and equitable trading and investment environment in Shanghai. Benefiting from the Belt and Road Initiative and the establishment of the SHFTZ, Shanghai has been more dedicated to international competition and cooperation with greater capacity.

In 2019, the trade volume between countries and strategic node cities along the Belt and Road and Shanghai increased to RMB 764.28 billion, representing 22.4% of the city's total. The trade with economies along the Belt and Road has become a powerhouse for trade growth of Shanghai. By the end of 2019, 188 countries and regions had invested in Shanghai, with the contractual foreign investment from countries and regions along the Belt and Road accounting for 8.2% of the total foreign investment in Shanghai.



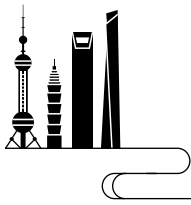
A Cluster of Area for Trade-natured Headquarters with High Capacities and Extensive Influence

Since 2016, 137 trade-natured headquarters have received certificates from the Shanghai municipal government in three batches, and their annual sales have accounted for nearly half of the city's total sales value of commodities. In the first half of 2020, despite the impact of the COVID-19 epidemic, the 137 headquarters achieved positive growth in cumulative revenue, especially in the fields of commodities, automobiles and international trade. Trade-natured headquarters have become a new force for the development of Shanghai's International Trade Center initiative, and also give the city new competitive strengths in its further opening-up.

Moving forward, Shanghai will focus on key areas such as the Lin-gang Special Area of SHFTZ, the Hongqiao Central Business District, the YRD Integration Demonstration Zone and the North Bund, while accelerating the cultivation of a new batch of headquarters. It will give full play to the leading role of trade-natured headquarters to deploy supply chains throughout Asia Pacific and across the globe, with an aim of cementing Shanghai's role as an international trade center.



Source: 1. *Statistical Communiqué of Shanghai Municipality on the 2019 National Economic and Social Development*; 2. Shanghai Municipal Commission of Commerce



An International Trade Center Aligned with High Standards (Continued)

A Highland for the Development of Online Economy

Shanghai has accurately grasped the development trend of online economy, which has been catalyzed by the COVID-19 epidemic, and actively driven the transformational changes of new industries, technologies and models to empower enterprises with more growth potentials by offering greater policy support, thereby creating new momentum for economic development.

In April 2020, the *Action Plan of Shanghai for Promoting Online New Economic Development (2020–2022)* was issued by the Shanghai Municipal Government, focusing on 12 core Internet-enabled areas, i.e. unmanned factories, industrial IoT, telecommuting, finance, entertainment, exhibitions, fresh food e-commerce, contactless delivery, new modes of transport, education, R&D and design, and medical services, with an aim to turning this city into a development highland of online economy through an all-round layout.

- Huawei's one-stop teamwork platform WeLink grew by 80% in telecommuting business, providing quality services for 40,000 companies and organizations in Shanghai;
- Dingdong Maicai, one of China's leading e-commerce platforms of fresh produce and grocery, recorded a revenue exceeding RMB 1.2 billion in February 2020 when the COVID-19 epidemic reached its peak in China;
- Chinese video platform Bilibili's revenue was increased by 69% in the first quarter of 2020.

Case Study: Digital Platform Helping Boost Cross-border Trade Growth

Shanghai Ganglian is a trade-oriented headquarters corporation focusing on big data of the steel industry and related sectors. Its steel spot transaction volume accounts for 34% of the total steel e-commerce settlement volume in China. After the COVID-19 outbreak, Shanghai Ganglian developed an integrated trading platform providing industry-wide digital services including online trading, warehousing and processing, logistics and supply chain finance, offering free online business and telecommuting services for steel traders affected by the epidemic. In the first quarter of 2020, Shanghai Ganglian's steel spot trading volume rose by 15% year on year to about 5.65 million metric tons.

Case Study: Online Marketing Empowering Trade Enterprises to Attract Customers

As a trade-oriented headquarters company, Yonda Group is leading the automobile sales in Shanghai with 61 4S showrooms, taking up a market share of 30%. In response to the slump of consumers to the showrooms due to the COVID-19 outbreak, Yonda set up a new media division to empower online marketing and customer acquisition. With the followers of Yonda's online automobile club increasing from 458,000 to 1.7 million including over 220,000 KOLs following six months of operation, the company has obtained 426 incremental orders through new media channels.

Forging a Vibrant International Consumer Market

In 2019, the gross retail sales of consumer goods in Shanghai recorded a year-on-year increase of 6.5% to nearly RMB 1.35 trillion, **ranking first nationally for the third consecutive year**. Therein, online retail sales reached about RMB 189.65 billion, which was an increase of 15.8% over the previous year and accounted for 14.1% of the total retail sales of consumer goods. As traditional retail businesses are now increasingly facing an inevitable trend of omni-channel digital transformation, which has been accelerated by the COVID-19 epidemic, Shanghai is embarking on a new journey of all-round innovation in business formats, channels, models and commercial scenarios.

Building the Cloud Shopping Brand

As specified in the *Measures for Boosting Consumer Confidence and Unleashing the Potential of Consumer Demand* issued by the Shanghai Municipal Government in April 2020, a package of measures is introduced to fuel consumption in emerging business, recreational activities, vehicles, information and home decoration. Specifically, the emerging consumption focuses on cloud shopping, exhibitions, catwalks and cloud experience, and digital marketing is piloted in key commercial zones and business districts to enhance the visibility of the Cloud Shopping Brand.



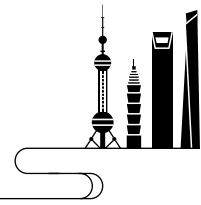
Launching the May 5 Shopping Festival

In May 2020, Shanghai launched a massive consumption-boosting campaign – May 5 Shopping Festival. The shopping spree saw more than 130 key campaigns and over 700 special promotional activities involving thousands of businesses and stores to stimulate consumption, raking in more than RMB 97.7 billion in sales in the first ten days of the event. The spurring growth of online sales and overall rebound of offline businesses driven by this shopping festival has supported and sparked a quick, robust economic recovery of Shanghai.



Source: 1. Official website of Shanghai Municipal Government; 2. *Statistical Communiqué of Shanghai on the 2019 National Economic and Social Development*

An International Financial Center with Complete Factor Markets



2020 is the final year for Shanghai to achieve the national strategic goal of building itself into an international financial center commensurate with the economic strength of China and the international status of RMB. The present status of Shanghai as one of China's financial centers, with financial market system at its core, has been consolidated. As one of the world's leading financial strongholds with complete factor markets, Shanghai is working towards building a diversified global financial market system offering trading, pricing, clearing, and innovation of RMB-denominated financial products. In 2020, Shanghai has for **the first time moved up to the 3rd place among worldwide financial hubs** according to the Global Financial Centers Index 28 (GFCI 28) released by Z/Yen, an independent think-tank from the UK.

Remarkable Achievements in Building Shanghai into an International Financial Center

1

A Global Financial Powerhouse with Concentrated Factor Markets

Shanghai is home to 13 national financial factor markets including stocks, bonds, futures, currencies, notes, foreign exchange, gold, insurance and trusts. In 2019, the turnover of Shanghai's financial markets exceeded RMB 1,900 trillion, and direct financing surpassed RMB 12 trillion.

2

A Major Hub for Chinese and Foreign Financial Institutions

By the end of 2019, Shanghai had more than 1,600 licensed financial institutions, of which 510, or over 30% are foreign-funded. Most of the world-renowned asset management institutions had set up operating branches or offices in Shanghai.

3

A City Boasting a Full Range of Financial Products

Shanghai has successfully launched a range of innovative financial products including Shanghai-Hong Kong Stock Connect, Shanghai-London Stock Connect, Bond Connect, Shanghai Gold Exchange International Board and treasury bond futures. These developments, coupled with innovative cross-border RMB business, investment-loan linkage programs and cross-border ETFs, have provided products and channels for cross-border interconnection of capital.

4

A City with Superior Environment for Financial Development

Shanghai has taken the lead in setting up the first financial court in China, and promulgating the *Regulations of Shanghai Municipality on Promoting the Building of Shanghai into an International Financial Center* and the *Regulations on Local Financial Supervision and Administration in Shanghai* to continuously improve the credit and consumer protection systems. Through those efforts, Shanghai has built a well-developed fintech ecosystem and attracted more than 470,000 financial professionals.

A Hub for Allocating Global Resources

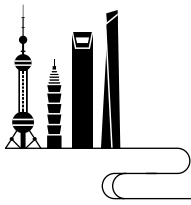
- ✓ **Increasing Global Presence of the Shanghai Pricing System**
In addition to the well-known Shanghai Gold Fix (a gold benchmark price quoted in RMB/g) and the Crude Oil Futures Index of Shanghai Futures Exchange, the Shanghai pricing system includes a series of other price indexes, such as the Shanghai Interbank Offered Rate (Shibor) and the RMB Exchange Rate Index of the China Foreign Exchange Trade System (CFETS), and the Shanghai Key Yield (SKY).
- ✓ **Higher Visibility of the Shanghai Standards**
Shanghai has developed a multitude of international leading financial standards reflecting the indicators and functions of China's financial market, covering important areas such as payment, clearing, pricing, and accounts. These standards have been successively adopted by international financial organizations such as the Global Association of Central Counterparties (CCP12) and the New Development Bank.
- ✓ **Constant Upgrading of Shanghai Capacities**
After foreign-controlled securities companies were successively established by Nomura Orient International Securities and J.P. Morgan in Shanghai, three foreign private equity giants – BlackRock, Neuberger Berman and Fidelity International – applied to set up mutual fund management companies in this city. So far, Shanghai is home to 25 of the 26 foreign-funded private securities investment fund managers in China, becoming a bridgehead for global wealth management institutions to enter Asian markets.

Vigorous Financial Innovation

- ✓ **Building Shanghai into an International Fintech Center**
Financial technology has become a key factor in global financial cooperation and competition due to its vigorous development and profound influence in recent years. In light of this, Shanghai has been committed to building itself into a globally competitive fintech center to empower the financial sector with new technologies. In May 2020, a pilot regulation program for fintech innovation in Shanghai was launched by the Shanghai Head Office of the People's Bank of China.
- ✓ **Facilitating Free Capital Flows**
In recent years, the SHFTZ has been piloting the reform of the integration of domestic and foreign currencies in free trade accounts, in order to facilitate corporate cross-border investment and payment. The Lin-gang Special Area of SHFTZ established in 2019 will further promote the free flow and exchange of capital, and support unrestricted use of joint innovation special funds in the YRD region, which are set up by domestic and foreign investors in the Special Area. Moreover, multinational companies are encouraged to set up global or regional asset management centers, in order to facilitate the free flow of foreign capital.



Source: 1. *Statistical Communiqué of Shanghai on the 2019 National Economic and Social Development*; 2. Shanghai Municipal Finance Bureau



An International Shipping Center Allocating Shipping Resources Globally

Shanghai is set to evolve into an international shipping center with the capacity to allocate global shipping resources by 2020. According to the *2020 Xinhua-Baltic International Shipping Center Development Index Report*, **Shanghai has for the first time ranked top three among international shipping centers, only behind Singapore and London**, entering a new stage of full-fledged development. Looking forward, further efforts will be made to deepen the innovation of shipping system and create an internationally competitive environment for the shipping industry, with an aim to fostering a world-class cluster of ports in the YRD region characterized by collaboration and niche advantages.

Capacity to Allocate Global Shipping Resources

Shanghai has grown into a leading aviation and shipping hub in the Chinese Mainland and even the whole world.

International Container Shipment Hub

Shanghai is the busiest container port in the world with the largest number of container shipping routes, the most frequent sailings, and the widest network coverage. According to the *Review of Maritime Transport* published by the UN Conference on Trade and Development, Shanghai has topped the ranking of the world's best-connected ports for nine consecutive years. In 2019, Shanghai handled a throughput of about 43.30 million TEUs of containers, ranking No.1 in the world for the tenth consecutive year and establishing itself as an international shipping hub.

World-class Cruise Homeport

Through years of development, remarkable achievements have been made in the cruise industry in Shanghai, with two major cruise terminals, namely, the Shanghai Wusongkou International Cruise Terminal and the Shanghai Port International Cruise Terminal in the North Bund area already in place. Now the Shanghai Port has become the largest homeport for cruise ships in Asia and the fourth largest one in the world in terms of passenger throughput. In 2019, China's first Cruise Tourism Development Demonstration Zone was launched in Baoshan District in Shanghai, and the passenger flow of the Huangpu River cruise exceeded five million last year.

Asia-Pacific Aviation Hub

As China's top civil aviation hub in terms of passenger and cargo throughput, in 2019, Shanghai witnessed a passenger throughput of 120 million at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport, ranking No.4 globally for the fourth consecutive year. The two airports also recorded a global leading level of annual cargo throughput last year, with Pudong Airport being the world's third largest airport regarding cargo and mail throughput for the twelfth consecutive year.

Well-timed Development of the Shipping Industry

With a modern shipping service system in place, Shanghai houses a host of internationally renowned shipping institutions and global shipping companies.

- ☑ **International and National Shipping Organizations Clustering:** A number of international and national functional maritime organizations have settled in Shanghai, such as the Asia Maritime Technology Cooperation Center of the International Maritime Organization and the China Shipowners' Association.
- ☑ **Global Shipping Companies and Organizations Agglomeration:** 6 of the world's top 10 ship management institutions, 10 members of the International Association of Classification Societies, 39 liner companies among the world's top 100 and the global top 5 cruise companies have all set up regional headquarters or branches in Shanghai. China COSCO Shipping Corporation, which ranks No.1 globally in terms of comprehensive shipping capacity, is headquartered in the metropolis. Container cranes produced by the world-renowned Shanghai Zhenhua Port Machinery account for more than 75% of the international market.

Accelerated Upgrading of Shipping Services

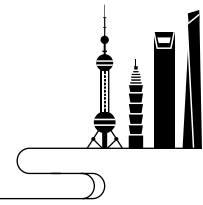
Various functional platforms are established and gradually improved.

- ☑ **Shipping Insurance:** Shanghai currently has 11 shipping insurance operation centers and 3 reinsurance companies, ranking No.3 globally after London and Singapore in terms of the market share of cargo insurance premium.
- ☑ **International Influence:** The Shanghai Containerized Freight Index developed by Shanghai Shipping Exchange has become one of the three major indexes of the global shipping market. The analysis report of the port and shipping industry released by Shanghai International Shipping Institute has a widespread influence on domestic and international shipping sectors.
- ☑ **Maritime Arbitration:** In 2019, the number of maritime law firms and partners in Shanghai ranked the fourth in the world, and the number of maritime arbitration cases in Shanghai accounted for 71.4% of the total in China.

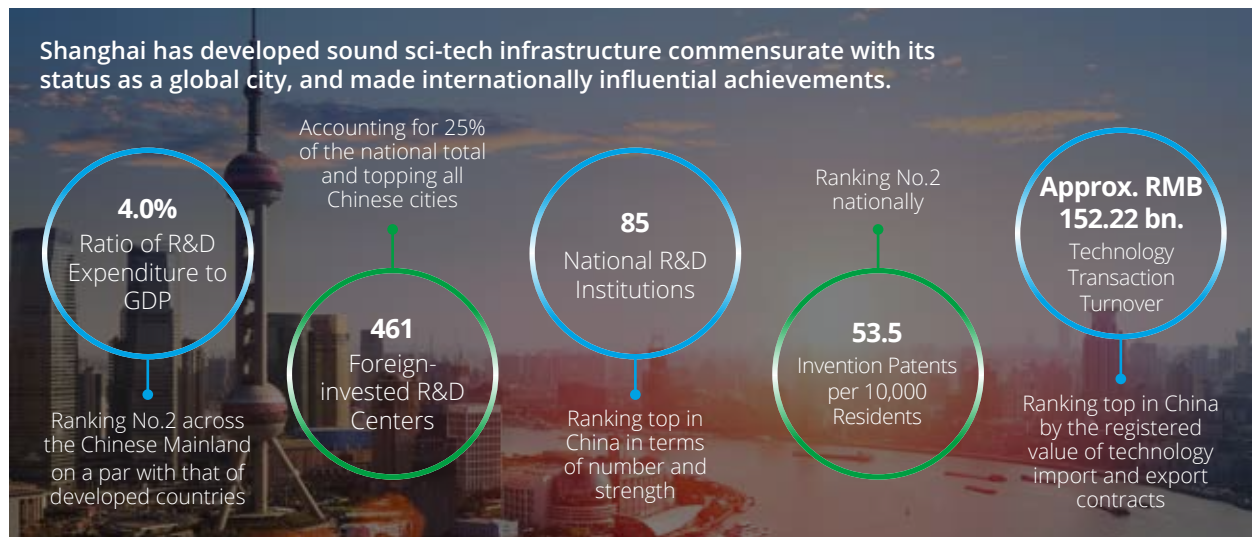


Source: 1. *2020 Xinhua-Baltic International Shipping Center Development Index Report*; 2. *Bluebook on the Development of Shanghai as an International Shipping Center*

A Global Science and Technology Innovation Center



2020 marks the final year for the task of laying a fundamental framework for building Shanghai into a global science and technology innovation center. To this end, Shanghai has been fostering its strategic technological strength, with a focus on the improvement of its capacity for nurturing original innovation. With strengthened innovativeness and improved institutional system, major breakthroughs have been made in critical technologies, giving a strong impetus to the enhancement of the city's urban capacities and core competitiveness.



Note: As of the end of 2019

Constant Development of Originality in Sci-Tech Innovation

Constant Emerging of Original Sci-Tech Achievements

Superior academic achievements: In 2019, 87 articles were published by research professionals in Shanghai on top international academic journals such as *Science*, *Nature* and *Cell*, accounting for 28.43% of the national total. Among *Nature's* Top 10 Papers for the Year of 2019, the two listed articles from China were both written by research staff in Shanghai.

Remarkable R&D achievements: Shanghai boasted 52 National Science & Technology Award-winning technological achievements in 2019, accounting for 16.9% of the national total, and won the Grand Prize of the State Scientific and Technological Progress Award for the first time.

Quickened Fostering of Strategic Technological Strength

A cluster of world-leading sci-tech facilities: Shanghai has built a series of national sci-tech facilities covering photonics, bioscience, ocean, energy and other fields, with Zhangjiang Science City as the major base, where the world's largest and most comprehensive photonic science facility cluster has taken shape.

New R&D institution agglomeration: In 2019, new R&D institutions such as Shanghai Research Center for Quantum Sciences, International Innovation Center of Tsinghua University Shanghai and Human Phenome Institute Fudan University were founded in Shanghai, and the China-Israel Innovation Hub (Shanghai) was launched.

Continuous Improvement of Ecosystem for Innovation and Entrepreneurship

Expedited Cultivation of Sci-Tech Market Players

High-tech enterprises: In 2019, over 5,900 enterprises were identified as high-tech enterprises in Shanghai, bringing the total number of high-tech enterprises to 12,000, among which more than 1,200 are foreign-invested within the valid period for the qualification.

SSE STAR Market: As of the end of 2019, Shanghai was home to 13 of the 70 companies going public on the SSE STAR Market, ranking among the highest nationally. Shanghai has also developed a mechanism to discover, foster and support potential enterprises that could list on the SSE STAR Market, and set up a high-tech company incubator which now contains 1,000 enterprises.

Continuous Enhancement of Innovation and Entrepreneurial Capacities

Innovation and entrepreneurship platforms: As of the end of 2019, Shanghai boasted over 500 makerspaces, including 49 approved national sci-tech company incubators, incubating and serving over 30,000 enterprises and teams involving about 400,000 professionals.

Vibrant innovation and entrepreneurship: Shanghai is flourishing with great innovation and entrepreneurship enthusiasm among citizens and businesses. In 2019, the "Startup in Shanghai" Innovation and Entrepreneurship Competition was attended by 7,255 startup teams – a number that continued to be among the highest nationwide.



Source: 1. Shanghai Report on Science and Technology Progress 2019; 2. Shanghai Municipal Government Work Report 2020



A Global Science and Technology Innovation Center (Continued)

AI Industry Steering onto the Fast Track for Growth

The development of AI has been raised to a prioritized strategy in Shanghai, and AI industries are growing quickly in this city, which has nurtured relatively mature AI technologies and business models and a continuously improving AI innovation environment. As a leader in smart driving and smart robotics in China, Shanghai is playing a significant role in leading the overall growth of the country's AI industries.

Clustering World-class Enterprises and High-caliber Professionals

By the end of 2019, 1,116 core AI enterprises had registered in Shanghai, and the enterprise above the designated size had achieved a total output of about RMB 147.7 billion, up by 10.7% year on year. The city has attracted international tech giants such as Microsoft and Amazon, domestic leading companies including Alibaba and Baidu, as well as other industry leaders including iFLYTEK and SenseTim; and it has also pooled the largest number of high-caliber AI professionals in China, which accounts for over one third of AI experts in the country.

Growing AI Sci-Tech Innovation Platforms

Shanghai has developed a comprehensive system of innovation platforms with different orientations such as basic research, technology transformation, industry support and open source sharing. The most notable among them are Microsoft-INESA AI Innovation Center, foundational research platforms and institutes of Fudan University, Shanghai Jiao Tong University and Tongji University, as well as enterprise-based AI innovation centers established by Amazon, Alibaba, Baidu, and iFLYTEK.

Building a Global AI Application Testing Ground

Shanghai published the third batch of AI application scenarios in July 2020. So far, the city has approved a total of 30 AI application scenarios in ten major fields covering medical care, education, cultural tourism, urban management, justice, and finance. With the establishment of world-class AI applications such as the Zhangjiang AIland and the intelligent connected container truck project in Yangshan Port, Shanghai has moved from an initial stage featuring single scenario pilot programs to expanded use in real scenarios, and shifted the focus from addressing industry pain points to achieving real value and empowering the city.

Pudong New Area: A Core Area of the Sci-Tech Innovation Center

The Pudong New Area has been vigorously involved in sci-tech innovation since its very establishment. As one of the Pilot Zones for AI Application and one of the National Pilot Areas for the Innovative Development of New-generation AI, it has seen AI becoming the strongest driving force for the development of the software and information service industries in the district. Over 500 AI companies had settled here as of June 2020, and the Zhangjiang AIland was recognized as the first demonstration park for the full commercial application scenarios of 5G + AI, showcasing a clustering development trend driven by innovative AI technology.

"Intelligent Connectivity, Indivisible Community"

The 1st World Artificial Intelligence Conference (WAIC) was held in 2018 at the West Bund of Xuhui District, with the mission of finding an international solution to AI development.

Under the theme of "Intelligent Connectivity, Indivisible Community", the WAIC 2020 Summit Online involved a number of public sector leaders, prestigious AI experts, scientists, and industry leaders from around the world in a conversation about the technological frontiers, industry trends and breaking issues in AI, serving as a high-end platform to facilitate cooperation and communication on innovative AI technologies.

The past two WAIC events, featuring diverse and colorful activities such as the International Day, Developer Day and various AI experience projects, attracted nearly 1,000 domestic and international AI business leaders and top scientists, as well as more than 500 leading enterprises, and exhibited over 300 cutting-edge products. By virtue of the WAIC, Shanghai has established an international brand of AI development, giving strong impetus to the development of a nationally and globally leading highland for AI.



Case Study: Pudong International Talent Hub

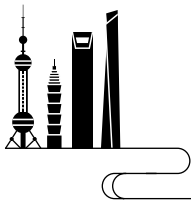
Shanghai has made great efforts in building an open and innovative Pudong International Talent Hub for better allocating human resources while providing comprehensive services for professionals and experts. Located in the central zone of Zhangjiang Science City, the Hub has regularly held high-end forums attended by professionals and experts for exchanging industry experience, sharing technologies, promoting policies and projects, aiming to build an integrated and all-round service platform in support of sci-tech innovations.

Source: 1. Official website of Shanghai Municipal Government; 2. Official website of WAIC; 3. Shanghai Municipal Commission of Economy and Informatization



Chapter V

Infrastructure



Commercial Facilities

Shanghai is well equipped with an abundance of multifunctional commercial facilities, including office buildings, conference and exhibition venues for different purposes, and star-rated hotels offering quality accommodation for business travelers, to satisfy any kind of business needs.

Office Buildings

Shanghai boasts a variety of eco-friendly office buildings complete with an integrated service system. The Lujiazui Financial City has one of the world's highest densities of high-rise buildings, including 285 fully-equipped office buildings like the Shanghai International Finance Center, Jin Mao Tower and Oriental Financial Plaza. Among them, more than 100 buildings host companies which generate a total annual tax revenue of over RMB 100 million.

As of the end of 2019, Shanghai had 13.30 million m² of class-A office building space. This abundance of well-equipped office buildings can meet any corporate need.

Star-rated Hotels

Shanghai boasts one of the largest and densest clusters of high-end hotels in the world. These hotels stand out for their high international standard, vast array of brands and styles, and are able to provide a complete set of services for business and entertainment.

Shanghai is home to 192 star-rated hotels, including the Grand Hyatt Shanghai, Jing'an Shangri-La West Shanghai, Hyatt on the Bund Shanghai, and other international well-known chain brands.

Exhibitions and Conventions

As the city which hosts the most exhibitions and conventions in China, Shanghai attracts many large international events and has been increasingly recognized as a market-oriented professional event center. It has become the preferred destination for global brands to hold business exhibitions and conventions in China.

In 2019, Shanghai held 1,043 exhibitions including 310 international exhibitions and 496 domestic ones. They occupied a total area of about 19.42 million m² and 45 of such exhibitions covered an area of over 100,000 m².

5G City

As shown in the *China Broadband Speed Report*, the average download speed using fixed broadband in Shanghai reached 41.95 Mbit/s, ranking first in the country for six consecutive years.

As for mobile communications, Shanghai has the fastest development of 5G technology in China. As of the end of 2019, it had built over 16,000 macro base stations and 13,000 small indoor stations, **allowing the 5G network to be accessible across the entire central urban area and major suburban areas.**

Leading First-store Economy

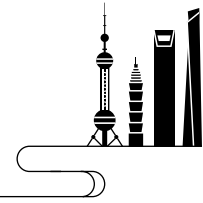
First-store economy refers to an economic norm where a region, by virtue of its unique resources, attracts domestic and international brands to set up their first stores, resulting in benefits to the local economy.

In the first half of 2020, Shanghai attracted 320 first-stores, leading the country in store number and quality. Among these newly-opened stores, 17.5% are international brands, indicating that Shanghai is becoming a favored destination for new global products.

Vibrant Night-time Economy

Night-time economy refers to businesses which operate from 7pm to 6am. In 2019, the city launched the first night safari park in China, 49 special demonstration projects like night museums, late-night bookstores, weekend street fairs, as well as 9 night-time landmark clustering zones. The night-time economy has been a strong force in stimulating consumption and promoting Shanghai's major brand of shopping.

Source: 1. *Statistical Communiqué of Shanghai on the 2019 National Economic and Social Development*; 2. *Shanghai Municipal Government Work Report 2020*; 3. *Guidance on Promoting the Development of Night-time Economy in Shanghai*



As an inclusive city embracing meritocracy, Shanghai proactively recruits global talent with its favorable talent policies. As part of its efforts to build “Five Centers” and remove barriers to the development of talent, the city is endeavoring to attract the most needed top-notch talent in finance and trade, aviation and shipping, and high technology, while establishing a multilevel talent pool to align with corporate needs. Shanghai is also continuously improving its talent development systems featuring well-developed standards, openness and inclusiveness, and efficient operation.

Diverse High-caliber Talent

✔ An Increase of Professionals

In recent years Shanghai has proactively implemented a series of favorable talent policies aimed at attracting high-caliber professionals in different fields, including many engaged in technological innovation and entrepreneurship who have brought high-end technological achievements and leading scientific projects to Shanghai.

Number of Professionals in Shanghai Selected into Talent Programs (As of the end of 2019)

467 in the National Program for Special Support of Eminent Professionals (the Ten-thousand Talents Program)

2,199 in Shanghai Pujiang Talent Program

1,504 in the Shanghai Program for Special Support of Eminent Professionals

540 in Shanghai Talented Youth Development Program

1,656 in Shanghai Sailing Program of Talented Youth in Science and Technology

✔ Pooling of Overseas Talent

Shanghai has been ranked first by foreign professionals in the “Amazing China – the Most Attractive Chinese Cities for Foreigners” competition¹ for seven consecutive years. Shanghai is dedicated to providing a pleasant working and living environment to attract more global talent.

High-level talented minds equipped with technology and innovation skills have been pooled in Shanghai. As of the end of 2019, Shanghai had issued nearly 190,000 work permits for foreign employees, of which about 18% or 33,000 were high-level foreign professionals (Category A), remaining first in the quantity and quality of global talent in China. Since 2018, Talent Visas (the “R Visa”) have been issued to more than 600 high-level foreign experts, the highest in China.



An Ample Supply of Technical Talent

As of the end of 2019, a total of 726 adult vocational training institutions had been established in Shanghai, and 1.73 million certificates for training completion had been issued. The city’s technical talent structure is continuously improving. In 2019, the number of highly-skilled professionals reached 1.15 million. In 2020, highly-skilled professionals are expected to account for 35% of total technical talent.

In 2019, 102 professional technicians were newly listed in Shanghai Talent Cultivation Program of One Thousand Technical Experts, leading to a total of 382 “Shanghai Technicians” selected over four batches from the machinery and electricity, aviation, automobile, architecture, transportation, education, science and technology, and other industries committed to craftsmanship and excellence, they have made tremendous contributions to the development of technical expertise in Shanghai.

A Multitude of Highly-educated Talent

Boasting abundant educational resources, Shanghai has a well-developed talent pipeline for enterprises of all kinds. As of the end of June 2019, Shanghai was home to 64 general institutions of higher learning (independent colleges included), 19 private higher education institutions, 49 institutions offering postgraduate programs and 14 schools for adult higher education.



Some of Shanghai’s Institutions of Higher Education

“Double First Class” Universities

World-class universities and world-class disciplines

Fudan University, Shanghai Jiao Tong University, East China Normal University, Tongji University

An International University

Sino-US partnership, Member of the Sino-Foreign Cooperative University Union

New York University Shanghai

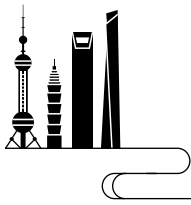
A Research-based University

Co-established by the Shanghai Municipal Government and the Chinese Academy of Sciences (CAS)

Shanghai University of Science and Technology

Note: 1. 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. *Statistical Communiqué of Shanghai on the 2019 National Economic and Social Development*; 2. *Shanghai Report on Science and Technology Progress 2019*; 3. Shanghai Municipal Education Commission



Educational Facilities

Shanghai boasts a well-developed education system and high-quality education resources. The basic education system emphasizes creativity and well-rounded development, while the diverse international education resources provide more options and convenience for foreigners living and working in Shanghai, reflecting Shanghai's international schooling philosophy.

Basic Education

☑ Well-developed Educational System

In 2019, Shanghai was home to 3,253 schools, including 1,670 kindergartens, 698 primary schools, 842 general middle schools, 31 special education schools, and 12 reformatory schools, with a total enrollment of about 2.01 million students.

Shanghai enjoys extensive teaching faculties. By the end of 2019, Shanghai had 134,400 faculty in primary and middle schools and 77,200 in colleges and universities.

☑ Remarkable Educational Quality

Practical Education

In 2019, Shanghai approved and filed over 100 social internship bases for primary and secondary school students. Now, Shanghai is home to over 2,000 such bases.

Innovation Ability

In the Odyssey of the Mind 2020 Virtual World Finals, students from Shanghai won three gold medals, five bronze medals and one Ranatra Fusca award.

Academic Competition

In the 4th International Olympiad of Metropolises, the Shanghai team obtained a gold medal in physics and ranked first place in the team standings.

Creative Teaching Model

In 2020, when the requirement of "ensuring learning uninterrupted when classes are disrupted" was implemented in response to the COVID-19 pandemic, Shanghai was the first city to launch online learning programs for primary and secondary students and also optimized an integrated online and offline teaching model.

For the fall semester in 2020, the city has recorded a total of more than 5,500 quality online lectures covering all elementary courses for over 1.5 million primary and secondary students, enabling the share of high-quality digital educational resources.

International Education

☑ Abundant International Education Establishments

Shanghai is home to a great number of international education establishments. In 2019, 177 institutions and programs (27 institutions and 150 programs) were being run under Chinese-foreign cooperation, among which 158 are degree-granting and the remaining 19 are for non-degree education.

☑ Adequate International Schools

Shanghai boasts abundant educational resources for children of expatriates. In 2019 Shanghai had 37 international schools with a total of 31,768 students.

A Non-exhaustive List of Schools for Foreign Children in Shanghai

YK Pao School

British International School Shanghai

Yew Chung International School of Shanghai

Harrow International School Shanghai

Shanghai United International School, Gubei Secondary Campus

Wellington College International Shanghai



☑ International Vocational Skills Education

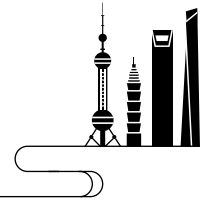
At the end of 2018, Shanghai issued a targeted policy¹ to fully implement the notification and commitment system for establishing Chinese-foreign cooperative for-profit vocational skills training institutions. In 2019, the central government issued a policy² to systematically solve the practical problems of approval and registration of foreign-invested for-profit non-degree language training institutions.

These policies have boosted the development of international vocational skills education. Many famous brands from the USA, Japan and other countries have started skills education in business planning, nursing and other fields in Shanghai, and foreign investors have been increasing their investment in language training institutions, continuously providing highly-skilled personnel for the human resources market.

Note: 1. Circular on Printing and Distributing the Measures for Fully Implementation of the Notification and Commitment System for Establishing Chinese-foreign Cooperative For-profit Vocational Skills Training Institutions in Shanghai (Shanghai Municipal Human Resources and Social Security Bureau Regulation [2018] No.47); 2. Circular on Fulfilling the Work of Approval and Registration of Foreign-invested For-profit Non-degree Language Training Institutions (Circular released by the General Office of the Ministry of Education of China [2019] No.75)

Source: 1. Shanghai Municipal Education Commission; 2. Official website of Shanghai High School; 3. Official website of British International School Shanghai

Medical Facilities



Shanghai has a host of medical institutions that meet the highest domestic and international standards, taking the lead in the development of 11 first-level medical specialties including clinical medicine. As part of the effort to create a “Healthy Shanghai”, the city has established a group of cutting-edge clinical medical centers, key clinical specialties and research-oriented hospitals. Shanghai is building itself into a stronghold in providing world-class medical services and leading the future development of healthcare with its international competitiveness and influence.

Complete Public Health System

On the whole, Shanghai ranks among the top cities in China in terms of its total medical resources and medical development. It has evolved a three-level network of basic medical services, comprising “Community Healthcare Center – District Hospital – Municipal Hospital”. As of the end of 2019, Shanghai was home to 5,610 medical and healthcare institutions of all kinds at different levels, including 387 hospitals and 246 community healthcare centers with a total of 213,300 medical personnel, 77,700 of whom were practicing doctors.

Shanghai has initiated a “Key Clinical Specialties Development Program” whereby 15 clinical research centers and 5 medical cooperative innovation clusters will have been set up by the end of 2020, and each municipal hospital will have its own clinical research institution.

Sound International Healthcare System

Shanghai has steadily improved its international medical services and will gradually include foreign medical services into district-level health planning management. By June 2020, Shanghai was home to 32 foreign-invested medical institutions, including those from Hong Kong, Macau and Taiwan. Due to their distinctive services, some of these medical institutions have become quite popular and well-recognized among foreigners. All of these institutions have signed cooperation agreements with insurance companies to provide international settlement services for medical insurance.



Stepped-up Online Healthcare

The COVID-19 pandemic has catalyzed increasing demand for online healthcare, which is becoming an important part of Shanghai’s medical ecosystem in the post-pandemic era.

☑ Online Hospitals

In 2019, Shanghai issued the *Administrative Measures for Online Hospitals* and the Plan for Piloting “Internet + Nursing Service”. As of September 2020, 26 Shanghai-based online hospitals had provided patients with convenient and efficient diagnosis and treatment services over the Internet, including online consultation and follow-up visits, as well as remote visits and joint consultation.

Moreover, the city has been piloting a program to incorporate the “Internet +” healthcare into the existing medical insurance system, thus further boosting online medical services.

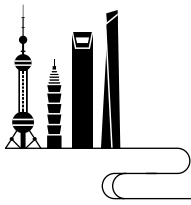
☑ Convenient Healthcare

In response to citizens’ basic healthcare needs and the epidemic prevention and control requirements during the COVID-19 pandemic, the Shanghai municipal government has taken measures to help enhance online epidemic prevention services, build online diagnosis and treatment service platforms and provide full medical services on the Internet, with a view to fostering the development of Internet healthcare industries.

Shanghai is now pushing forward with the use of electronic medical cards in hospitals across the city, so that patients can complete all outpatient procedures such as registration, diagnosis, payment and receiving medicine from the dispensary, only by “swiping” one card.



Source: 1. *Statistical Communiqué of Shanghai on the 2019 National Economic and Social Development*; 2. *Administrative Measures for Online Hospitals in Shanghai* (Shanghai Municipal Health Commission Regulation [2019] No.4); 3. *Implementation Plan for Piloting the “Internet + Nursing Service” in Shanghai* (Shanghai Municipal Health Commission [2019] No.29)



Urban Living Environment

Shanghai has made huge environmental progress, emerging as a beautiful city with a pleasantly livable environment. The new, eco-friendly Shanghai offers its residents an urban living space featuring blue skies, lucid waters and lush trees, as well as a vibrant cultural life with sophisticated cultural and recreational facilities. The metropolis is also home to numerous sporting amenities, which along with hosting various international events and games, inject vigor and enthusiasm into the city. In addition, the various distinctive commercial blocks within Shanghai will undoubtedly create memorable experiences for each and every visitor.

Clean Air and Green Environment

In 2019, Shanghai enjoyed 309 days (84.7% of the year) of good air quality, up by 3.6% compared to the previous year. The average PM 2.5 concentration was 35 µg/m³. Roughly 7,530 hectares of afforestation areas were built in 2019, increasing the city's forest coverage to 17.56%. In addition, 1,201 hectares of green space, 210 km of green roads and 400,000 m² of three-dimensional greening were built in the year, increasing the overall public green space per capita to 8.35 m². Furthermore, Shanghai introduced a set of regulations on household garbage sorting and recycling. The sorting accuracy rate was above 90%, ranking first in China according to the assessment of key cities conducted by the Ministry of Housing and Urban-Rural Development.

Cultural and Leisure Facilities

Shanghai has developed a modern public cultural service system and boasts a variety of cultural and recreational facilities. Major cultural events such as the 12th China Art Festival and the 22nd International Film Festival were successfully held in Shanghai in 2019. As of the end of 2019, the city had 140 museums, 83 art galleries, 23 public libraries and 24 cultural centers at district and city levels, 218 community cultural activity centers, and 5,546 comprehensive cultural activity rooms in residential committees and villages.

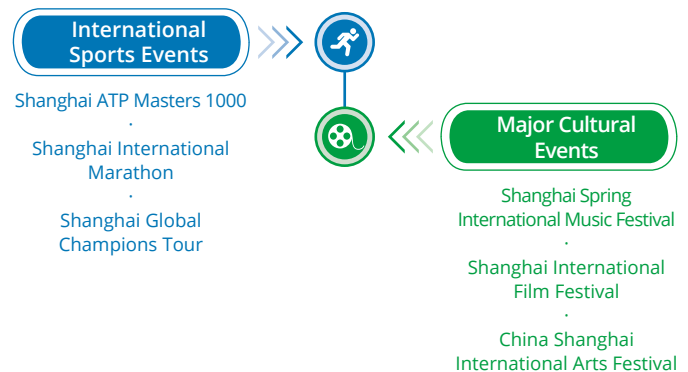
Case Study:

Entertainment Networks on Both Sides of the Huangpu River

The green landscape along the Huangpu River has preliminary taken shape following the completed construction of a 21-km riverside passage and sidewalk in Pudong New Area from the Yangpu Bridge to the Xupu Bridge. Till now seven riverside strolling areas which feature distinctive themes and local cultural elements have been inducted along the River, abounding with remarkable urban landmarks. This has significantly improved the quality of the public space. Efforts will be further made to protect and capitalize on the riverside industrial heritage clusters such as the old industrial belt in Yangpu District and Jiangnan Shipyard in Huangpu District.

Sports Amenities

In 2019, 112 walking trails, 76 ball courts and 345 community fitness centers have been newly built or repurposed from pre-existing facilities in the city. As part of Shanghai's efforts to further improve local living standards and its public services, and develop into a sports metropolis hosting international events, new sporting landmarks, represented by Xujiahui Sports Park, Pudong Football Stadium and Shanghai Citizen Sports Park, are well underway.



Source: 1. *Statistical Communiqué of Shanghai on the 2019 National Economic and Social Development*; 2. Shanghai Landscaping & City Appearance Administrative Bureau; 3. Shanghai Municipal Administration of Culture and Tourism

Urban Living Environment (Continued)



Shanghai is a vibrant megacity endowed with its own distinctive culture, which has developed from the interaction of traditional Chinese Wuyue culture and Western industrial culture. The ancient towns and classical gardens in Shanghai display the city's oriental elegance and cultural heritage; the vintage western-style buildings along the Bund are the epitome of the Old Shanghai glitz and glamour of the 1930s; while the skyscrapers that shape the skyline of Pudong New Area greet visitors with modern vibrancy.



The Color Run

Since its introduction in 2014, The Color Run, renowned as “the Happiest 5K on the Planet”, has brought adults together for relaxation and fun away from their busy work. It celebrates freedom, individuality and courageous love. This untimed event has no winners or ranks, and welcomes participants to show their personalities and recharge their batteries.

8:00



Start a new day with a variety of breakfast foods, either the traditional local dishes made at small diners nestled in the alleys – fried pancakes, fried bread sticks, soybean milk, sticky rice rolls and pan-fried dumplings, or the western-flavors, like a cup of Starbucks coffee and a spongy croissant.



10:00



Discover how Shanghai has changed with time by visiting iconic lanes, the old city area, arts and crafts shops in Tianzifang alley, or masterpieces such as Xinhua Villa, designed by the renowned Hungarian-Slovak architect Ladislav Hudec.



12:00



Enjoy family time in amusement parks such as Shanghai Disneyland, Happy Valley, and Oriental Land near Dianshan Lake, or visit Chongming Island, China's third largest island, across the Yangtze River to enjoy nature and fresh air.



14:00



Get a taste of authentic Shanghai-style delicacies, such as eight treasures with chili sauce, sautéed mashed eel, and red braised pork. Other dining choices sure to satisfy your taste buds include creative French cuisine at a Michelin 3-star restaurant, seafood hot-pot at a historic townhouse, or refined Kaiseki dining in an intimate traditional Japanese setting.



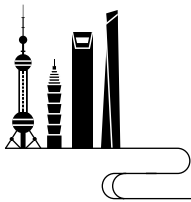
Foods

As an international metropolis with over 100 thousand restaurants, Shanghai offers the best Chinese and global cuisine. It is home to 40 Michelin-starred restaurants and 66 restaurants awarded the Michelin Plate. The city also brings together 16 regional cuisines of China, fulfilling every discerning appetite in both high-end restaurants along the Huangpu River and small diners hidden in the alleys.



Audio-visual Experience

Home to over 300 cinemas and theaters and 329 art troupes, Shanghai offers more than 2,600 performances throughout the year ranging from Chinese and foreign classics to pioneering literary and artistic works, amazing audiences from all over the world with best audio-visual experience.

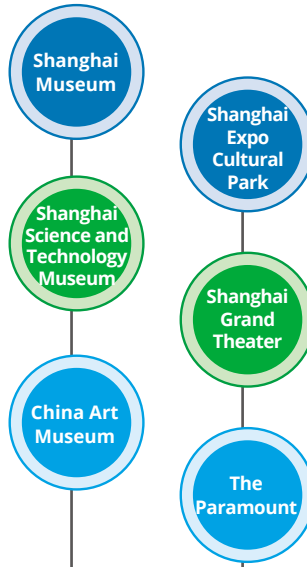


Urban Living Environment (Continued)

Shanghai Museum, a leading museum of ancient Chinese art, boasts a collection of over one million artefacts, including bronzes and delicate ceramics laden with time-honored history.

Centering on “Nature, Mankind and Technology”, Shanghai Science and Technology Museum attracts numerous visitors – especially technophiles – and it is the first domestic science and technology museum certified to meet ISO9000/14000 quality and environmental standards.

China Art Museum, previously the China Pavilion of Expo 2010, houses an abundance of collections in its 70,000-m² exhibition space. The contour design of the Pavilion is based on the concept of “Oriental Crown, Splendid China, Ample Barn and Rich People”, expressing the spirit and disposition of Chinese culture.



The Shanghai Expo Cultural Park is planned to be built into an ecological, natural and sustainable park where visitors can tour four Shanghai Expo pavilions and enjoy beautiful music from the Shanghai Grand Opera House and captivating water scenery along the Huangpu River.

Since its opening, Shanghai Grand Theater has staged a variety of performances by world-class performing troupes and renowned musicians from all around the world. Enjoy yourself in Shanghai Grand Theater with classic musicals and discover the charms of Chinese opera and folk art.

Crowned “the First Music House of the East”, the Paramount is a comprehensive entertainment venue in Shanghai that features a blend of modern and old-fashioned styles, where you can enjoy gentle melodies and slow dancing surrounded by old Shanghai glamour of seven decades ago.



16:00

Vist one of the bustling shopping destinations that abound with glittering stores, including Lujiazui Center L+Mall, Jing’an Joy City, K11 Art Mall, Plaza 66 and Shanghai Outlets. These are examples of the top venues where famous international brands hold product releases.



18:00

Discover the cultural charms in Shanghai’s museums and entertainment venues, listening to an exciting orchestra in Shanghai Symphony Hall, appreciating Shakespeare’s classic plays at Shanghai Oriental Art Center or enjoying yourself at MOCA Shanghai and Mercedes-Benz Arena.



20:00

Delight yourself with various modern western architectural styles, the so-called “exhibition of the world’s architecture” and a charming Shanghai silhouetted by blinking neon lights in a walk along the Bund, a sight seen from the Garden Bridge over Suzhou Creek, or a cruise tour on the Huangpu River at the sunset.



22:00

Enjoy superb nightlife to the fullest in dazzling themed bars along Hengshan Road, Huaihai Road, and Daxue Road, as well as in the Xintiandi commercial block. Be it luxurious or elegant, these distinctive bars will surely offer you an unforgettable memory.



Traveling

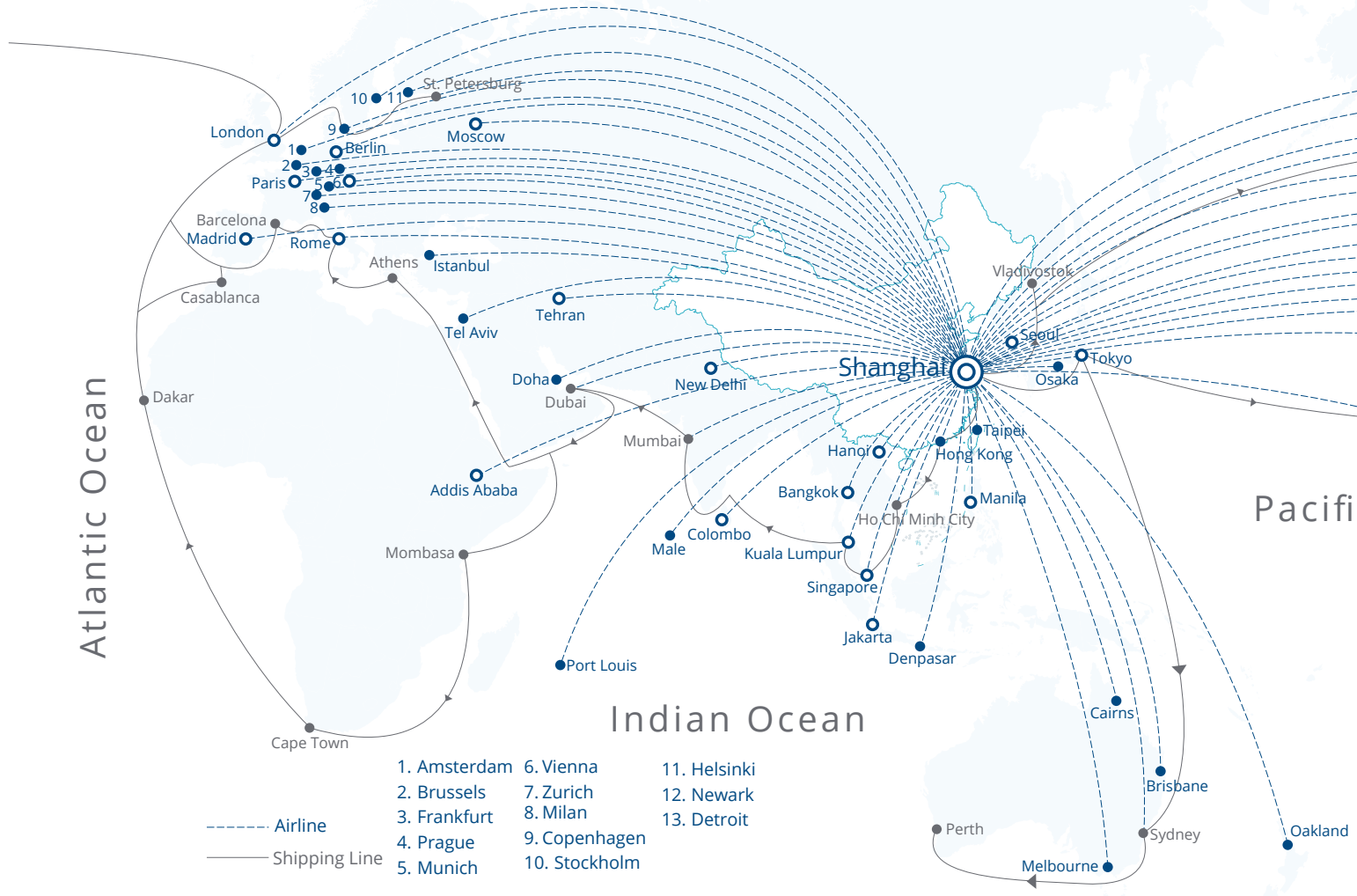
Shanghai is where visitors can find a perfect blend of modern designs with classical heritage, whether they are in shopping destinations such as Tianzifang tourist alley and Xintiandi block, business centers such as the Shanghai Tower and the Oriental Pearl TV Tower, or cultural attractions such as Zhujiajiao ancient town and Guangfulin Relics.



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. In addition, a number of bars with distinctive themes help locals and tourists alike enjoy their nightlife to the fullest.

As China's largest economic center and a central city conveniently located beside the Yangtze River Estuary in Eastern China, Shanghai boasts vast hinterlands and a multimodal transportation network made up of airways, waterways, highways, and railways. These advantages have put Shanghai on the path to becoming a competitive and charming global metropolis dedicated to sustainable development.

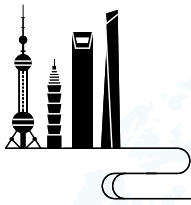


Shipping

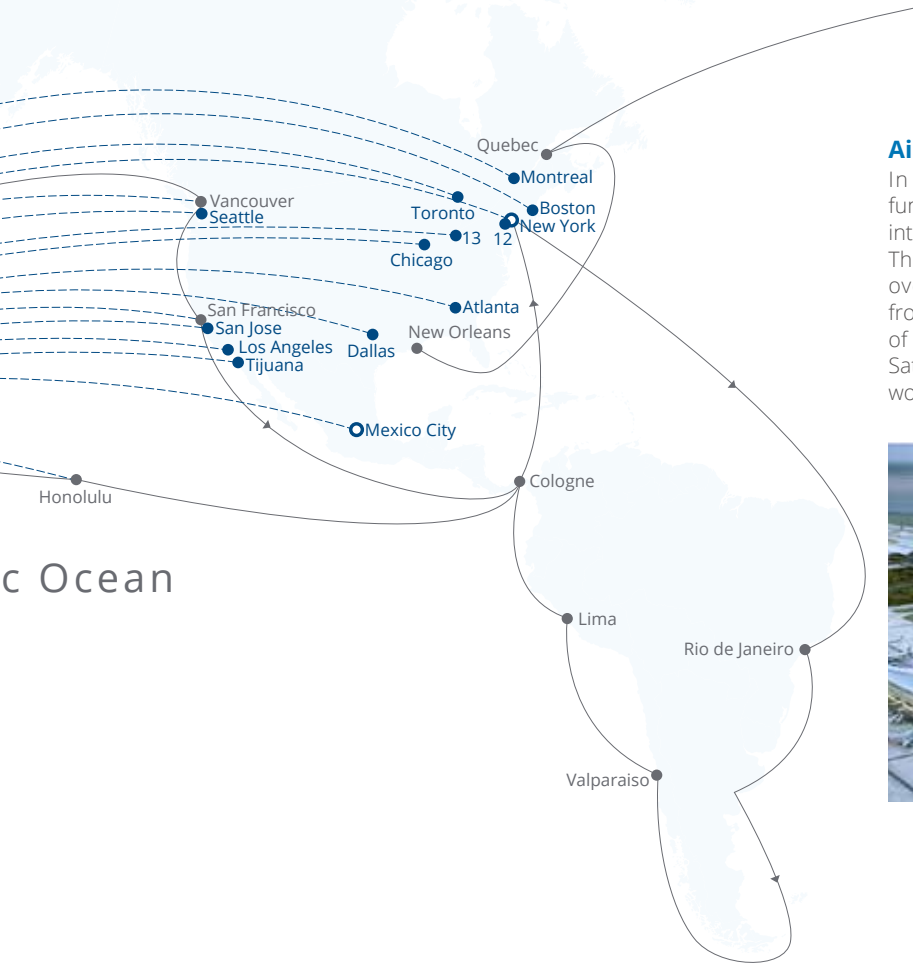
Shanghai's prosperity is closely connected to the prosperity of its port. In recent years, Shanghai has accelerated the development of its shipping industry, with a view to evolving into an international shipping center with the capacity to allocate global shipping resources by 2020.

As the world's largest container terminal, Shanghai Port has fueled local economic growth by leveraging its intermodal transport network, enhancing connectivity along the maritime Silk Road as well as international economic and trade cooperation. In 2019, the Port handled a cargo throughput of 717 million metric tons and a container throughput of about 43.30 million TEUs, ranking No.1 in the world for the tenth consecutive year.

Source: 1. Shanghai Annual Report on Its Integrated Transportation Network 2019; 2. Shanghai Municipal Transportation Commission

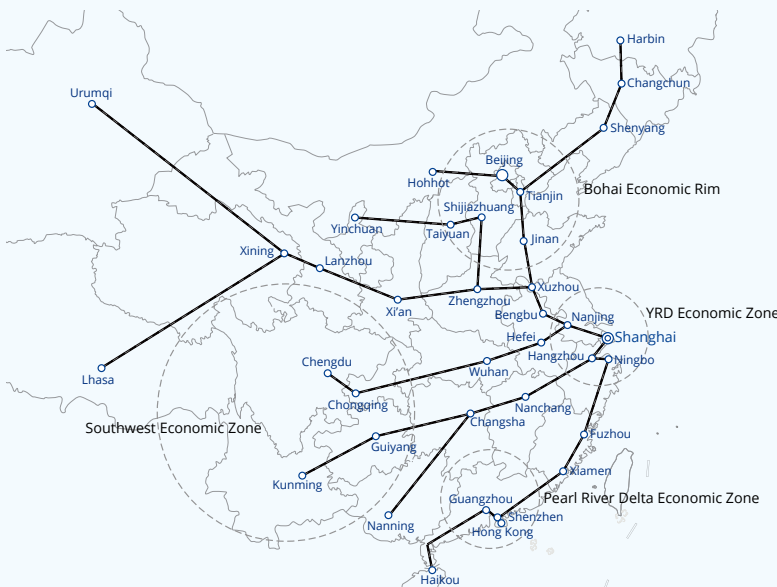


Transportation Networks



Air Transportation

In September 2019, the world's largest and most functional single-building satellite terminal has been put into operation in Shanghai Pudong International Airport. This 620,000-m² terminal will enable passengers to board over 90 percent of domestic and international flights from boarding bridges directly, ushering in a new chapter of an integrated operation mode of "Terminal Building + Satellite Hall" and laying a solid foundation for building a world-class hub airport.



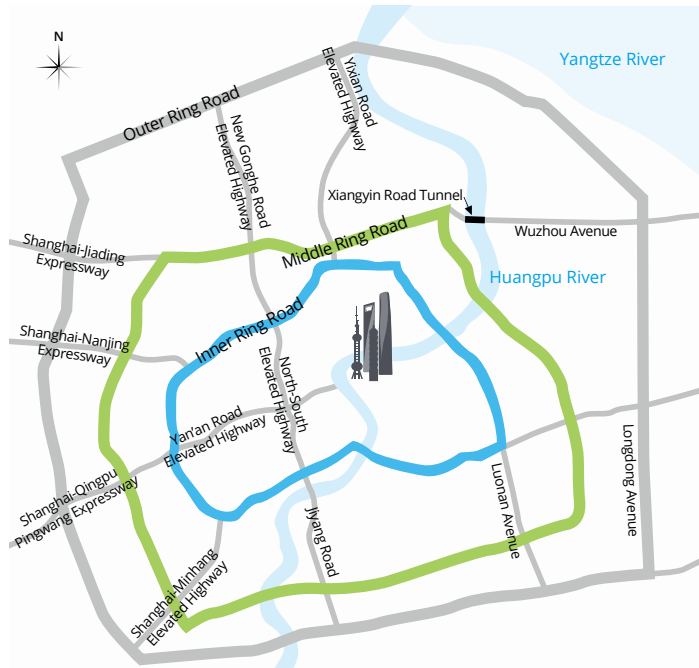
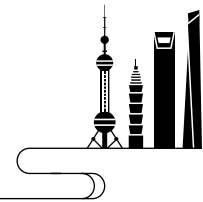
Rail Transportation

The YRD is home to China's densest, most sophisticated high speed rail network, and the Shanghai rail hub is the largest in Eastern China, serving as the departure point for a host of trunk lines including the Beijing-Shanghai, Shanghai-Ningbo, Shanghai-Hangzhou and Shanghai-Kunming Railways.

In 2019, the city handled nearly 222 million passenger journeys and about 1.10 billion metric tons of goods delivered by all transportation modes. In the context of the integration of the YRD region, which has been raised to a national-level strategy, Shanghai is developing a railway network connecting the downtown area as the core to its suburbs and neighboring towns and cities in the region. With the Shanghai-Suzhou-Huzhou and Shanghai-Nantong railways which are currently under construction, Shanghai's railway transport system will play an even bigger role in the high-quality integration of the YRD region.

Source: 1. Shanghai Annual Report on Its Integrated Transportation Network 2019; 2. Shanghai Municipal Statistics Bureau; 3. Shanghai Municipal Transportation Commission

Transportation Networks (Continued)



Grid Road Network

Shanghai's extensive road network enables direct and fast access to destinations inside and outside the city. As of the end of 2019, Shanghai had a total of 13,000 km of roads, including 845 km of expressways with level crossing traffic of about 1.15 million vehicles per day. The city continues to increase the convenience and accessibility of its road network, as demonstrated by the citywide expressway ETC project. Looking ahead, Shanghai plans to build an integrated road system to improve the overall efficiency of its transportation networks and further upgrade its integrated transportation system.

Widespread Rail Transit Network

Shanghai also boasts an extensive metropolitan rail transit network. As of the end of 2019, the city was served by 415 metro stations and 17 operational metro lines totaling 705 km, the longest rail transit system in the world. Meanwhile, another 104 km of transit railway is under construction, with a completion rate of 40.8%. The average daily ridership of Shanghai's rail transit system records 10.64 million, accounting for 65% of total public transportation. In addition, the city's extensive transit network has made trips to and from its bordering areas more convenient. For example, the working day passenger flow in the Huaqiao section (in Jiangsu Province) of Line 11 has exceeded 60 thousand. An inter-city transportation corridor connecting Shanghai and Suzhou and Taicang in Jiangsu Province has taken a general shape.



Measures to Improve Shanghai Urban Rail Transit Operation

- ☑ The congestion mileage has been reduced to about 13% of the total operational mileages through measures including putting more trains into operational lines and shortening the interval between trains.
- ☑ Operation hours have been extended on weekends and holidays.

Sources: 1. Shanghai Comprehensive Transportation Performance Annual Report 2019; 2. Shanghai Metro; 3. Shanghai Bureau of Road Transportation



Chapter VI

Summary and Prospect

Summary and Prospect



Throughout its history from a small town alongside the Huangpu River in southeastern China to an international metropolis of great importance in the Asia-Pacific region, the secret to Shanghai's miraculous success has always been opening-up. In support of China's new round of reform and opening-up initiatives, Shanghai is further leveraging its inherent openness, innovation-driven development and enabling services, and working jointly with its neighboring cities to facilitate the development of the whole country and even the Asia-Pacific region, and to connect China with the rest of the world. It stands out as a city of abundant opportunities for foreign investors and entrepreneurs.

An Open and Vital Market

Shanghai serves China as the pivot of the world-class city cluster in the YRD region and the heart of the Shanghai-Hangzhou-Ningbo Bay Area, which is home to the G60 Science & Technology Innovation Valley. Meanwhile, it serves the world as a new international economic, financial, trade, shipping, and sci-tech innovation center. Having enjoyed the benefits of opening-up since the first day the policy was implemented, Shanghai is the primary destination for international investors and business operators, and the No.1 megacity in the Chinese Mainland in terms of the amount of foreign investments, the number of regional headquarters of transnational corporations and the comprehensive competitiveness.

Since the beginning of 2020, the Shanghai municipal government has promulgated concrete opening-up policies such as the *32 Measures to Promote Investment* and the *24 Measures to Stabilize Foreign Investment*. As it expands the policy and resource support towards more industries, unprecedented opportunities to benefit from and contribute to the city's "Five-Center" initiative are unleashed for a wider range of foreign invested businesses. Openness makes the city inclusive as the ocean embraces all streams. Thanks to the institutional reform and innovation for greater openness, Shanghai is continuously perfecting its high-quality development model.

A Cradle of Sci-Tech Innovations

As the saying goes, "many a little makes a mickle." Shanghai is steadily building itself into a powerhouse clustering global innovation resources. When visiting Shanghai in November 2019, President Xi Jinping set a high goal for the city: to lead the world in discovering scientific laws, inventing new technologies, establishing innovative industries and practicing emerging concepts.

Supported by an increasingly optimized package of sci-tech policies, a number of original sci-tech achievements of great influence have emerged, and a world-class large-scale research facilities hub is taking shape in Shanghai. In the coming years, the government will continue to carry out institutional reforms to better facilitate scientific research projects and help companies commercialize their R&D results. This will make the city a cradle of innovations sitting at the forefront of global sci-tech development. Key to Shanghai's pursuit of excellence, innovation is propelling the Shanghai Model characterized by inclusive and win-win cooperation.

A Dreamland for Global Talent

A high-caliber workforce is a key driver to local industry growth, business headquarters gathering and science and technology development. Leveraging its well-developed talent ecosystem, Shanghai has inclusively welcomed talented professionals worldwide. It provides them with comprehensive services, policy support, and diverse job opportunities created by its numerous industry clusters, guaranteeing them a stage to fulfill their career dreams. As a result of these persistent efforts, Shanghai has maintained its competitiveness as the most attractive Chinese city where international professionals can find best opportunities for their career development. Today, talented people from China and beyond are filling the city with wisdom in all fields, and injecting tremendous momentum into local development.

An Ever-enabling Business Environment

Business environment reforms are designed to ensure that businesses can operate smoothly and have a better experience. With their satisfaction in mind, the government has implemented numerous measures to transform Shanghai into one of the best global economic centers featuring convenient trade and investment, efficient and standardized administrative services, and an open environment governed by laws. In recent years, the city has been a pioneer in policy and service reforms in China, offering comprehensive and multidimensional policy support to foreign investors, and pushing ahead reforms to facilitate free trade in accordance with the highest international standards. All-round services provided at impressive speeds are a testament to Shanghai's magnificent generosity.

Afterword

The *White Paper on Environment for Foreign Investment in Shanghai* ("White Paper") is published 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 Education Committee, Shanghai Municipal Human Resources and Social Security Bureau, Shanghai Municipal Bureau of Planning and Natural Resources, Shanghai Municipal Bureau of Ecology and Environment, Shanghai Municipal Transportation Commission, Shanghai Municipal Administration of Culture and Tourism, Shanghai Municipal Health Commission, Shanghai Municipal Market Supervision Administration, Shanghai Municipal Financial Regulatory Bureau, Shanghai Municipal Statistics Bureau, Shanghai Landscaping & City Appearance Admin-

istrative Bureau, Shanghai Intellectual Property Administration, Shanghai Pudong New Area Government, SHFTZ Lin-gang Special Area Administration, and Shanghai Hongqiao Central Business District Administrative Committee. 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**. Engaged by the Shanghai Municipal Commission of Commerce, Deloitte has developed this brand new 2020 White Paper featuring a professional, objective and all-round analysis and overview. Inheriting the features of previous editions, this year's edition is more readable and professional as a greater focus is put on appeals of companies and opportunities that foreign investors can tap into in Shanghai against the backdrop of profound changes unseen in a century, which are presented in an international perspective and supported by typical examples.

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. Comments and suggestions will be greatly appreciated.

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