

2019

White Paper

On Environment
for Foreign Investment
in Shanghai

Edited by Shanghai Municipal Commission of Commerce







Preface

"On the journey forward, we will stay on the path of peaceful development, and pursue a mutually beneficial strategy of opening up," pledged Chinese President Xi Jinping at the grand rally in celebration of the 70th anniversary of the founding of the People's Republic of China (PRC). "We will continue to work with people from all countries to push for jointly building a community with a shared future for humanity."

After 70 years of development since the founding of the PRC in 1949, China has become the world's second largest economy and achieved a series of awe-inspiring breakthroughs globally recognized as the "Chinese Miracle", while significantly contributing to the promotion of peace, development and international order across the globe.

Over the past seven decades, Shanghai has been forging ahead as a trailblazer in many areas. The local GDP and GDP per capita soared to RMB 3.268 trillion and RMB 135,000 respectively in 2018 from RMB 2.028 billion and RMB 274 in 1949. Occupying less than 1% of China's land area, the city contributes nearly 10% of the national tax revenue. While it operated only 44 bus lines in 1949, Shanghai is now a world-class metropolis well served by 1,543 bus lines, a highway and urban expressway network of over 1,000 km, and a railway network of over 700 km for metro and high-speed train services, in addition to overpasses and airports.

Shanghai has progressed in pace with the modern development of China. In 2018, it ranked first among all port cities in the world in the total value of import and export goods (USD 1.29 trillion), and for the ninth consecutive year in container throughput (42 million TEUs); its air passenger throughput reached 117 million, ranking No. 4 globally; and it generated a financial market transaction volume of over RMB 1,600 trillion, demonstrating its role as a major global factor market with the largest cluster of financial institutions. Shanghai has also established a globally competitive sci-tech and industry system evidenced by the success in R&D and manufacturing of cutting-edge products such as large passenger planes, "made-in-China" microchips, innovative medicine,

smart manufacturing, and futuristic vehicles, which shows the city's strong innovation capabilities in propelling economic growth.

Unswervingly upholding the opening-up policy along its development path, Shanghai has created and perfected its own ways of embracing opportunities and challenges. It has led the way in establishing China's first state-level development zones, enforcing China's first local regulations on foreign investment, operating the first joint venture retail business in China, and setting up China's first pilot free trade zone. As a pioneer in the national initiative of reform and opening-up and the top city in the Chinese Mainland in terms of the amount of foreign investments and number of regional headquarters of transnational corporations, Shanghai has become a new growth pole on the global market and an accelerator for the development of multinational corporations.

Building on the tremendous achievements over the past 70 years, Shanghai is now ready to embrace an even more fulfilling future. Following the emerging global trends, Shanghai is committed to developing itself into a global city of excellence consistent with China's overall national strengths and international standing; an attractive city featuring a sound ecosystem, rich culture, and dynamic innovation; a socialist modern metropolis of international prestige; and a leading city in the globally influential world-class city cluster in the Yangtze River Delta (YRD) region. As was called for at the 7th Plenary Session of the 11th Shanghai Municipal Committee of the Communist Party of China (CPC), efforts are being made in the city to achieve the "Three New Missions", ensure the successful preparation and hosting of the second China International Import Expo (CIIE), and accelerate the progress of the "Five-Center" Initiative. To fulfill the new missions in the New Era, Shanghai, favorably positioned in the wave of development, will continue to act in accordance with the highest international standards and best practices to be a forerunner in a new round of reform and opening-up, showing greater courage, resilience and persistence to overcome all new challenges.

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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 featured by a remarkable soul of diversification and inclusiveness, where thousand-year-old towns and modern high-rise buildings co-exist, the charming elegance of the East is blended with the open passion of the West, and the traditional legacy is preserved through innovative and creative inheritance. Shanghai is attractive as a wondrous metropolis that seeks harmony in diversity and shares the beauty of all cultures.

Highlights of Shanghai

- An Alpha+ global city¹ & one of the world's top 10 megacities
- 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.5 in the Global Financial Centers Index²
- One of the world's top 10 financially competitive emerging-market cities³
- One of the world's 10 most economically vibrant cities⁴
- No.1 in the China Financial Centers Index in terms of comprehensive competitiveness and financial market scale⁵
- The world's largest gold trading center
- The world's second largest diamond trading center

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. The YRD urban agglomeration, one of the six largest city clusters in the world, is being developed in Shanghai and its neighboring cities in Jiangsu, Zhejiang and Anhui Provinces. Equipped with a multi-level transportation network, Shanghai is welcoming all visitors from around the world. At the first China International Import Expo (CIIE), President Xi Jinping set “Three Missions” for Shanghai: expanding the SHFTZ with a new area included; launching a science and technology innovation board at the Shanghai Stock Exchange (SSE) and piloting the registration-based IPO system; and promoting the integrated development of the YRD region as a national strategy. The “3+1” system focusing on the “Three New Missions” and the CIIE has thus been developed as a new powerhouse to drive the further opening-up of Shanghai.

A Courageous Sailor of the Boat Towards the Future

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

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



Note: 1. Released in November 2018 by the Globalization and World Cities Research Network (GaWC); 2. Released in September 2019 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 February 2018 by *fDi Magazine*, a *Financial Times* publication; 4. 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); 5. China Financial Centers Index (CFCI 10) released by China Development Institute

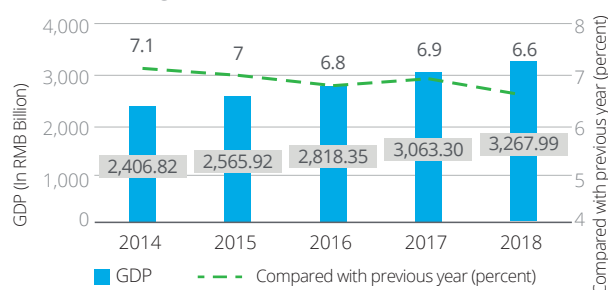
Overview of Economic Growth



An Economic Leader in China

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 2019, Shanghai achieved a GDP of RMB 1.640994 trillion, an increase of 5.9% over the previous year. Since 2017, Shanghai has realized an economic aggregate of over RMB 3 trillion for two consecutive years, becoming the first city in China to achieve this level.

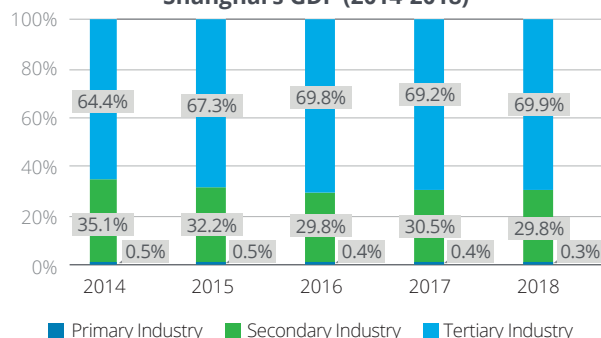
Table 1: Shanghai's GDP and Its Growth (2014-2018)



Continuously Optimized Economic Structure

In 2019, Shanghai maintained steady overall economic growth with good momentum. Driven by its improved economic resilience and inclusiveness, this vibrant city exhibited high-quality development momentum.

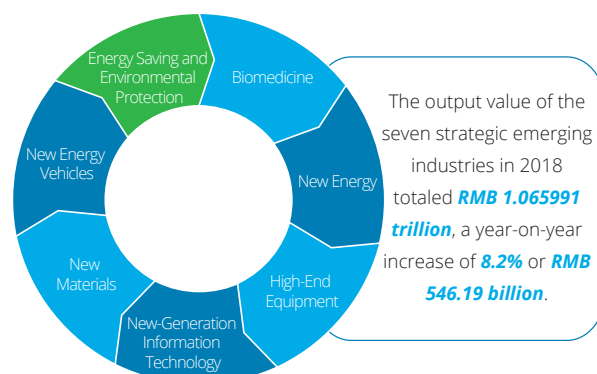
Table 2: Proportion of the Three Industries in Shanghai's GDP (2014-2018)



Sound and Speedy Industrial Development

In the first half of 2019, Shanghai's industrial value added reached RMB 469.99 billion, and investment in the second industry increased by 17.0% year on year, achieving a double-digit growth rate for 15 consecutive months. The six traditional pillar industries, namely automotive manufacturing, electronic information manufacturing, biomedicine, complete equipment manufacturing, quality steel production, and petrochemicals and fine chemicals production, saw a rise of 34.9%.

In line with the transformation of the manufacturing industry towards becoming greener, smarter and technology-driven, Shanghai has stepped up the transformation and expansion of the manufacturing sector by utilizing improved technologies, "Internet +", big data and artificial intelligence, further strengthening the "Shanghai Manufacturing" brand.



Remarkable Growth in the Service Industry

In the first half of 2019, added value from tertiary industry increased by RMB 1.167318 trillion or 9.1% over the last year, contributing to 71.2% of local economic development. This indicates the dominant role played by the service industry in the development of a modern industry structure in Shanghai, and its role as a continuing economic driver. At the same time, E-commerce enjoyed remarkable growth as proved by its total trade volume of RMB 1.527 trillion, an increase of 16.9% over the previous year.

Table 3: E-commerce Trade in Shanghai (2018)

Category	Total Trade Volume	Proportion of Total E-Commerce Trade Volume	Rate of Year-on-year Increase
B2B	RMB 1.85526 trillion	64.10%	14.10%
Online Shopping	RMB 1.03856 trillion	35.90%	29.70%

Source: 1. Shanghai Statistical Yearbook (2018); 2. Statistical Communiqué of Shanghai on the 2018 National Economic and Social Development; 3. Shanghai Municipal Government Work Report 2019; 4. Economic Development Data of Shanghai in the first half of 2019 officially released by Shanghai Municipal Statistics Bureau



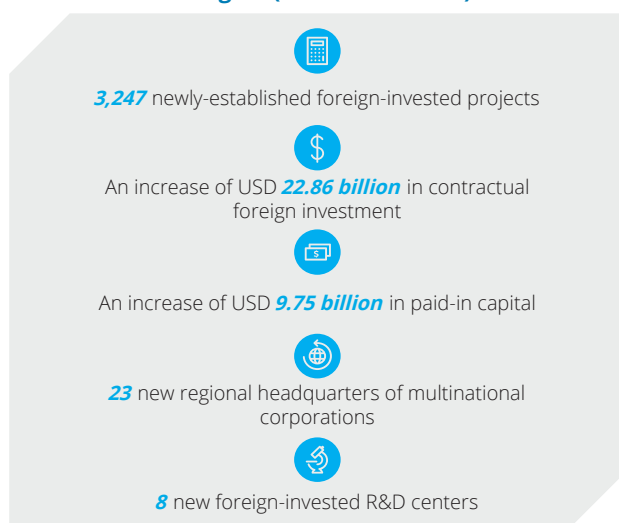
Overview of Economic Growth (Continued)

Increasing Attractiveness for Foreign Investment

In recent years, Shanghai has continued opening 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.

In the first half of 2019, the number of newly-established foreign-invested projects, contractual and executed FDI in Shanghai, increased by 49.2%, 6.3% and 13.9% respectively compared with a year ago. As of June, Shanghai had introduced more than 100,000 foreign-invested projects, and created a cluster of functional institutions, including headquarters, R&D centers, and holding companies, ranking top in China.

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



Burgeoning Import and Export Trade

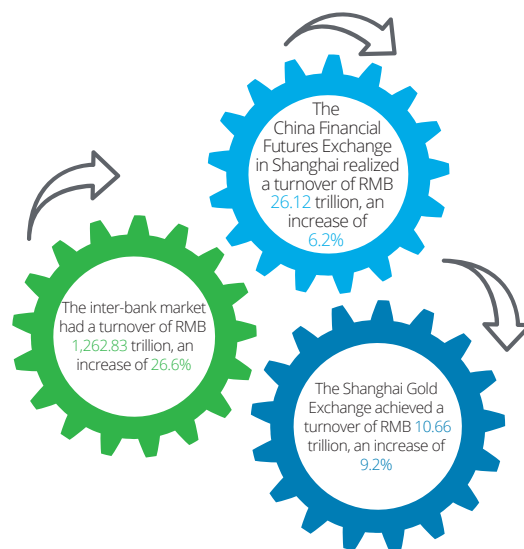
In the first half of 2019, the import and export volume of goods trade in Shanghai grew rapidly to **RMB 1.586402 trillion**.

- Major external trade markets are European Union, the US, Japan and Hong Kong
- Import and export trade conducted by Shanghai-based foreign-invested companies accounted for **63.3%** of the total



High-quality Development of Capital Market

In the first half of 2019, Shanghai's financial market transaction volume reached **RMB 942.38 trillion**, an increase of **25.2%** over the previous year, with trading volumes of various products ranking among the top in the world. Shanghai houses a variety of financial institutions, operating business in stocks, bonds, futures, currencies, notes, foreign exchange, gold, insurance, and trusts. As of the end of 2018, listed securities on Shanghai's security market increased by 1,850 to 14,069, of which 1,494 were stocks, with an increase of 54 compared to the previous year.



Continuously Vibrant Consumer Market

In the first half of 2019, retail sales of consumer goods in Shanghai grew by **8.4%** over the previous year to a total of **RMB 666.14 billion**, the highest in China.

➤ A Hub of Global Consumer Brands

- **55.3%** of leading international retailers do business in the city, ranking **second** across the globe
- Over **90%** of international high-end brands are present in its market
- It is an import distribution center of middle- and high-end consumer products, accounting for **1/3-2/3** of total imports in China

➤ Remarkable Progress in Business Transformation

- Commercial sites underwent rapid transformation, boasting a total building area of over **18.28 million m²** for commercial use as of October 2018
- In the first half of 2019, new retail models kept emerging, demonstrated by fast-growing unmanned stores and online retail stores, which realized a sale of **RMB 117.32 billion** and **RMB 93.03 billion**, a year-on-year increase of **20.4%** and **25.3%** respectively

Note: Unless otherwise specified, all of the above mentioned data is as of the end of 2018.

Source: 1. Statistical Communiqué of Shanghai on the 2018 National Economic and Social Development; 2. Shanghai Municipal Government Work Report 2019; 3. Shanghai Municipal Statistics Bureau

Three New Missions



To enhance the important roles of Shanghai and its surrounding areas in China's opening-up endeavor, President Xi Jinping proposed at the first CIIE "Three New Missions": expanding the SHFTZ with a new area included; launching a science and technology innovation board at the Shanghai Stock Exchange (SSE) and piloting the registration-based IPO system; and promoting the integrated development of the YRD region as a national strategy.

Inaugurating the Lin-gang Special Area of SHFTZ

The Lin-gang Special Area of SHFTZ was officially inaugurated on August 20, 2019, covering an initially planned area of 119.5 km². Globally competitive opening-up policies and mechanisms will be implemented in the special area, making it a special economic function zone with global influence, as well as an important platform for China to be deeply integrated into economic globalization. This special area is expected to function as:

A globally influential and competitive special economic function zone

- China's most opened-up area
- The most innovative pilot area for reform and opening-up
- The freest open economic system

A new growth pole for better development of Shanghai and the YRD region

- Creating more strategic space for Shanghai's development
- Injecting new energy into local economic growth
- Shaping a new pattern of urban planning

A modern new town in Shanghai

- A most opened-up and innovative hub for allocating global resources
- A most ecological and smart model for future cities
- A best example of industry-based new town development
- A most livable environment for talent development

Launching the Science and Technology Innovation Board and Piloting the Registration-based IPO System at SSE

In early 2019, SSE launched the Science and Technology Innovation Board, or the "STAR Market", marking the start of its experiment with the registration-based IPO system. As of March 22, 2019, shortly after the major IPO requirements were introduced on March 1, 9 IPO applications were processed, and 25 companies were listed on July 22. As of September 27, 2019, 30 companies had gone public and started trading on the STAR Market, witnessing its remarkable efficiency.

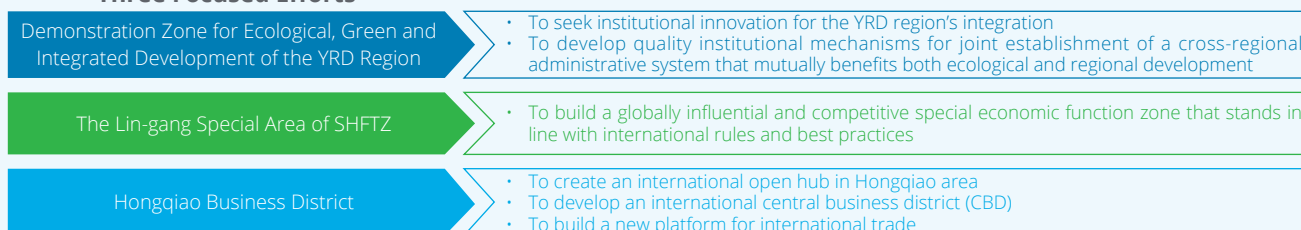


- ☑ **Designed for science and technology innovation companies:** As of the end of September 2019, SSE had accepted a total of 158 IPO applications, mostly in high-tech and emerging strategic industries, such as new-generation information technology, biomedicine, high-end equipment manufacturing, and new materials.
- ☑ **Innovative audit process:** Focusing on information disclosure and open inquiry-based review, the Board 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.

Promoting the Integrated Development of the YRD Region as a National Strategy

In 2018, the Yangtze River Delta Regional Cooperation Office was jointly established by one centrally administered municipality (Shanghai) and three provinces (Jiangsu, Zhejiang, and Anhui) as the first permanent cross-regional administrative office set up for the integrated development of the YRD region, which promulgated in 2019 the *Outline of the YRD Region Integrated Development Plan*, proposing the strategy of building "One Pole, Three Zones and One Highland"¹ in the YRD region. As a major player in the YRD region's city cluster, Shanghai is playing a leading role in the YRD region's integrated development.

Three Focused Efforts



Note: 1. "One Pole, Three Zones and One Highland" respectively refer to a strong and vigorous growth pole, a high-quality development demonstration zone, a basically modernized pioneering zone, a regional integrated development demonstration zone, and a highland for reform and opening-up in the New Era.
Source: 1. *Three-year Action Plan for the Integrated Development of the YRD Region (2018-2020)*; 2. *Outline of the YRD Region Integrated Development Plan*

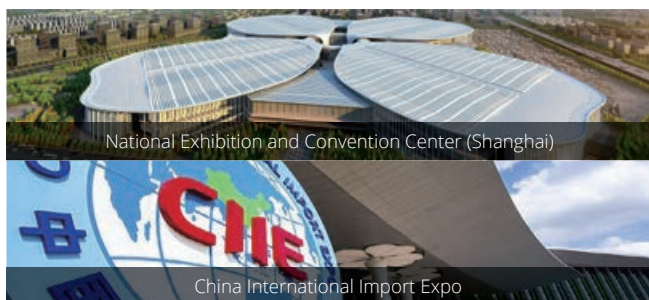


B&R Initiative and China International Import Expo

Under the framework of the B&R Initiative, the first China International Import Expo (CIIE) was successfully held in Shanghai on November 5-10, 2018. This grand event provided many channels for all-round exchange of ideas and shared information, highlighting both the spirit of common prosperity through peaceful cooperation based on openness, inclusiveness and mutual learning, and China's determination to vigorously support trade liberalization and economic globalization.

Highlights of the First CIIE

- It is the world's **first import**-themed state-level exposition, now ranking among the **world's top 10** trade expositions, recognized as a pioneering move in the international exposition history.
- It was the **largest** diplomatic event held in China in 2018, demonstrating to a **great number of participating** countries China's sincerity to share the development opportunities with the rest of the world.
- Held in a venue covering a total area of **300,000 m²**, the event was attended by **3,617** exhibitors from **172** countries (regions) and international organizations, generating a total of USD **57.83** billion in intended trade deals. Around **4,000** Chinese and foreign journalists covered the event.
- It showcased various innovative technologies and products, including the world's first flying car AeroMobil 4.0, the Taurus milling machine, and Forpheus, a Ping-Pong-playing robot.



Spillover Effect of the CIIE

– Map for Investment in Shanghai

Map for Investment in Shanghai, the first of its kind, is developed to provide investment-related information highlighting industry features and business opportunities in Shanghai's different districts, with a view to facilitating foreign investment.

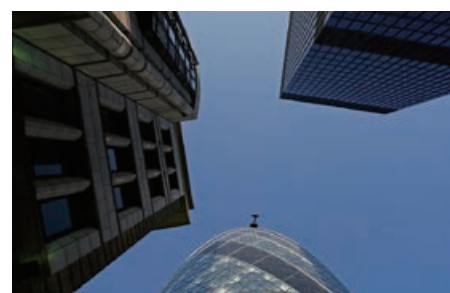
The map clearly depicts 50 investment-related site visit routes under nine categories and shows advantageous industries, culture and history, along with information on industry resources and investment opportunities distributed in different districts through some 100 display platforms. It is expected to provide helpful guidelines for more targeted foreign investment in Shanghai.



Highlights of the Second CIIE

The Second CIIE held on November 5–10, 2019 in the National Exhibition and Convention Center (Shanghai) is a grander and more innovative event of higher quality and better outcomes than the First CIIE, while the principles of opening-up and inclusive cooperation will continue to be followed in hosting a first-rate high-profile international exposition.

- ☑ New special booths for high-end consumer goods to showcase new trends of Chinese economic growth and rising domestic consuming capacity.
- ☑ New displays of cutting-edge products and technologies, including AR/VR and elderly care products.
- ☑ Outdoor exhibition areas for heavy machinery and construction vehicles.
- ☑ Outdoor areas for self-driving cars providing improved on-site interactive experiences.
- ☑ Many exhibitors will launch their latest products and technologies at the expo, such as the Gemini milling machine, the 25-meter high Miniload stacker crane, and the Nokia 5G liquid-cooled base station.



Source: 1. *The Belt and Road (B&R) Big Data Report 2018*; 2. *Report on the Influence of the First China International Import Expo*; 3. CIIE official website

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



Since the founding of the PRC 70 years ago, Shanghai has witnessed rapid development and great changes as demonstrated in stronger comprehensive economic strength, enhanced urban capacities and core competitiveness, and higher living standards, which vividly reflect the brilliant achievements brought about by China's reform and opening-up. 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.



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

☑ Economy – To strengthen global presence

Shanghai endeavors to increase its economic density, maximize the size of the economic pie and improve economic benefits to adapt its market to China's current economic strengths and the role of the RMB in the international monetary system.

☑ Finance – To expand international influence

Aiming to provide high-caliber financial services and boost the international presence of its financial market, Shanghai will strengthen its capacity of allocating global financial resources to transform itself into a financial technology center and a financial talent center offering a favorable business environment.

☑ Trade – To aggregate more market factors

Taking advantage of opportunities provided by the SHFTZ, Shanghai will open its market even wider to create a well-connected hub of global trade by comprehensively enhancing its influence over global markets and developing a high-capacity headquarters economy.

☑ Shipping – To gain higher significance

Shanghai is making focused efforts to integrate shipping resources, complete shipping services and optimize modern logistics services to build an international shipping center with the capacity of allocating global shipping resources.

☑ Science & Technology Innovation – To improve domestic capabilities

With a focus on original innovation in core technologies and key areas, Shanghai is dedicated to building a global science and technology innovation center enabled by institutional improvement, multi-layered achievement transformation platforms and a facilitating service network to stimulate vibrant innovation and entrepreneurship.



Source: 1. Shanghai Municipal Government Work Report 2019



Increasing the Brand Visibility of Shanghai



Under the framework of "1+4+X"¹, Shanghai has been steadily promoting its four brands, namely the services, manufacturing, shopping, and culture of Shanghai. As part of its efforts to fulfill its "Five-Center" Initiative and build a global city of excellence, Shanghai is endeavoring to make itself more attractive, innovative and competitive and enhance its capacities to better facilitate the development of the YRD region, the whole China, countries and regions along the B&R, and the rest of the world, with a view to presenting the four brands as another "name card" of Shanghai.

Creating Strategic Advantages for Shanghai's Development in the New Era

Focusing on upgrading its service capacities in finance, shipping, science and technology innovation, Shanghai strives to become an international center of exhibition and convention, and of design to attract more world leading businesses in modern services, and provide more efficient government services for foreign-invested enterprises to enable a more favorable service and business environment.

Towards a Global Manufacturing Base of Excellence

Shanghai is stepping up the quality development of strategic emerging industries by creating more opportunities for leading foreign-invested companies, including those in civil aviation, biomedicine, and new-energy vehicles, while keeping up the efforts to increase the Shanghai brand visibility with a focus on craftsmanship and innovation. "Shanghai Manufacturing" is now becoming a new benchmark for China's enhanced manufacturing power.

Towards a Vibrant International Consumer Market

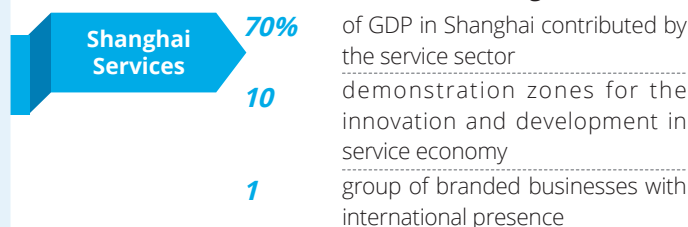
Shanghai is creating a globally competitive shopping environment, as marked by the opening of "first stores" of 498 brands in the first six months of 2019, including 13 global or Asian "first stores". A variety of high-end "first stores" in culture and creative business, audiovisual business, and other emerging business areas have come into operation in Shanghai's landmark shopping malls such as the K11 Art Mall and the Plaza 66, as well as newly-opened shopping centers such as the Baiyulan Plaza.

Towards a Cultural Metropolis

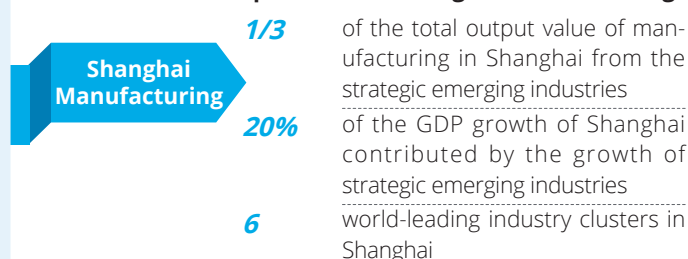
Aiming to become a more open and inclusive cultural metropolis, Shanghai introduced in late 2018 a negative list for cross-border trade in services, the first of its kind in China, to loosen access restrictions on foreign investment in culture and culture-related industries. In the meantime, great strides have been made in promoting the development of Shanghai as a global design and fashion capital, and a global hub of eSports companies and high-profile international sports events.

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

Raised Brand Awareness of "Shanghai Services"



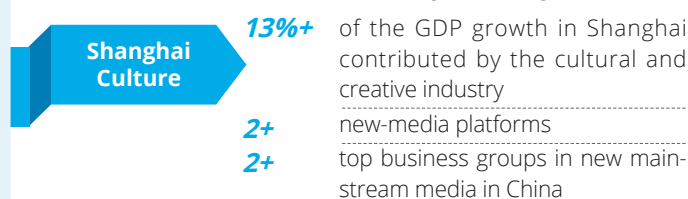
Enhanced Reputation of "Shanghai Manufacturing"



Improved "Shanghai Shopping" Experience



Unique "Shanghai Culture"



Note: 1. "1 + 4 + X" refers to the framework established by the Shanghai municipal government to promote the development of "Four Brands". "1" refers to an overarching guidance to ensure optimized master planning and consistent implementation; "4" refers to "Three-year Action Plans" developed for each brand building endeavor; and "X" refers to a range of specific projects.

Source: 1. Opinions of CPC Shanghai Municipal Committee and Shanghai Municipal People's Government on Building the Four Brands of Shanghai for High-quality Development



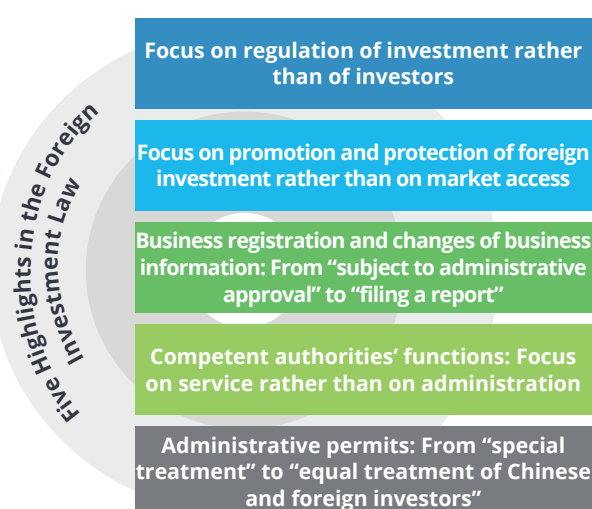
Chapter II

Government
Policies



An Open Policy Environment

As foreign capital utilization is closely related to China's fundamental national strategy of opening-up for building an open Chinese economic system, China promulgates in 2019 the *Foreign Investment Law of the People's Republic of China* and the *Special Administrative Measures (Negative List) for Access of Foreign Investment* (2019). These laws and regulations aim to serve as the framework for developing a new legal system that provides regulatory mechanisms for the promotion, protection and management of foreign investment in China, thus ensuring a fair and competitive market for foreign investors. Against this backdrop, the Shanghai municipal government has issued the *Opinions on Further Promoting Foreign Investment in Shanghai*, with a view to deepening the exploration of innovative approaches to further open up for high-quality economic development.



Accordingly, the Standing Committee of the Shanghai Municipal People's Congress has adopted its "Decisions on Issues Concerning the Implementation of the *Foreign Investment Law of the People's Republic of China*" in support of the municipal government in its effective enforcement of the *Foreign Investment Law*. The following regulations are highlighted in the "Decisions":

- Abolishing the *Approval Rules for Foreign-invested Enterprises in Shanghai*
- Ceasing the enforcement of local legal regulations inconsistent with the *Foreign Investment Law*
- Delegating power to the municipal government to make relevant policies
- Requesting approval from the central government to establish special economic zones, or to implement pilot local policies concerning foreign investment
- Developing a better business, market and policy environment for foreign investors
- Requesting local People's Congresses to intensify oversight

Negative Lists for Foreign Investors: Alignment with International Standards for Expanded Opening-up



The *Special Administrative Measures (Negative List) for Access of Foreign Investment* (2019) and the *Special Administrative Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones* (2019) were issued by the National Development and Reform Commission and the Ministry of Commerce of China in late June 2019.

The new Negative List issued following the promulgation of the *Foreign Investment Law* aims to expand opening-up with loosened restrictions, reducing the number of restricted items on the list from 48 to 40, while increasing access to services, manufacturing, mining and agriculture and allowing majority foreign ownership or wholly owned foreign enterprises engaged in more business areas. At the same time, the *Special Administrative Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones* (2019) has removed restrictions on more areas including commercial fishing, publishing and printing as pilot programs to increase international cooperation.

Highlights in the *Opinions on Further Promoting Foreign Investment in Shanghai*



- ☑ Concerning market access, institutional innovation in the newly included area of SHFTZ, priority industries, opening of the financial industry, and attracting regional headquarters of multinational corporations
- ☑ Encouraging foreign-invested enterprises to list on the Main Board, Small & Medium Size Enterprise Board, and Science and Technology Innovation Board of the SSE in accordance with relevant laws and regulations
- ☑ Deepening reforms in foreign investment by delegating power, streamlining administration and optimizing government services through the "One-stop Online Service System" of Shanghai government with simplified administrative procedures
- ☑ Establishing a unified service platform in Shanghai to facilitate foreign investment with information and services provided both online and offline for investment projects

An Open Policy Environment (Continued)



The *Foreign Investment Law* is enacted to provide a legal framework for governing China's opening up at a higher level, representing China's strong move to ensure an open policy environment for foreign investors with an improved set of laws and regulations in this regard. Accordingly, Shanghai will continue to play its bridgehead roles in implementing the Belt and Road Initiative and pioneering in China's deepened reforms and opening-up while, in particular, creating a world-class business environment with more open policies and practical measures concerning foreign investment.

National Policies – To Unswervingly Advance Opening-up

"In building an open economy, we aim to, among other purposes, seek opening-up as a stimulating factor to speed up our own institution and regulation building, improve business and innovation environment, optimize market operation efficiency at lower costs, and enhance our global competitiveness. Foreign investment has benefited our appropriate allocation of resources and market-based reforms, making a significant contribution to our economic development. We will continue to promote foreign investment in our future effort to pursue the supply-side structural reform that aims to upgrade the form of our economy and keep pace with the global science and technology development."

President Xi Jinping

	<i>Foreign Investment Law of the People's Republic of China</i>
2019	<i>Opinions of the State Council of China on Promoting Innovation in State-level Economic and Technological Development Zones to Create New Highs in Reform and Opening-up</i> (State Council Publication [2019] No.11)
2018	<i>Circular of the State Council of China on Measures for Actively and Effectively Utilizing Foreign Investment to Promote Quality Economic Development</i> (State Council Publication [2018] No.19)
2017	<i>Circular of the State Council of China on Measures for Promoting Growth of Foreign Investment</i> (State Council Publication [2017] No.39)
	<i>Circular of the State Council of China on Measures for Expanding Opening-up and Actively Using Foreign Capital</i> (State Council Publication [2017] No.5)

"Opening-up is China's fundamental state policy. The Foreign Investment Law adopted at the just-concluded session of the National People's Congress has established the basic legal framework for foreign investment in China in the New Era and set out unified provisions on the market access, promotion, protection and management of foreign investment. It is a crucial step toward building a world-class and business-friendly environment governed by a sound legal framework."

Premier Li Keqiang

Highlights of the Circular of the State Council of China on Measures for Actively and Effectively Utilizing Foreign Investment to Promote Quality Economic Development



- ✓ To offer pre-establishment national treatment and delegate approval authority to lower-level administrations
- ✓ To implement favorable tax policies regarding foreign direct investment and the establishment of R&D centers
- ✓ To strengthen the protection of intellectual property rights
- ✓ To assign greater economic regulation authority to state-level development zones
- ✓ To expand the access of foreign-invested enterprises to finance

Shanghai's Policies – To Push Ahead the Deepened Reforms and Opening-up

"We will proactively commit ourselves to achieving the major goals set for Shanghai in the New Era. Internationally, as part of our initiative to play a leading role in the healthy development of economic globalization, we will speed up the delivery of globally competitive government policies and institutional mechanisms to better support China's master strategic planning for further opening-up. Domestically, we will continue to focus on both global and national markets as a pivot city in China, building the Lin-gang Special Area of SHFTZ as a strategically important driving force for China's national development."

Li Qiang, Secretary of the CPC
Shanghai Municipal Committee

"We will continue to make focused efforts to unswervingly develop foreign investment in Shanghai with more practical measures so that a more favorable business environment will be created that features enhanced investment and trade liberalization and facilitation and provides all market players with more growth potentials. Shanghai will continue to develop as a most preferred destination for foreign investors with constantly upgraded level of openness."

Ying Yong, Mayor of Shanghai

Highlights of the Measures for Further Opening up the Service Industry in Shanghai



- ✓ To loosen access restrictions on foreign investment in the service industry
- ✓ To enable cross-border services trade at a higher opening-up level
- ✓ To develop a service system to facilitate open trade
- ✓ To enhance the international presence of the modern shipping service industry

	<i>Measures for Further Opening up the Service Industry in Shanghai</i>
	<i>Opinions of Shanghai Municipal People's Government on Facilitating Regional Headquarters of Transnational Corporations in Shanghai</i> (Shanghai Municipal Government Regulation [2019] No.30)
2019	<i>Circular of Shanghai Municipal People's Government on Printing and Issuing the Revised Provisions on Encouraging Multinational Corporations to Establish Regional Headquarters in Shanghai</i> (Shanghai Municipal Government Regulation [2019] No.31)
	<i>Opinions on of Shanghai Municipal People's Government on Further Promoting Foreign Investment in Shanghai</i> (Shanghai Municipal Government Regulation [2019] No.37)
2018	<i>Action Plan of Shanghai for Implementing Major National Measures for Further Openness and Accelerating the Establishment of a New System for an Open Economy</i>
2017	<i>Opinions on Further Opening up and Accelerating the Establishment of a New System for an Open Economy</i> (Shanghai Municipal Government Publication [2017] No.26)



Supportive Policies for the Headquarters Economy

In 2002, Shanghai introduced the first policy for headquarters economy in China and approved the establishment of the first regional headquarters (RHQ) by a multinational corporation (MNC). In recent years, by continuously advancing institutional reform, expanding opening-up and introducing supportive policies, the city has developed a vibrant headquarters economy, building enormous momentum for Shanghai's "Five-Center" Initiative in terms of facilitating industry development, talent recruitment, technological innovation and resource integration.

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.

☑ 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.

☑ Holding Companies:

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

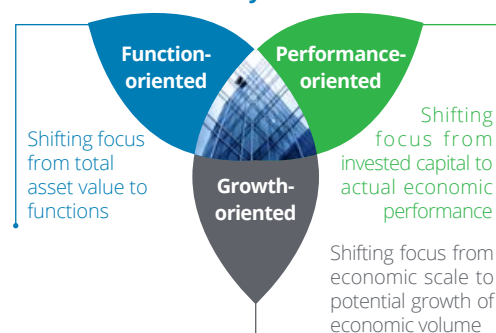
Supportive Policies

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 concentrating industrial businesses, 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.

As the global economy is undergoing a key transition to high-quality development, enterprises are more cautious in managing capital and establishing headquarters. Catering to this trend, Shanghai is updating its policies for headquarters to encourage more foreign-invested enterprises to establish their RHQs in the city, promoting the development of its headquarters economy.

Reforms in Headquarters Economy Policies



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

Thanks to its inclusive and open policies, Shanghai has an edge over other international developed cities in headquarters economy. It has issued a series of headquarters economy policies that feature less restrictions on contributed capital, business scale, employee number and enterprises' qualifications, making it an ideal place for MNCs to establish or relocate their headquarters.

Within China, Shanghai's innovative headquarters economy policies are no less competitive. As the first city introducing such policies domestically, Shanghai has responded to national and regional development demands, and continues to take the lead nationwide by upgrading headquarters economy policies concerning the classification of headquarters and extent of incentives.

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 Technology and Innovation Center

Policy Innovation in the Lin-gang Special Area of SHFTZ



Independent efforts have been made in the Lin-gang Special Area of SHFTZ to reform and develop innovatively in line with international standards, showing the world that Shanghai and China will advance with a greater determination towards a more intensive and extensive openness to the rest of the world.



Highlights of Innovation in Lin-gang Special Area

- ✓ **New development positioning** – a globally influential and competitive special economic function zone
- ✓ **Industry-oriented** – an open system of industries highly competitive in the global market
- ✓ **Innovation in regulatory system** – regulatory policies with a focus on safety supervision to liberalize and facilitate trade at a higher level

Overall Plan of the Lin-gang Special Area

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"

Administration Procedures

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

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

Policy for Talent Recruitment

Notice on Supporting the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone to Recruit Foreign Talent in a More Open and Facilitated Way

Notice on Promoting the Lin-gang Special Area to Develop and Implement the Special Support Policy for Domestic Talent Recruitment in a High-quality Way

Financial Policy

Measures of the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone for Promoting Financial Innovation

A Summary of Financial Policies in the Lin-gang Special Area (as of October 28, 2019)

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

In accordance with the *Overall Plan for the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone* issued by the State Council of China on August 6, 2019, the "6+2" innovations in system reform will be experimented in the Lin-gang Special Area, featuring five FREEs (free investment, free trade, free capital, free transportation, free mobility of practitioners), one FACILITATION (facilitating quick and convenient flow of information) and two systems of tax and risk control and management.

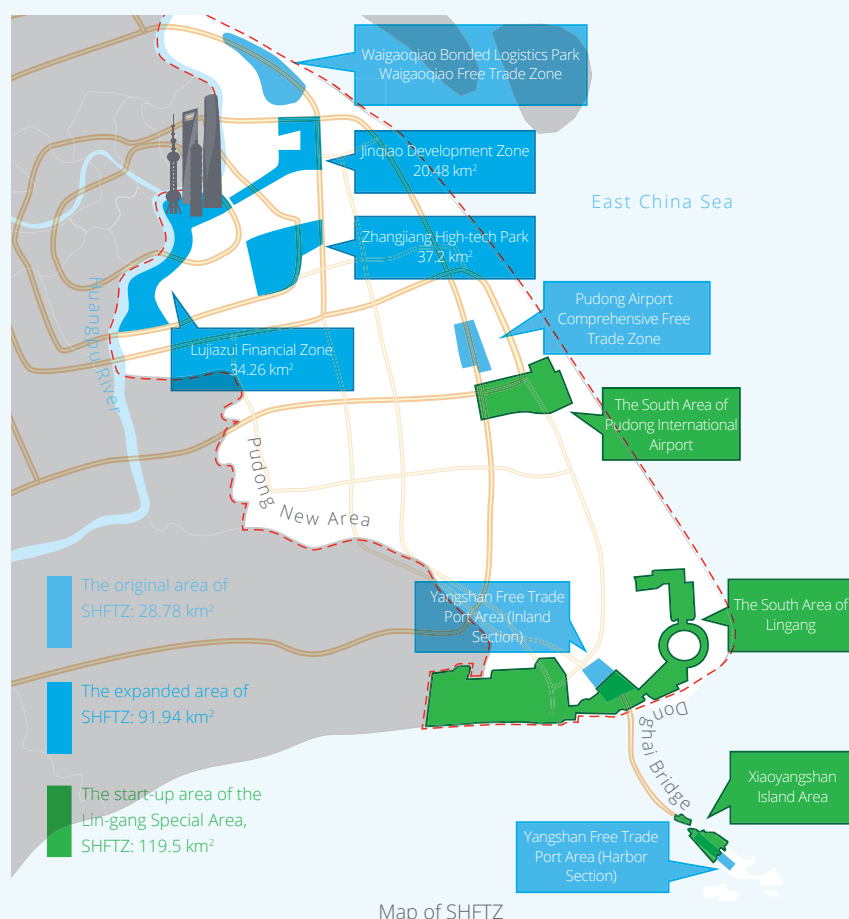
- **Free Investment**
Further opening up key industries for foreign investment and facilitating investment and business operation by establishing the business registration confirmation system and improving the mechanism of resolving civil and commercial disputes
- **Free Trade**
Encouraging the development of Yangshan Special Comprehensive Bonded Zone, new international trade, cross-border e-commerce and services trade
- **Free Capital**
Supporting cross-border financial business, implementing the pilot program of integrating domestic and foreign currencies under free trade accounts and supporting overseas investors to establish financial institutions in China
- **Free Transportation**
Expanding the functions of Lin-gang as a global pivotal port and further opening up international shipping registration, tax rebate at the port of loading and international shipping services
- **Free Mobility of Practitioners**
Easing the restriction on recruiting high-caliber professionals in the modern service industry and granting them with preferential treatment in entry-exit registration and permanent residence
- **Facilitating Quick and Convenient Flow of Information**
Improving the internet infrastructure, promoting the safe flow of cross-border data and strengthening the protection of intellectual properties and data
- **Globally Competitive Tax System**
Levying 15% of business tax on companies which play a core role in the key industries and granting subsidies to overseas professionals to offset the extra personal income tax
- **All-around Risk Management System**
Tightening the supervision on key areas and establishing a comprehensive service platform for information management to strengthen the credit rating management and the network border security

Special Supportive Policies for Lin-gang Special Area

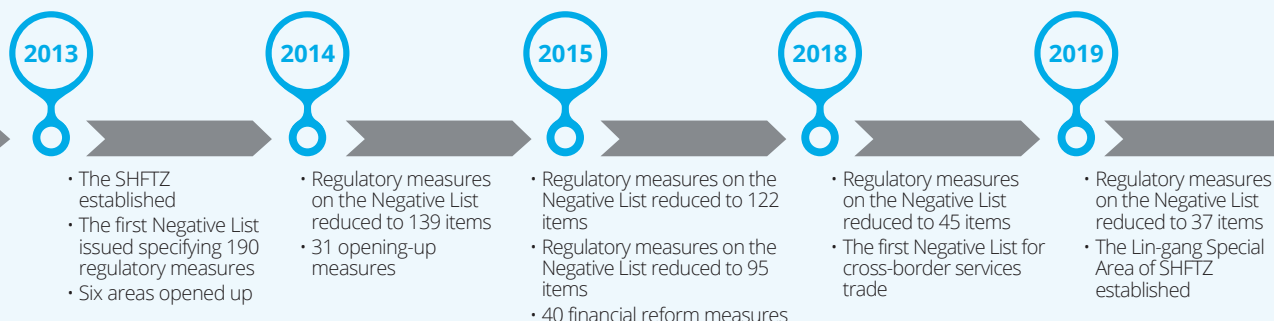
- **Giving greater autonomy in reform to Lin-gang Special Area**
The Lin-gang Special Area has prioritized rights to implement pilot major reform measures and is eligible to adopt preferential policies issued by the Shanghai municipal government.
- **Building a more favorable environment for the development of human resources**
The Lin-gang Special Area has been endowed with the right to approve the household registration of domestic and returned overseas professionals. To retain domestic and overseas talent, the special area has provided staff apartment and preferential policies for house-purchasing for them and has loosed its restriction on issuing the work permit to foreign professionals.
- **Fiscal, Tax and Financial Policy**
A dedicated fund for the development of Lin-gang Special Area has been set up; eligible enterprises are levied at 15% business tax rate; all-around supports in aspects of talent recruitment and retention, innovation and institutional development are granted to financial institutions.

Institutional Innovation in the SHFTZ

Since its establishment six years ago, the SHFTZ has been breaking through the shackles of obsolete concepts, and functioning as a pioneer in promoting free trade. 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. Plenty of lessons drawn from its pilot practices have been used, step by step, in different sectors across the country, demonstrating the leading role of the SHFTZ in ground-breaking reforms, opening-up measures and innovations.



Policy Milestones in the SHFTZ



- By the end of June 2019, over 60,000 enterprises had been newly established in the SHFTZ, among which 11,000 are foreign invested enterprises.
- The SHFTZ contributes 3/4 of Pudong New Area's GDP and 70% of its import and export volume with an area equivalent to only 1/10 of Pudong. Similarly, it takes up 1/4 of Shanghai's GDP and 40% of its import and export volume with an area equivalent to 1/50 of Shanghai.

More Fields Opened up for Investment

The SHFTZ has led the way in opening 26 fields for investment in China, witnessing the establishment the nation's first wholly foreign-invested hospital, international shipping management corporation, healthcare insurance company and engineering design company, along with the first Sino-foreign joint venture of travel agency.

Financial Reform in Line with Leading International Standards

The SHFTZ takes the lead in innovative financial reform in cross-border use of RMB, currency convertibility under capital account and foreign exchange management.

Convenient International Trade

By opening an "integrated window" for international trade, setting up accounts for free trade and advancing the pilot program for the reform of "separating certificates from business license", the SHFTZ has established a system of managing investment with the negative list system as its core.

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.

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 February 2019, the *Opinions on Further Deepening the Reform of Science and Technology Institutions and Systems to Make Shanghai a Stronger Center for Nurturing Original Technological Innovations* (also known as “25 Sci-Tech Reform Measures”) was issued in Shanghai, calling for actions in actively creating a favorable environment for the innovative development of businesses, as well as the cross-border flows and global distribution of innovation factors. A vibrant regional innovation system will be established by 2035 that helps build Shanghai into a significant global innovation hub, paving the way for the city to function as a science and technology innovation center with global influence.

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

Dedicated to inspiring market entities’ enthusiasm in sci-tech innovation, Shanghai has introduced well-rounded and multi-layered incentive policies to promote high-quality development by cutting companies’ technological innovation costs.

Incentive Policies for Technological Innovation in Shanghai

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



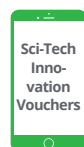
Inspiring Social Innovation Through Transforming R&D Achievements into Industrial Production

Dedicated to inspiring social motivation 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
- **Fault-tolerant mechanism:** Establishing a system that demands due diligence in transforming R&D achievements into industrial production

Issuing “Sci-Tech Innovation Vouchers” to Cut Innovation Costs

Since the issuance of the *Interim Measures of Shanghai for Regulating Science and Technology Innovation Vouchers* in November 2018, Shanghai has been supporting local innovators with vouchers of higher value that can be used in more ways and in more sectors. With financial support from the government through vouchers, small- and medium-sized tech enterprises, collegiate technology parks, makerspaces and start-ups can purchase professional services from relevant providers to reduce the cost of innovation and entrepreneurship.



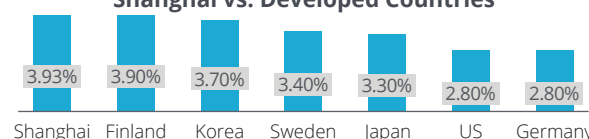
- The e-vouchers for sci-tech innovation can be redeemed on the innovation voucher management information platform.
- The payment of the vouchers has changed from voucher redemption to on-site half reduction of the price of the services purchased by tech companies.
- The coverage of reduction has expanded from sci-tech services to talent recruiting and strategic planning.

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 2018, R&D expenditure in Shanghai reached RMB 131.6 billion, accounting for 3.98% of the local GDP, up by 9.2% over the previous year. Shanghai has seen growth of R&D expenditure as a share of the local GDP for the eighth consecutive year since 2010.

As evidenced by R&D expenditure as a share of GDP, Shanghai has surpassed most developed countries, ranking among the top in the world.

Proportion of R&D expenditure to GDP (2017) Shanghai vs. Developed Countries



Source: 1. *Rules for Promoting the Transformation of Science and Technology Achievements in Shanghai*; 2. *The 100 New Measures for a More Open 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*; 4. *Opinions on Further Deepening the Reform of Science and Technology Institutions and Systems to Make Shanghai a Stronger Center for Nurturing Original Technological Innovations*; 5. *Shanghai Report on Science and Technology Progress 2018*; 6. *Annual Report on National R&D Expenditure of China 2017*; 7. Official website of the United Nations Educational, Scientific and Cultural Organization



Policies to Encourage Talent Recruitment

In recent years, by upholding the principle of “pooling all kinds of talents and putting them to the best use”, Shanghai has been dedicated to making breakthroughs in policy innovation and further promoting institutional and systematic reforms for talent development. Since 2018, policies motivating talent recruitment and start-up development, such as the *Shanghai's Action Plan for High-level Talent Recruitment Project* and the *Dedicated Action Plan of Shanghai for Encouraging Business Start-ups that Create Employment (2018 – 2022)*, have been issued for Shanghai to build a favorable ecosystem for career development. Moreover, the *Action Plans for Promoting the Reform of Talent Evaluation Mechanisms* was promulgated in 2019 with a view to developing an internationally aligned, local specific talent evaluation system that encourages innovation and entrepreneurship.

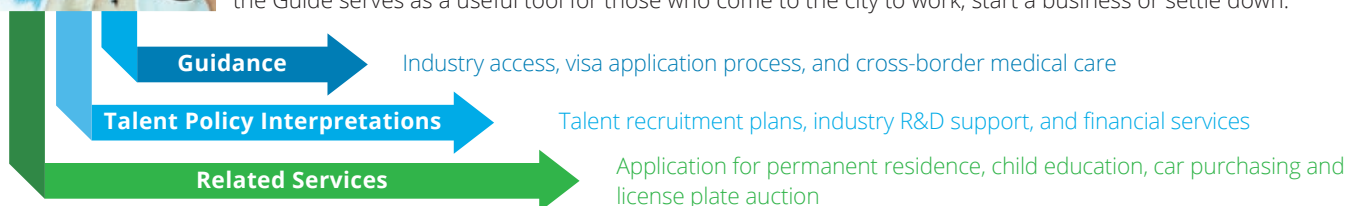
Targeted Policies to Encourage Talent Recruitment



- Attracting professionals in 13 key areas, including origin of the universe, celestial observation, and photonic science and technology
- Implementing internationally acceptable talent selection mechanism and working scheme
- Setting up long-term and stable fund guarantee mechanism and social security scheme
- Carrying out “Case-by-Case” mechanism for talent recruitment
- Foreign high-level talent team members qualified to apply for permanent residence permit
- Foreign high-level talented professionals in Zhangjiang and the SHFTZ¹ qualified to apply for permanent residence permit in China
- International students at the undergraduate level from colleges and universities in Shanghai allowed to find employment in Zhangjiang and the SHFTZ after graduation
- Multinational companies in Zhangjiang and the SHFTZ allowed to employ graduates from world-renowned colleges and universities to work in Shanghai
- Raising welfare benefits for holders of Shanghai Residence Card of Overseas Talents
- 12 new policies introduced to attract domestic talents in sci-tech innovation, and innovative breakthroughs made in the ladder-system scoring for residence permits, transferring residence permits to household registration, and direct household registration
- Institutional and systematic reforms in place to promote talent development focusing on “delegating power and loosening restrictions”
- Talent evaluation system reformed to evaluating the candidates in terms of moral character, work competence, performance and contribution
- Internationally acceptable market-oriented talent recruitment measures adopted in contract management, salary negotiation, and off-site working
- Offering guaranteed loans and interest subsidies
- Granting social security subsidies for start-ups
- Providing rental subsidies for start-ups
- Giving one-time establishment subsidy for start-ups

Shanghai International Talent Policy Guide (2019 Edition)

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 the Zhangjiang National Independent Innovation Demonstration Zone and the China (Shanghai) Pilot Free Trade Zone

Source: 1. *Action Plans for Promoting the Reform of Talent Evaluation Mechanisms in Shanghai*; 2. *Opinions on Further Deepening the Reform of Science and Technology Institutions and Systems to Make Shanghai a Stronger Center for Nurturing Original Technological Innovations*; 3. *Dedicated Action Plan of Shanghai for Encouraging Business Start-ups that Create Employment (2018–2022)*; 4. *Shanghai's Action Plan for High-level Talent Recruitment Project*; 5. *Measures for Implementing Chinese Talent Attraction Policies Featuring Less Restrictions to Help Shanghai Develop into an International Science and Technology Innovation Center*



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. Drawing on advanced experience from home and abroad and keeping abreast of the highest international standards including the criteria set by the World Bank, Shanghai is continuously improving its business environment from every aspect at all levels in 2019. The municipal government has further reformed its administrative procedures to provide targeted services, as best exemplified by the "One Network Service System". These new highlights help make Shanghai's optimized business environment a cutting edge.

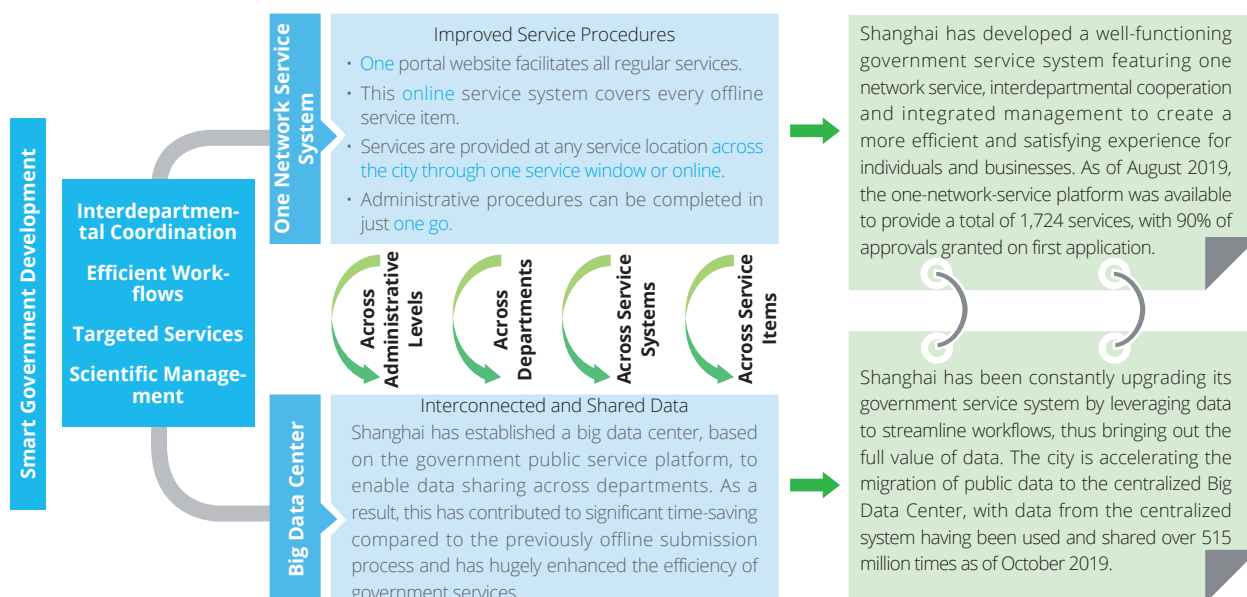
A role model in building a favorable business environment:

- ✓ 11 reform practices in 6 areas including business incorporation and electricity supply are replicated and promoted nationwide.
- ✓ 20 innovative measures in 6 areas including construction permit application and cross-border trade are shared in the rest of China.

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

Shanghai's optimized business environment has contributed to a higher ranking for China, which is now 31st in terms of the ease of doing business according to the World Bank.

	Before	After	Highlights
Business Incorporation	9 days	2 days	- One-stop service system for business registration - One person responsible for both approval and verification - One trip for social insurance registration for employment
Construction Permit	125.5 days	35-68 days	- One-window acceptance to provide integrated services - Online issuance of digital construction permits - Joint review mechanism enabling one-time issuance of needed permits
Electricity Supply	32 days	No more than 15 working days	- Only 2 approval procedures needed "Account manager + project manager" responsible for electricity connection projects - No offline approval procedures or cost for low-voltage micro and small enterprises
Tax-related Matters	138 hours	110 hours	- Only one trip needed to address 318 tax-related matters in 6 categories - Online system that supports one-click information upload facilitating tax declaration
Real Estate Registration	9 days	No more than 5 working days	- Green channel for immediate completion - No compulsory online contract signing for non-residential housing stock transactions - Digital license valid across departments
Cross-border Transaction	Import: 48 hours Export: 26 hours	Import: 40 hours Export: 18-22 hours	- Promotion of "advance declaration" and "advance document transfer" - Paperless and online approval - Disclosure of the port charges list



Note: 1. The pre-reform data in the table comes from *Doing Business 2020* produced by the World Bank; the post-reform data comes from public information released by competent authorities as of May 2019.
Source: 1. *Doing Business 2020* produced by the World Bank; 2. *Measures for Deepening the Reform of Cross-border Trade Business Environment in Shanghai Port*

Improving Investment Service System



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 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.

- ☑ Effective mechanism for government-business communication on foreign investment, such as round-table meetings
- ☑ Mechanism for coordinating large projects
- ☑ Mechanism of designating liaisons for key enterprises
- ☑ Complaints system for foreign-invested enterprises
- ☑ Mechanism for foreign investment promotion
 - Development of Three Databases, Two Networks and One Center
 - Joint conference system for foreign investment promotion
 - A city-wide enquiry point network for foreign investment promotion

Round-table Meetings for Government-business Cooperation

From January to September 2019, eight round-table meetings were held in Shanghai to strengthen the cooperation between the Shanghai municipal government and foreign-invested companies. Four meetings were dedicated to companies from the US, Japan, Germany and France respectively, one to companies in the health sector, and the other three to the issues of planning, environmental protection and safety supervision. In response to the problems and suggestions the participating companies brought up at the meetings, all relevant authorities have worked together to develop effective solutions and already solved over 80% of the problems. Leveraging round-table meetings, liaisons for key enterprises and the fast-service channel for foreign-invested companies on a WeChat platform, Shanghai will continue to improve the long-term mechanism for addressing the concerns of businesses, as part of its efforts to gain a trusting reputation of providing favorable services to foreign-invested companies.

Corporate Service Platforms

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 and Service Platform

Officially inaugurated at the 2019 Shanghai City Promotion Convention, the platform is designed to: 1) communicate to the global community the investment environment in and image of Shanghai, helping improve the experience of foreign investors; 2) provide business matching services, where a selection of foreign investors registered at CIIE and target businesses in need of capital can be preliminarily matched and connected; and 3) provide corporate services to promote and protect the foreign investment by cooperating with the "One Network Service System" and the Shanghai Enterprise Service Cloud platform.



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.

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.



UNIDO SIPC

UNIDO SIPC, a collaborative project jointly launched by United Nations Industrial Development Organization, the Ministry of Commerce of China, and the Shanghai municipal government, aims at promoting introduction of foreign investment and technologies to Shanghai. UNIDO SIPC provides high value-added consulting services for business development institutions, local governments and investment promotion agencies.



Note: 1. "Three Databases" refer to an information database of investment promotion projects, an investment promotion activity database and a resource database for investment promotion projects. "Two Networks" refer to an overseas network for foreign investment promotion and a domestic network for coordination in foreign investment matters. "One Center" refers to a capacity building center.

Source: 1. *Shanghai Foreign Investment Guide 2019*



Accelerating Innovation in Services Trade

Shanghai has been building an overseas market expansion system with an emphasis on countries along the B&R, aiming to form China's first global alliance for services trade facilitation. At the same time, Shanghai is vigorously facilitating the access to cross-border services, and has established a negative list management model for the cross-border trade in services.

Implementation Measures of Negative List Management Model for the Cross-border Trade in Services

Special Management Measures on Cross-border Trade in Services (Negative List)

Establishing Platforms for Trade in Services

Shanghai International Work of Art Bonded Service Center takes on the functions of bonded warehousing, exhibition, auction, appraisal, copyright services and financial services.

The National Foreign Cultural Trade Base (Shanghai) which housed more than 1,000 cultural enterprises as of the end of 2018, provides supporting services in various fields including language services and academic research to help these enterprises go global.

China (Shanghai) Pilot Free Trade Zone Watch and Jewellery Exhibition and Trading Center provides a number of services including exhibition, inspection, trading, and import and export business and trade.

Establishing Platforms for Trade in Services

Public Platform for Trade in Services

An intellectual property platform has been set up to strengthen the international management of intellectual property rights and overseas rights protection, and encourage enterprises to obtain international trademark protection through the registration of Madrid trademarks.

A comprehensive financial service platform has been established to guide financial institutions in launching unified technology service hotlines and implement technology-based operation monitoring, automated operations and electronic processes.

Improve the functions of service outsourcing, cultural trade and traditional Chinese medicine (TCM) services trade platforms.

Continuously Improving Services Trade Facilitation

High-risk biomedical goods: Efforts have been made to enhance the convenience of customs clearance for experimental biomaterials and other special goods used in global collaborative biomedical R&D. The approval process for "R&D department classification management and product risk grading" has been shortened from 20 working days to an average of 3 to 5 working days.

Class-D goods: The administrative approval authority has been decentralized to the local institutions to provide low-risk products with "one-approval, multiple-verification" services, and the number of approvals required has been reduced by 43%.

Special imported goods: The inspection ratio has been reduced from 100% to 20%, the risk assessment module for the Health and Quarantine Supervision System for Special Import and Export Goods has been upgraded, and assessment time has been decreased by 25%.

Valuable exhibits: The Customs of Shanghai Convention and Exhibition Center has been established to accept the declaration of imported exhibits throughout the day, ensuring that exhibits are reported and placed immediately after arrival. The exhibits retention at ports has been shortened from the previous two-to-three days to no more than 24 hours.

Innovation Highlights in Services Trade

CCC Exemption Service:

- 9,058 CCC exemption proofs have been issued, ranking No.1 in China
- 418 companies involved
- A value of RMB 392.86 million involved

(The above data is all as of September 2019)

Green Channel:

- 16 companies, 1,435 business transactions have been exempted from CCC

CCC¹ Exemption Green Channel for Enterprises with Good Credit

In order to further facilitate trade, Shanghai has opened China's only self-commitment CCC exemption green channel. In accordance with relevant regulations, products included in the CCC catalogue are not allowed to be imported if they do not obtain certification; products for special purposes may apply for CCC exemption. Shanghai has opened a green channel for enterprises with good credit records, a perfect traceability system and large batches of products to be certified. These companies have enjoyed a "paperless and no-waiting" CCC exemption service that features self-commitment, self-reporting, and automatic certification.

Simplified Customs Declaration Procedures for Retail Export Goods

Efforts have been made to promote the building of a cross-border e-commerce comprehensive pilot zone and develop a cross-border e-commerce export model. Shanghai allows retail exporters to declare at customs by "releasing the checklist and integrating the statistics", streamlining the export customs clearance procedures. Enterprises with no need for export rebates are not required to declare at customs. Shanghai has started pilot projects with many enterprises, making the procedures for customs clearance greatly simplified.

Case Study

The Dell Technologies Group R&D Center located in Shanghai needs to have one to two thousand batches of goods certified by CCC per year. The establishment of CCC Green Channel reduces the time and labor costs of the certification process. Not only does this save millions of RMB for the center per year, but also helps the company gain a time advantage in new product R&D and release.

Note: 1. CCC refers to China Compulsory Certification. A product included in CCC catalogue shall not be imported, sold, or used in services if it has not obtained a CCC certification issued by a designated certification body or fails to apply the certification mark as required.

Source: 1. *Several Measures for the New-round Expansion of Service Industry in Shanghai*; 2. Shanghai Municipal Market Supervision Administration

Improving Supporting Services for Intellectual Properties



In recent years, Shanghai has made remarkable progress in intellectual property (IP) innovation, protection, application, management and innovative service delivery, 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 and for open and shared uses of IPs.

Improving the IP Services System

- ☑ **Optimizing IP Administrative Services**
 - Launching the Online Information Supplement and Management System for Patent Payment Information
 - Full Operation of China (Pudong) IP Protection Center
 - Copyright Service Center in the SHFTZ
- ☑ **Enhancing IP Operation and Service Efficiency**
 - Shanghai Intellectual Property Transaction Center
 - International Operation (Shanghai) Pilot Platform of the State IP Operation Public Service Platform
 - Shanghai IP (Patent Information) Public Service Platform
- ☑ **Promoting IP Service Institutions**
 - Shanghai, Home to 160 IP Agencies by September 2019
 - Establishment of Shanghai IP Service Industry Association
 - 14 district-level People's IP Mediation Committees
- ☑ **Enhancing Overseas IP Protection**
 - Shanghai Overseas Intellectual Property Protection Service Center
 - Shanghai Overseas Trademark Protection Office

Case Study: International Operation (Shanghai) Platform of the State IP Operation Public Service Platform

The International Operation (Shanghai) Platform of the State IP Operation Public Service Platform is located at Pudong International Talent Hub. The platform has contributed to promoting global cross-border IP transactions and IP-related innovation. It performs core functions including IP transaction services, financial innovation, overseas layout and IP protection, key industries operation and basic services related to IP.

The platform comes with a website providing a one-stop shop for online IP services – SINOIP. In addition, the platform will also promote the development of Shanghai Intellectual Property Operation Alliance, and the gathering of first-class IP resources.



Official website: <http://www.sinoip.net/>

Deepening International IP Exchange

- ☑ The Shanghai municipal government and the World Intellectual Property Organization (WIPO) signed the *Supplementary Agreement to the Memorandum of Understanding (MOU) on Cooperation in the Field of Intellectual Property* to deepen cooperation between Shanghai and the WIPO in IP utilization and transfer, professional training, diversified arbitration, mediation and other aspects.
- ☑ In 2018, Shanghai hosted the 15th Shanghai International Intellectual Property Forum & Global IP Protection and Innovation Development Conference, and facilitated the first batch of WIPO Technology and Innovation Support Center (TISC) projects to arrive in Shanghai, enhancing the reputation and international influence of the forum.
- ☑ Under the support of Shanghai municipal government, Tongji University established the Shanghai International College of Intellectual Property, and has, jointly with the WIPO Academy, offered the Master's Degree Program in Intellectual Property Law with Specialization in Design (MIP in Design), which aims at building a world-class sustainability-oriented discipline in IP to train international inter-disciplinary professionals.

Optimizing IP Trial System

- ☑ **The internal institutional reform has steadily progressed.** The IP trial courts in Shanghai's basic-level people's courts have been consolidated from six into four. Case referee standards have been unified and jurisdiction of IP cases optimized by centralizing cross-district authority.
- ☑ **The "three-in-one" comprehensive justice system has been further improved.** The "three-in-one" integration of civil, administrative and criminal IP trials has been deepened to expand the jurisdictions of basic courts on criminal and administrative IP cases.
- ☑ **Explorations have been made into reforming trial methods in IP cases.** The scope of application and procedural norms for remote video trial have been specified; the method of "submitting written documents and exchanging evidence before trial" has been introduced to improve trial efficiency; the *Detailed Rules for Implementing Summary Procedure Reform of Trials and Document Styles for IP Cases* details the rules on summary procedure.
- ☑ **The mechanism for ascertaining technical facts has been improved.** Efforts have been made to integrate the IP technical expert database of Shanghai High People's Court and the technical consulting expert database of Shanghai Intellectual Property Court. A sharing mechanism for ascertaining technical facts in technical cases in the courts across the city was established.

Source: 1. *White Paper on the Intellectual Property Development in Shanghai 2018*; 2. Shanghai Intellectual Property Administration; 3. *White Paper on the Intellectual Property Trials by Courts of Shanghai 2018*; 4. Official website of Shanghai International College of Intellectual Property



Providing Superior Talent Services

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

Building a Globally Competitive Platform for Career Development

- Prioritized access to major scientific facilities in Zhangjiang Science City
- New work facilities specially created
- Prioritized access to sufficient and easy-to-reach land for customized standard labs



Improving Administrative Efficiency

- For foreign workers in China: lower thresholds for obtaining permanent residency, loosened age restrictions on employment, and simplified administrative procedures for entry and residence
- Prioritized application for the Chinese nationality or permanent residence permits in China for foreigners
- A fast track channel for foreign exchange settlement and swap



Implementing Internationally Benchmarked Talent Management Practices

- An integrated budget management mechanism
- Mid- and long-term external appraisal systems
- An administration assistant system
- Exclusive authority assigned to high-level professionals as proposed in the policy "delegation of five authorities"¹



Creating a Convenient Living Environment

- Housing support, e.g. housing/rent allowance, and dedicated apartments
- More access to international education resources
- Optimized social security benefits, including pension and healthcare insurance
- Benefits for the spouses and dependent children of overseas workers



Selected 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.
	Work and Entrepreneurship Support	Since the inauguration of the Lin-gang Special Area at SHFTZ, substantive services have been provided by the Shanghai Municipal Administration of Foreign Experts Affairs to facilitate the work and entrepreneurship of foreign professionals in the area. Specifically, the restrictions on work permits for foreign professionals investing, innovating or starting businesses in the area have been loosened, and the title "foreign high-caliber talent" and the benefits for title winners have been made available for approved leading foreign professionals engaged in state-level or municipal-level major sci-tech projects.
	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.

Note: 1. The delegation of five authorities covers affairs related to high-caliber professionals in employment, spending, asset using, technology development-related decision making, and establishment of subordinate bodies.

Source: 1. *Shanghai's Action Plan on Accelerating the Implementation of Top-notch Talent Project*; 2. Shanghai Municipal Administration of Foreign Experts Affairs; 3. Official website of Shanghai Municipal Government

Providing Superior Talent Services (Continued)



Dedicated Apartments

Committed to providing market-based leased housing programs, Shanghai municipal government has been increasing land for leased housing since July 2017. As of the end of March 2019, a total of nearly 4.4 million m² of building area was planned for constructing leased housing units. In 2019, another 100,000 housing units, newly built or transformed from other purposes, along with 90,000 private properties operated by government authorities, will be made available for lease. 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

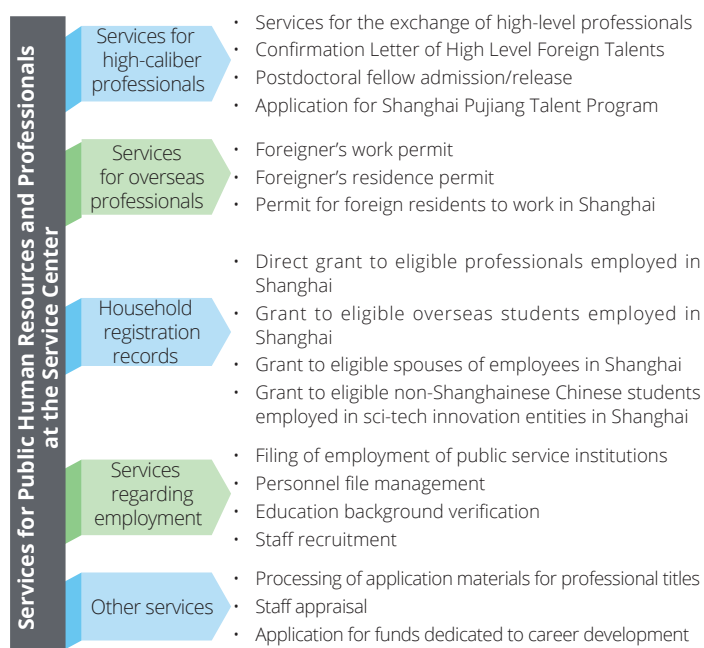
✓ Selected Apartment Buildings:

- Lujiazui Financial City Apartment
- ZJ INNOPARK Apartment
- Pudong International Talent City
- Dedicated Apartments for G60 Science & Technology Innovation Valley

One-stop Talent Service at Designated Window

Located in Zhangjiang Science City, the Shanghai Service Center for International Technology Innovation Talents is an integrated public talent service platform jointly established by Shanghai Municipal Human Resources and Social Security Bureau and the Shanghai Municipal Office of Promoting the Establishment of Science and Technology Innovation Center.

Committed to "developing an innovative service mechanism for science and technology talent, and providing targeted services for specific workers" in the important AI, integrated circuit, and bioscience sectors, the Service Center has put in place the mechanism of One-stop Talent Service at Designated Windows to meet the needs arising from the attraction of science and technology talent. As many as 18 services for public human resources and professionals had been available at the Designated Window by the end of August 2019, and the service scope is set to expand in response to the requests submitted at the window. Shanghai's administrative approval processing model based on an integrated network has sharply improved the experience of science and technology professionals, and thus facilitated the development of Shanghai's talent pool.



Dedicated Apartments for G60 Science & Technology Innovation Valley

The Dedicated Apartments for G60 Science & Technology Innovation Valley are located in Songjiang District. In July 2019, Weixiang Apartment Building – the Phase I project – was officially put into service, offering 191 public rental housing units fully furnished and ready for immediate occupancy. Inside the apartment building, there is a CPC building service center providing shared facilities such as laundry machines, massage equipment, coffee machines and study rooms. Moreover, diversified rent options are offered to better meet workers' personal needs. For example, single people may choose the shared accommodation option to enjoy lower rents.

Source: 1. Shanghai Municipal Planning, Land and Resources Administration; 2. Housing Security and Administration Bureau of Songjiang District; 3. Shanghai Municipal Human Resources and Social Security Bureau; 4. Shanghai Municipal Education Committee



Chapter IV

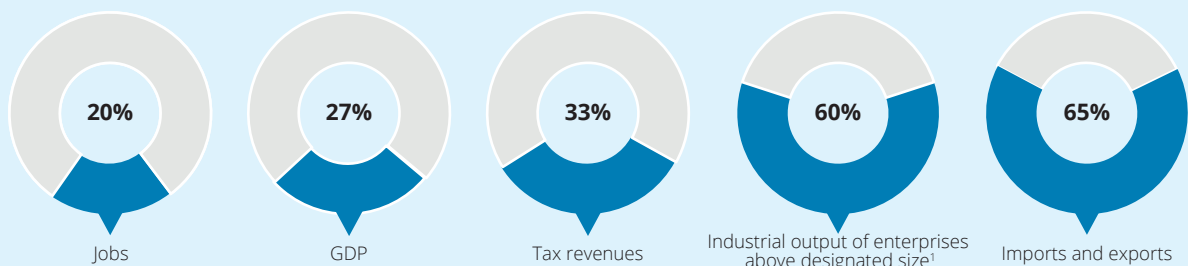
Business Environment

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.

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



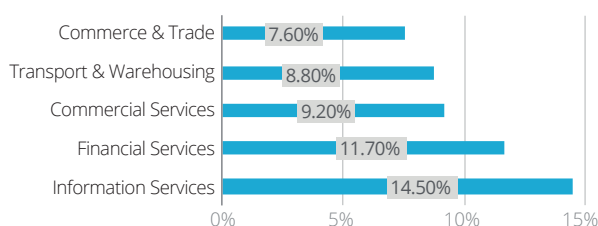
A Wide Range of Overseas Investors

As of the end of 2018, a total of 182 countries and regions had invested in Shanghai. Among them, Hong Kong, Germany, Singapore, the Cayman Islands, Japan, the US, the British Virgin Islands, the UK, France and the Netherlands were listed as the top 10 investors (by paid-in capital), with paid-in capital amounting to about USD 15.78 billion, accounting for 92.1% of the city's total. The contractual foreign investment and paid-in capital from countries along the B&R made up 10.9% and 5.9% of Shanghai's total respectively.

Major Industries Favored by Foreign Capital

As the main area attracting foreign capital, the service sector attracted 96.9% of Shanghai's new foreign-invested projects and absorbed 89.3% of the city's total paid-in capital in 2018. Within the service sector, headquarters economy is the most-invested. In recent years, manufacturing is also becoming increasingly attractive to overseas investors, with foreign-invested enterprises playing a leading role in high-tech manufacturing. In 2018, manufacturing attracted about USD 1.784 billion paid-in capital from foreign investors, up by 120% year on year and accounting for 10.3% of Shanghai's total.

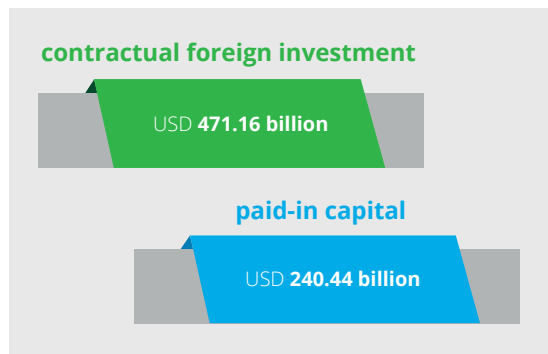
Proportion of Revenues Generated by Major Service Sectors in Shanghai in 2018



Note: Unless otherwise specified, the data is as of the end of 2018 on this page; 1. Enterprises above 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 2018 National Economic and Social Development*

As of the end of 2018, Shanghai had a total of



Substantial Benefits for Foreign-invested Companies

Doing business in China has become an integral part in global operations of foreign companies. In 2018, 14,300 foreign-invested companies in Shanghai saw a year-on-year 5.7% increase of revenues, 9.3% of aggregate taxes, 0.6% of aggregate profits and 0.5% of employees.

According to a survey by a thirty-party institution, many foreign-invested companies across industries indicated that they would continue their investment in China for better performance in the Chinese market. In the retailing industry for example, a variety of foreign-invested retailing companies will expand their business in Shanghai in 2019, including Sam's Club. Enjoying fast growth, Sam's Club plans to open 6 more chain clubs in Shanghai and by 2023 to develop a total of 40 clubs across China.



Overview of Regional Headquarters of Multinational Corporations

Since 2018, 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. Numerous Shanghai-based “multifunctional headquarters” have successfully integrated into the Asia-Pacific market and even the global market. Due to the efforts to develop a sustainable and healthy headquarters economy, Shanghai has emerged as the metropolis that is home to the largest number of RHQs of MNCs in mainland China. Further efforts will be made to fully improve the scale and capacities of MNCs in the city.

As of the end of September 2019, Shanghai had attracted a total of 705 RHQs of MNCs including:

68 Asia-Pacific/global HQs
452 R&D centers



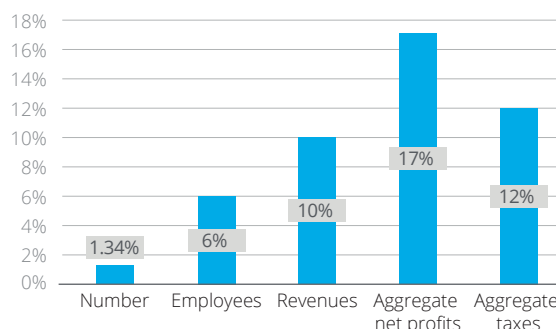
95% of the RHQs in Shanghai have at least two functions:

82% responsible for investment decision making
61% responsible for capital operation
54% responsible for R&D
35% responsible for purchasing and sales

Impressive Contributions to Shanghai's Economy

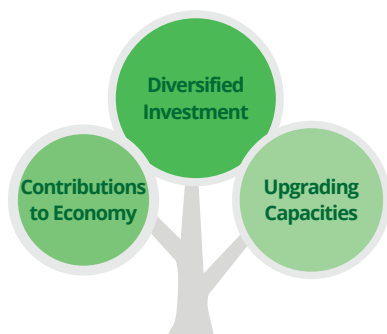
By the end of 2018, the number of RHQs made up 1.34% of foreign-invested companies in the city but accounted for 17% of the aggregate net profits generated by these foreign-invested companies, contributing substantially to Shanghai's economic growth. The automobile, electronics and electrical engineering, 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.

Proportion of RHQs of MNCs to Foreign-invested Companies in Shanghai by Five Dimensions in 2018



Diversified Investment Areas

In recent years, RHQs in Shanghai have experienced increases in both total numbers and total investments. The number of RHQs in different industries and of different scales has risen overall, and investment preferences have diversified. In 2018, Shanghai-based RHQs remained dominated by manufacturing enterprises, represented by the automobile, chemical, biomedicine and electronic equipment manufacturing industries.



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. Taking the 29th batch of RHQs and R&D centers in Shanghai at the end of 2018 as an example, 12 industry-leading RHQs received authenticated certificates from the Shanghai Government. Among them were BioMérieux, a French in-vitro diagnostics pioneer; MSC Cruises, a Swiss privately-owned cruise giant; IHG, one of the world's leading hotel companies; AECOM, an American services provider of architecture, design and engineering; Coach, a renowned international design house of modern luxury accessories and lifestyle collections; JDI Display, a Japanese LCD technology joint venture; Mattel, an American leading toy company; COTY, a top cosmetics and fragrance giant; Kingston Technology, an American leader in flash memory products; and Kobayashi Pharmaceutical, a Japanese chemicals enterprise.

Source: 1. Information Office of Shanghai Municipal Government

Overview of Foreign-invested R&D Centers



The Development of Foreign-invested R&D Centers

As of the end of 2018, Shanghai was home to 441 foreign-invested R&D centers with over 40,000 researchers, including 65 R&D centers at Asia-Pacific regional level or above, 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 information technology, pharmaceuticals and biotechnology, automobile and auto parts, and chemicals. In pharmaceuticals and biotechnology for example, 8 of 10 world's largest pharmaceutical companies have set up R&D centers in Shanghai, including Pfizer, Novartis, Roche, Johnson & Johnson, GSK, AbbVie and Amgen.

Globalizing Foreign-invested R&D Centers

Multinational corporations are enhancing the significance of their Shanghai R&D centers in their global operations, and upgrading them into regional or global R&D centers to support R&D achievements in Shanghai and around the world.



Examples of R&D Centers

- Nike, Inc. established a digital studio in Greater China for upgrading service consumption.
- Honeywell International Inc. established a global R&D center for auto parts in Shanghai.
- Valeo established Valeo Powertrain (Shanghai) Co., Ltd. as well as R&D centers in Shanghai.
- Air Liquide S.A. launched the Shanghai Innovation Campus to develop local innovative gas solutions.



The Development of Foreign-invested Biopharmaceutical Manufacturing in Shanghai

Supported by strong capital and advanced technologies, foreign-invested companies have become the backbone of the development of Shanghai's biopharmaceutical manufacturing.

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

Case Study: JLABS@Shanghai

Co-built by Johnson & Johnson and the Shanghai municipal government, JLABS@Shanghai, the first JLABS in the Asia-Pacific region, provides start-ups with modular labs equipped with advanced devices, as well as the shared opportunities created by industry clustering, so as to accelerate the transformation of cutting-edge research results into innovative healthcare solutions. With a total floor area of over 4,400 m², JLABS@Shanghai can accommodate around 50 innovative start-ups across the pharmaceutical, medical equipment, consumer products and medical technology industries. As of the end of June 2019, 31 enterprises had settled in this JLABS.

Case Study: Roche Innovation Center Shanghai

As the first multinational pharmaceutical company with a complete value chain in China, in 2015 Roche invested RMB 863 million in the upgrading of its innovation center in Shanghai. Roche Innovation Center Shanghai is expected to be the company's third-largest strategic center after Basel, Switzerland and San Francisco, the United States. The center is dedicated to moving from "Made in China" to "Developed in China". The center, completed in October 2019, occupies a floor area of 26,000 m² with 220 modular work areas. Equipped with top-notch research facilities, the center focuses on research and early development of innovative medicines in immunity, inflammation and infectious diseases.

Note: 1. Circular of Shanghai Municipal People's Government on Printing and Issuing Opinions on Encouraging the Development of Foreign-Invested R&D Centers in Shanghai (Shanghai Municipal Government General Office Publication [2015] No.42)
Source: 1. Statistical Communiqué of Shanghai Municipality on the 2018 National Economic and Social Development; 2. Official website of Johnson & Johnson (China) Investment Ltd.



Globally Competitive Modern Manufacturing System

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

As a traditionally flourishing sector in Shanghai, manufacturing has been a pillar for municipal economic development. In recent years, Shanghai has issued a number of favorable policies directing supply-side structural reform, the 13th Five-Year Plan of the manufacturing sector, and action plans promoting innovation-driven development and technological transformation. Benefiting from these, Shanghai has witnessed intelligent, service-based and high-end green development of the manufacturing industry, enhancing its core competitiveness globally.



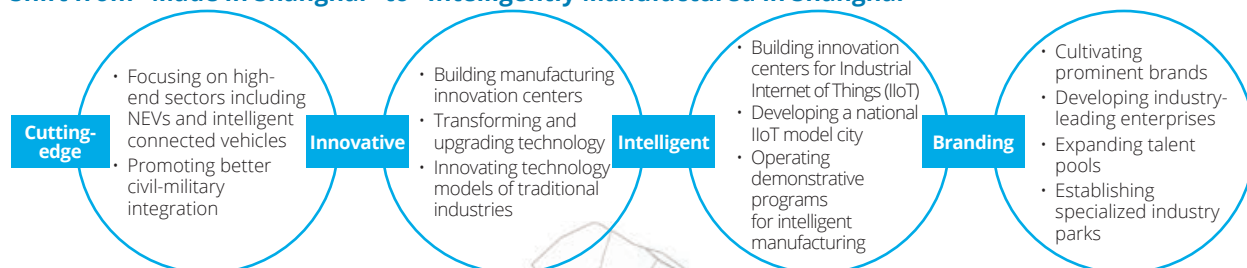
• Automobile • Iron and steel • Chemical engineering	• Shipbuilding • Urban industries
• New-generation information technology • Intelligent manufacturing equipment • Biomedicine and advanced medical equipment • NEVs and intelligent connected vehicles • Aerospace	• Oceaneering equipment • High-end energy equipment • New materials • Energy conservation and environmental protection
• One-stop service contracting • R&D • Inspection, testing and accreditation	• Supply chain management • E-commerce

Chart: Key Manufacturing Industries in Shanghai During the 13th Five-Year Plan Period
(Source: Transformation and Upgrading of the Manufacturing Sector in Shanghai During the 13th Five-Year Plan Period)

Steady Growth of Manufacturing Strength

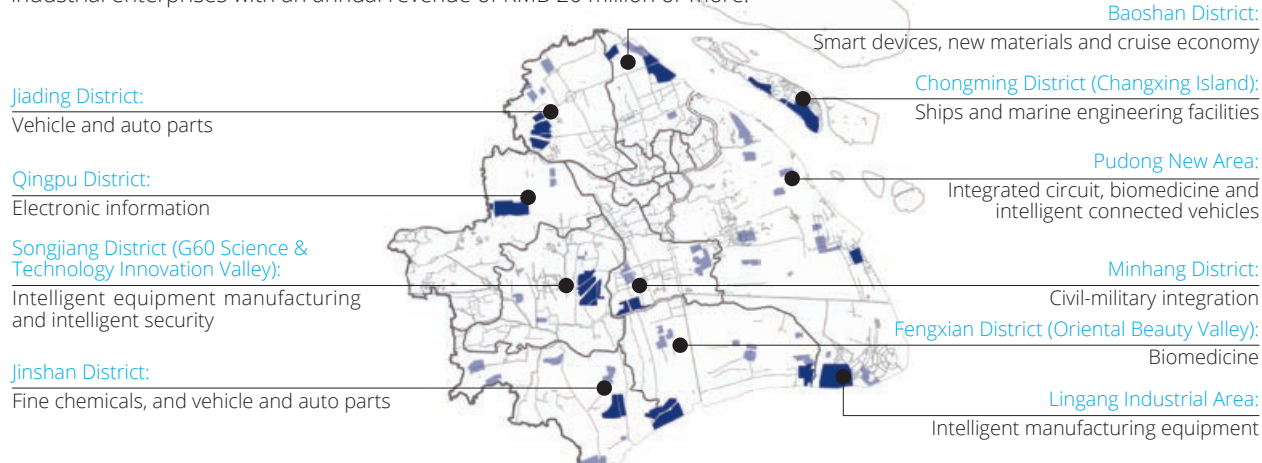
In 2018, the gross industrial output of Shanghai stood at about RMB 3.645184 trillion, continuing the steady growth of the previous year; the added value of producer services industries reached RMB 1.3707 trillion, accounting for 41.9% of the city's GDP; and the operating income of the key areas of the producer services sector exceeded RMB 2.85 trillion, a year-on-year increase of 9%. As of the end of June 2019, Shanghai had achieved a double-digit growth rate in industrial investment for 15 consecutive months, with investment in manufacturing up by 29.3% and investment in six key industries up by 34.9% over the previous year; and the operating income of the key areas of producer services industries had increased 9.1% year on year to RMB 1.42236 trillion.

Shift from “Made in Shanghai” to “Intelligently Manufactured in Shanghai”



Developing Advanced Manufacturing with Local Resources

Based on their different characteristics and advantages, Shanghai's districts have developed manufacturing in a more targeted manner, cultivating their own unique competitiveness. In 2018, all districts saw steady growth of total output from industrial enterprises with an annual revenue of RMB 20 million or more.



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

Globally Competitive Modern Manufacturing System (Continued)



High-end Value Chain System

In recent years, Shanghai's industrial structure has been continually optimized. Strategic emerging industries, traditionally advantageous manufacturing industries, and producer services have become the drivers of Shanghai's modern manufacturing system. Among them, the growth of strategic emerging industries is particularly remarkable – in 2018, the industrial output value of strategic emerging industries, such as energy conservation and environmental protection, new-generation information technology, biology, high-end equipment, new energy, NEVs and new materials, reached RMB 1.065991 trillion, accounting for 30.6% of the total industrial output value of the city's enterprises with an annual revenue of RMB 20 million or more. In addition, the manufacturing sector, especially the strategic emerging industries, has been continuously integrating, moving towards the high end of the global value chain.

Shanghai Manufacturing Achievements:

Aerospace: The development of COMAC ARJ21 Xiangfeng, COMAC C919, ACAE CJ-1000A and Long March 6;

Equipment Manufacturing: Breakthroughs on a set of major equipment including the "Ocean Oil 981" and the AP1000 nuclear power plant;

Integrated Circuits: Huali's 12-inch wafer silicon assembly line and SMIC's 28nm microchips have been put into mass production. Advanced semiconductor equipment including MOCVD has realized localization, and United Imaging has broken the international monopoly with its PET/CT imaging.

The Development of "Made-in-China" Microchips in Shanghai

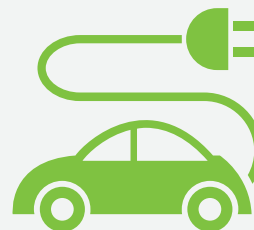
Shanghai currently has a comprehensive industry chain for integrated circuits, bringing together design, manufacturing, packaging and testing, materials, equipment, supporting facilities and services, making Shanghai one of China's top microchip manufacturing centers in terms of industry concentration and comprehensive technical capabilities.

In 2018, the sales volume of the integrated circuit industry in Shanghai increased 23% to RMB 145 billion, accounting for 22% of China's total, and is expected to reach RMB 200 billion in 2020. There are about 600 integrated circuit enterprises in Shanghai with more than 170,000 employees, accounting for 40% of the country's total.

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

On July 10, 2018, when the Shanghai municipal government proposed to speed up the removal of foreign ownership caps for automobile makers in the 100 measures for further opening-up, Tesla, an NEV industry benchmark, signed an agreement with the Shanghai municipal government to build its first stand-alone auto plant outside the US in Shanghai. The Gigafactory will integrate R&D, manufacturing and sales, and is expected to be put into production at the end of 2019 with a preliminary annual output of 150,000 electric cars. The annual output will reach 500,000 after it is put into full production.

As the first foreign carmaker to benefit from the new policy of removing foreign ownership caps in the NEV industry, Tesla will not only boost its productivity through the Gigafactory in Shanghai, but also upgrade China's NEV supply chain, indirectly improving the supporting services and facilities for local automobile manufacturers.



Significant Industry Development Platforms



With its advantages in technological innovation and geographic position at the center of the YRD region, Shanghai is accelerating the innovative development of its manufacturing industry. In 2018, Shanghai, for the first time, obtained the approval to build the 6th and 7th national manufacturing innovation centers – the National Integrated Circuit Innovation Center and the National Intelligent Sensor Innovation Center.

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

Six national-level economic and technological development zones in Shanghai:

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

Source: 1. *Shanghai Report on Science and Technology Progress 2018*; 2. *Statistical Communiqué of Shanghai on the 2018 National Economic and Social Development*; 3. Shanghai Municipal Commission of Economy and Informatization



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. An institutional system aligned with international standards for investment and trade will be developed in the city, along with an improved modern market system featuring equal exchange and free flow of goods and resources.

Expanded Trading Market

Stable Growth of Foreign Trade: 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 2018, Shanghai's total import and export volume surpassed USD 500 billion, with a total value of import and export goods up to RMB 8.53 trillion, which accounted for 27.9% of China's total and **more than 3% of global total, exceeding traditional international trade centers like Hong Kong and Singapore.**

Strong Development of Trade Industry Headquarters: From 2016 to July 2019, 137 trade natured headquarters, including a number of leading global companies, have received certificates from the Shanghai Municipal Government. Main operating incomes and transaction volumes of these companies accounted for 1/3 of Shanghai's total sales value of commodities.

For instance, the third batch of 15 trade enterprise headquarters, involved in a variety of businesses including wholesale and retail, international sales, logistics and warehousing, international services trade and platform trading, have generated a transaction volume of RMB 450 billion. Among them are one headquarters with over RMB 100 billion of transaction volume and 11 headquarters with over RMB 10 billion.

Globalized Trade Cooperation

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 B&R Initiative and the establishment of the SHFTZ, Shanghai has significantly strengthened its commitment and capacity to participate in international competition and cooperation.

At present, with local enterprises expanding their presence to 178 countries and regions, Shanghai has forged economic and trade partnerships with 14 countries and strategic node cities along the B&R, including Singapore, Czech Republic and Turkey. In 2018, the import and export volume between countries and regions along the B&R and Shanghai was RMB 699.3 billion, representing 20.6% of the city's total. The trade with economies along the B&R has become a powerhouse for trade growth of Shanghai.



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

1/3
Automobiles, diamonds, wine and dairy products
1/2
Cosmetics, pharmaceuticals and medical equipment
60%
Apparel and clothing accessories
70%
Watches

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

15%
Steel
20%
Petroleum chemicals
60%
Non-ferrous metals

Shanghai has carried out wide-ranging cooperation with countries and regions along the B&R routes, which includes:

Two-way Investment: Currently, the actual foreign investment from countries and regions along the B&R has increased by 16.2% year on year to USD 1.03 billion, accounting for 6% of the total foreign investment in Shanghai. In 2018, Shanghai's non-financial outbound direct investment (ODI) subjected to filings grew by nearly 130% compared with 2017 to USD 2.93 billion.

Infrastructure Cooperation: Shanghai's newly signed contracts for overseas projects with countries and regions along the B&R routes have reached a value of USD 8.73 billion, accounting for 73.4% of the city's total value of overseas contracted projects.

Financial Cooperation: As of the end of 2018, all types of market participants had generated RMB 480.75 billion of cross-border RMB settlement through SHFTZ accounts with 57 economies along the B&R.



Source: 1. *Statistical Communiqué of Shanghai Municipality on the 2018 National Economic and Social Development*; 2. Official website of Shanghai Municipal Government; 3. Shanghai International Culture Association

An International Trade Center Aligned with High Standards (Continued)



Digital Trade Models

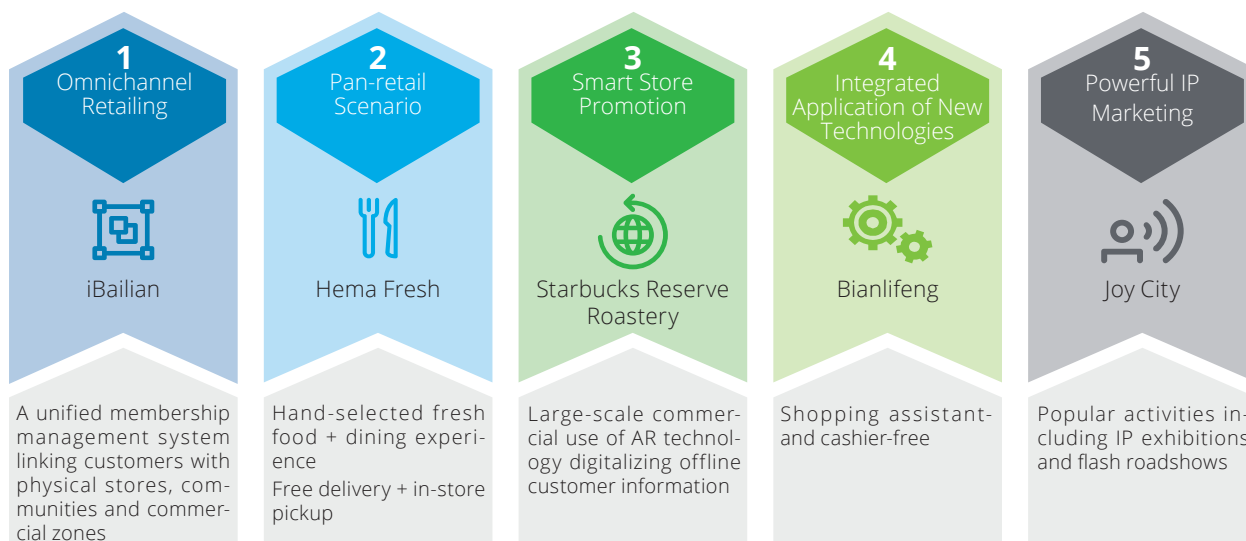
Original Content IP
Unicorn Companies
High-end Services
Global Alliance of Digital Partner Cities

Digital trade is seen as an innovation and extension of traditional international trade models in the digital economy era, involving cross-border activities where digital services and products are delivered online and exchanged efficiently. In 2018, Shanghai's digital trade imports and exports totaled USD 26 billion, with exports increasing by 16% on a year-on-year basis to USD 17 billion, accounting for nearly 30% of Shanghai's services trade exports, and imports increasing by 15% year on year to USD 9 billion.

Figure: Shanghai's "One Hub & Three Centers" Initiative on Digital Trade

Innovative Trade Models

In response to a new round of technology and industry reform, Shanghai has stimulated the growth of new retail by promoting the use of new technologies including the internet and big data in trade, and adopting innovative trade models and payment systems. It is estimated that Shanghai has 55.3% of international retailers doing business in the city, ranking second globally – with 31% of leading brands and 22% of high-end brands present.



Source: 1. Shanghai's Action Plan on Digital Trade Development (2019-2021); 2. Official website of Shanghai Municipal Government; 3. Statistical Communiqué of Shanghai Municipality on the 2018 National Economic and Social Development



An International Financial Center with Complete Factor Markets



The present status of Shanghai as China's financial center, with financial market system at its core, has been consolidated. As one of the 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 2019, Shanghai has remained the 5th position among worldwide financial hubs according to the Global Financial Centers Index 26 (GFCI 26) released by Z/Yen, an independent think-tank from the UK.

Figure: "Six Centers and One Ecosystem" of Shanghai as an International Financial Hub

Financial Sector Rising as a Pillar of Municipal Development

Shanghai has seen a booming development of the financial industry in recent years. In 2018, the aggregate trade volume of financial markets in this city reached RMB 1,645.78 trillion, with more than 360,000 employed professionals and a total of 1,605 licensed financial institutions in Shanghai (over 30% are foreign-funded). The added value of the financial sector accounted for over 17% of the city's GDP. It is proven that Shanghai has emerged as a major gathering place for financial institutions with a complete set of factor markets globally.

An International Hub Gathering a Multitude of Financial Institutions

A cluster of financial institutions: Shanghai has become an ideal destination for global financial institutions and a home base for headquarters, branches and offices of functional financial entities. Nowadays, Shanghai is home to a wealth of significant financial institutions and organizations such as New Development Bank, China International Payment Service Corp (CIPS), Global Association of Central Counterparties (CCP12), China Insurance Investment Fund and National Internet Finance Association of China.

Complete market factors: Shanghai keeps enriching the variety of products and instruments in its financial market, with projects such as the pilot operation of the Shanghai-Hong Kong Stock Connect. Moreover, the city has completed the initial development of financial markets for bills, insurance and trust registration, and witnessed the establishment of the Chinabond Pricing Center. All these efforts are enhancing the basic market functions of Shanghai, making it an even more comprehensive financial center.

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

Securities: 2,584 market entities in Shanghai's capital market

- 903 NEEQ-listed companies, **8.4%** of the national total
- 251 securities and futures entities with legal personality, nearly **31.1%** of the national total
- The number of major institutions, such as securities companies, fund companies and futures companies **ranked top in China**.
- **The first batch of** newly established foreign-controlled securities companies **in China** has been approved for incorporation.

Insurance: Ranking 5th in terms of the insurance sector in GFCI in 2019

- 7 insurance asset management companies, around **33.3%** of the national total
- 53 insurance entities with legal personality, around **25%** of the national total
- The number of foreign-invested insurance companies **ranked top** in China.
- **China's first** foreign-controlled insurance company has settled in Shanghai.

Integrating into Global Financial Markets with Further Opening-up

"An open Shanghai has a strong financial gene." As of September 2019, Shanghai had embraced a total of 39 global financial projects in 4 batches, among which 18 had been completed. As of May 2019, 51 renowned global management institutions had set up 71 foreign-owned asset management companies in Lujiazui and **9 of the top 10 global management institutions had settled in Lujiazui**, demonstrating Shanghai's gradual integration into the global ecosystem of asset management.

Free Flows of Capital

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 Zone. 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. Shanghai's Action Plan for Development as an International Financial Center (2019-2020); 2. Statistical Communiqué of Shanghai Municipality on the 2018 National Economic and Social Development; 3. Official website of Shanghai Municipal Government; 4. Shanghai Securities Regulatory Bureau

An International Shipping Center Allocating Shipping Resources Globally



According to the evaluation results of the “2019 Xinhua-Baltic International Shipping Centre Development Index”, Shanghai is among the top four international shipping centers. The city is currently consolidating highly integrated shipping resources, complete shipping services, favorable market conditions and efficient modern logistics services, with a view to building itself into an international shipping center with the capacity to allocate global shipping resources.

Capacity to Allocate Global Shipping Resources

Aviation Hub as an Asia-Pacific Gateway

Shanghai's urban airport system consisting of Shanghai Pudong International Airport and Shanghai Hongqiao International Airport has met the standards set by other international metropolises in terms of layout and size. The two airports together handled about 4.17 million metric tons of cargo and mail in 2018, about 3.77 million metric tons of which were handled by Shanghai Pudong International Airport.

International Shipping Hub

Shanghai is the busiest container port in Chinese mainland with the largest number of container shipping routes, the most frequent sailings, and the widest network coverage. In 2018, its cargo throughput reached 730 million metric tons; it handled a throughput of about 42.01 million TEUs of containers in the same year, a 4.4% year-on-year increase, **ranking No.1 in the world for nine consecutive years**.

International Cruise Terminals

Cruise terminals in Shanghai and their supporting facilities continue to improve, with two major cruise terminals (Shanghai Wusongkou International Cruise Terminal and Shanghai Port International Cruise Terminal) and one standby terminal in Waigaoqiao Port Area already in place. The number of cruise ships and passengers has grown rapidly. In 2018, the number of cruises anchored at the Shanghai Port reached 406, with a total passenger throughput of over 2.75 million, **making the Port the largest homeport for cruise ships in Asia and the fourth largest one in the world**.



- ✓ The throughput of international passengers and cargo & mail in 2017 accounted for 1/3 and 1/2 of China's total respectively, making Shanghai **the top air gateway city in Chinese mainland**.
- ✓ Shanghai Pudong International Airport has been the world's **third** largest airport in terms of cargo and mail throughput for 11 consecutive years in 2018.
- ✓ In 2018, the passenger throughput at the two airports reached about 118 million, **No.4** globally.
- ✓ **107** airline companies have commenced flights to Shanghai, connecting it with 300 destinations of 48 countries and regions worldwide.



Shanghai Pudong International Airport and Shanghai Hongqiao International Airport have both achieved Platinum status for Fast Travel implementation from the International Air Transport Association (IATA) in 2018.

- ✓ Shanghai Hongqiao International Airport once again topped the list of “The Best Airports in China 2018”¹ and achieved the 31st consecutive year of flight safety
- ✓ Shanghai Pudong International Airport was rated the **Second Best Airport globally in the ‘over 40 million passengers per year’ category** at the Airport Service Quality (ASQ) Awards 2017² and achieved the 19th consecutive year of flight safety.

Upgraded Shipping Capacity

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

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

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

Note: 1. Released by international air transport rating organisation SKYTRAX; 2. The Airport Service Quality (ASQ) Awards 2017 conducted by Airports Council International (ACI)

Source: 1. 2019 Xinhua-Baltic International Shipping Centre Development Index Report (The “2019 Xinhua-Baltic International Shipping Centre Development Index” was jointly published by Xinhua News China Economic Information Service, China Financial Information Center and the Baltic Exchange)



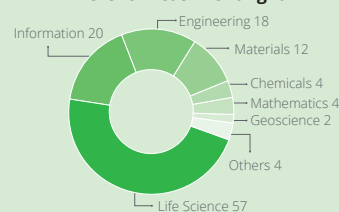
A Global Science and Technology Innovation Center

Aiming to build a comprehensive national science center, Shanghai closely follows the trends of scientific and technological development and industry revolution to further strengthen its sci-tech innovation competence. Shanghai has never been outside the top two in the national index of comprehensive scientific and technological progress. With sci-tech progress increasingly contributing to its economic growth, the city has been a cradle of innovation, notably powered by its competitive industries such as integrated circuit and biomedicine.

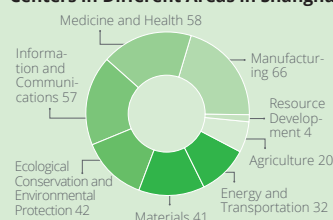
Sci-tech Innovation Achievements

- ✓ In 2018, R&D expenditure in Shanghai accounted for **3.98%** of the local GDP; every 10,000 residents possessed 47.5 invention patents, **2.7** times the number in 2013; **408,900** trademarks were filed, increasing the total number of valid registered trademarks to **1.15 million**.
- ✓ From 2016 to 2018, the number of high-tech enterprises in Shanghai stood at **9,206**. By the end of 2018, a total of **12,118** high-tech achievement transformation projects had been recognized and **223** qualified companies listed on the technology and innovation board (N Board) of Shanghai Equity Exchange.
- ✓ The Zhangjiang Comprehensive National Science Center has been established in Shanghai and achieved important sci-tech breakthroughs.
- ✓ In 2017, China's homemade C919 large passenger plane made its first trial flight from Shanghai. As of August 2019, four prototypes of C919 had made their maiden flights. Major headway has been made in the development of C919, the ARJ21 regional jet, and the CRJ929 long-range wide-body jet airliner co-developed by China and Russia, marking China's success in mastering core technologies of manufacturing modern trunk liners.

The Number of Key Laboratories in Different Areas in Shanghai



The Number of Engineering Research Centers in Different Areas in Shanghai



The Newly Launched SSE STAR Market

In November 2018, the Shanghai Stock Exchange (SSE) rolled out the STAR Market, a new Nasdaq-style tech board that has piloted the registration-based IPO system. The STAR Market is intended to further improve the basic systems underpinning the local capital markets and drive the development of Shanghai as an international financial center and a sci-tech innovation hub.

On July 22, 2019, the first batch of **25** companies were listed on the SSE STAR Market, which, followed by the second batch of debutants on August 8, marked another milestone for China's capital markets. As of September 27, 2019, **158** companies had submitted their listing applications with 36 having been approved, among which **30** companies had achieved IPO and started trading.

Case Study: Covance

Covance is a global pharmaceutical contract research organization (CRO) dedicated to preclinical drug safety evaluation, toxicology, pharmacology, bioanalysis, and clinical central laboratory services. The CRO giant contributed to the development of 93% of the new drugs approved by FDA in 2018.

In 2009, Covance opened a R&D facility in the Shanghai International Medical Zone. In 2018, the headquarters of Covance announced a drug discovery and development center to be built in Zhangjiang. With a gross floor area of 12,000 m², it will become the largest R&D facility of Covance in the Asia-Pacific region. The new facility will provide bioanalysis and biological sample testing services for drug discovery enterprises and bring together the most advanced and promising products and technologies in the world to meet the needs of patients in China.

Vibrant Innovation and Entrepreneurship

Shanghai is flourishing with great innovation and entrepreneurship enthusiasm among citizens and businesses. In 2018, the Shanghai Session of China Innovation and Entrepreneurship Competition was attended by 6,520 small and micro enterprises and startup teams – a number that continued to be among the highest nationwide.

- In 2018, **3,705** enterprises were identified as high-tech enterprises in Shanghai, bringing the number of entities within the valid period for the qualification as a high-tech enterprise to **9,250**.
- By the end of 2018, a total of **7** national demonstration bases for innovation and entrepreneurship had been established in Shanghai.
- In 2018, **93** enterprises were recognized as “Little Tech Giants”, and **87** as “Little Tech Giants (Under Fostering)”.
- As of the end of 2018, Shanghai boasted over **500** makerspaces, incubating and serving over **27,000** enterprises and teams, with the total turnover of enterprises housed in the makerspaces reaching RMB 50 billion.

Source: 1. Regulations of Shanghai on Promoting the Transformation of Technological Achievements; 2. Opinions on Promoting New-generation AI Development; 3. Several Opinions of the Shanghai Municipal People's Government on Further Supporting Foreign-invested R&D Centers to Contribute to Developing Shanghai into a Technology and Innovation Center with Global Influence; 4. Official website of the Shanghai Stock Exchange

A Global Science and Technology Innovation Center (Continued)



Artificial Intelligence

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.

AI industries in Shanghai have entered their "golden era".

✓ Clustering World-class Enterprises and High-caliber Professionals

Shanghai has attracted international tech giants such as Microsoft and Amazon, in addition to domestic leading companies including Alibaba and Baidu, as well as industry leaders including iFLYTEK and SenseTime, to jointly develop AI industries. The clustering of these top-notch enterprises is pooling high-caliber professionals. An estimated 1/3 of Chinese AI experts have come to Shanghai, bringing with them extensive expertise particularly in computer vision, speech recognition and semantic interpretation, and brain engineering.

✓ Growing AI Science and Technology Innovation Platforms

Shanghai is currently home to 16 AI research institutes and 3 top-class AI labs, including Microsoft-INESA AI Innovation Center, Shanghai Research Center for Brain Science & Brain-inspired Intelligence, foundational research platforms and institutes of Shanghai Jiaotong University, Fudan University, and Tongji University, as well as enterprise-based AI innovation centers established by Amazon, Alibaba, Baidu, and iFLYTEK, and AI labs of Tencent, SAIC and Baosteel.

✓ Building a Global AI Application Testing Ground

By opening AI application testing centers and providing platforms for matching supply and demand in AI industries, Shanghai is encouraging the release of pioneering AI technologies, with a view to facilitating the birth of world-class AI applications. Being the first of its type in China, the Shanghai AI Application Scenario Initiative released in 2018 has listed a total of 40 AI application test scenarios in various fields, covering manufacturing, tourism, education, urban management, transportation and justice.

Case Study: A Core Area of the Science and Technology Innovation Center

Having been vigorously involved in scientific and technological innovation since its very establishment, Pudong New Area has received continuous support from the Shanghai municipal government, as shown in the document *Opinions on Supporting the Pudong New Area to Open a New Chapter of High-quality Growth in the New Era* released in 2019. Pudong has stepped up efforts to enhance its capacity for nurturing scientific and technological innovation, and create an increasingly appealing innovation environment with competitive and comprehensive services provided for experts and professionals. In this way, it aims to turn itself into an innovation center where global innovation resources are agglomerated, and innovative achievements are continuously made and efficiently brought into application.

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 scientific and technological innovations.



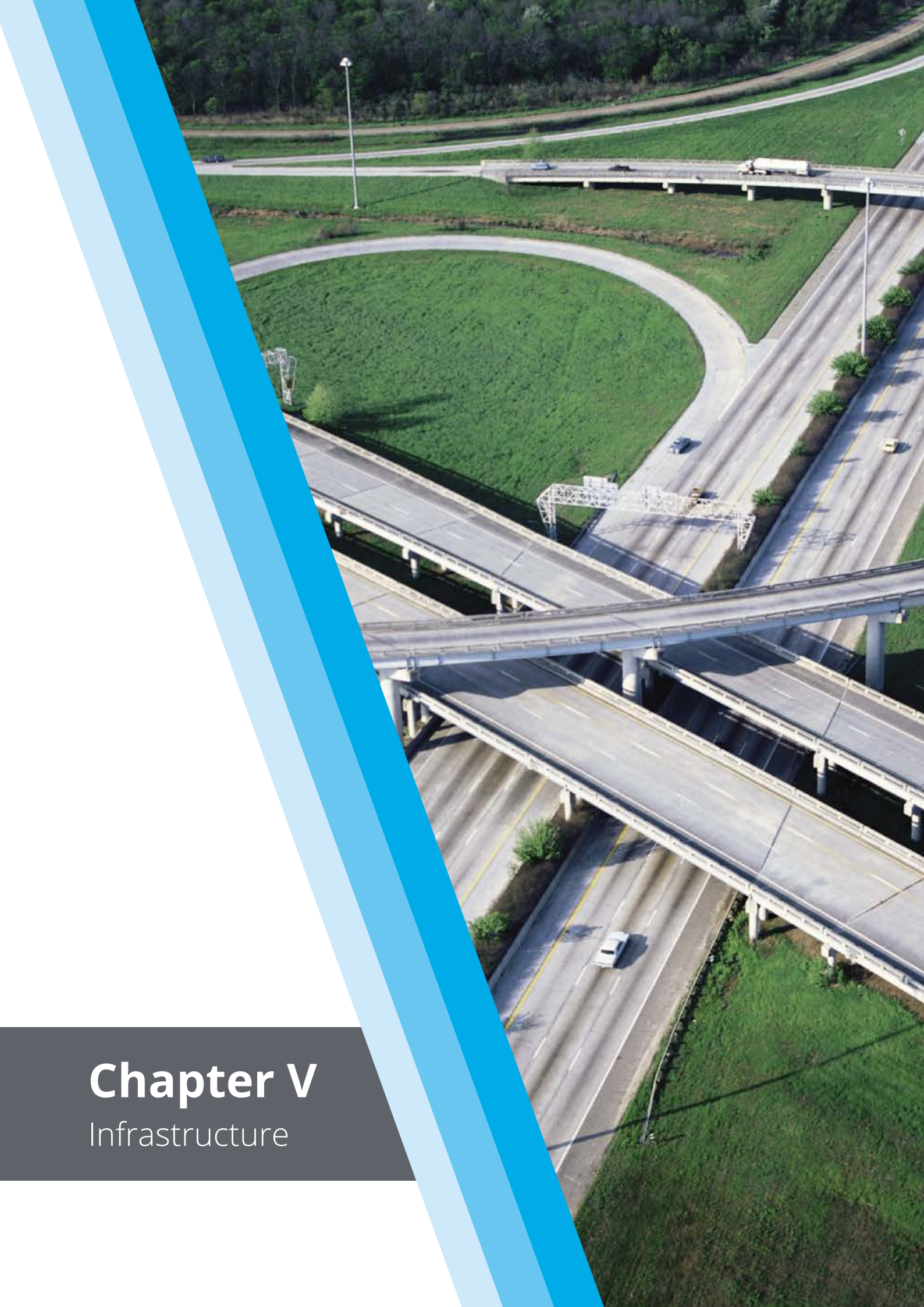
"Intelligent Connectivity, Infinite Possibilities"

As a significant driving force in today's technological revolution and industry transformation, AI is profoundly changing the world.

In this context, as announced at the World Artificial Intelligence Conference held in Shanghai on August 29, 2019, the city will continue to build global innovation platforms and state-of-the-art application scenarios, while accelerating its construction of China's national pilot zones for new-generation AI innovation & development, to further attract "water testing" of new achievements in AI R&D, and to achieve breakthroughs in opening up AI data, transforming AI technologies into applications and reducing market entry barriers.

Taking advantage of the World Artificial Intelligence Conference, Shanghai also intends to attract global think tanks, innovation centers and tech giants, to turn itself into a domestic and global hub for developing AI.

Source: 1. *Action Plan for Building Shanghai into an AI Hub with World-class Innovation Environment*; 2. Official website of Shanghai Municipal Government



Chapter V

Infrastructure



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.



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 over 250 fully-equipped office buildings like the Shanghai International Finance Center, Jin Mao Tower and Oriental Financial Plaza.

As of the second quarter of 2019, Shanghai had **18.65 million m²** of class-A office building space. This abundance of well-equipped office buildings can meet any corporate need.



As a modern metropolis, Shanghai has a huge number of conveniently accessible hotels offering customized services and full-fledged facilities, including the Grand Hyatt Shanghai, Jing'an Shangri-La West Shanghai, and Hyatt on the Bund Shanghai.

As of the end of 2018, Shanghai had **206** official star-rated hotels – among which **72** were five-starred and **65** four-starred – offering business travelers from around the world pleasant accommodations and well-equipped meeting facilities.



Shanghai has achieved great progress towards becoming an international center for conventions and exhibitions. In 2018, Shanghai hosted the first annual session of the China International Import Expo (CIIE), an unparalleled event in China, thus further enhancing its global presence as an international city for conventions and exhibitions.

The same year, Shanghai held **1,032** exhibitions with a total area of about **18.80 million m²**, including **300** international exhibitions and **12** large international trade fairs. The numbers of exhibitions and large international trade fairs **ranked first among the world's major exhibition destinations**.



As of the end of the second quarter of 2019, the average download speed on fixed broadband in Shanghai had reached **39.1Mbit/s**, remaining first in China, while the gigabit fiber services had been accessible to over **9.1 million** households.

Enjoying the fastest development of 5G technology in China, Shanghai is the first city in the country where three domestic telecommunications giants, China Mobile, China Unicom, and China Telecom, brought 5G technology to market. Shanghai had built **12,147** 5G stations as of September 2019, and is expected to achieve full 5G coverage in central urban area and major suburban areas by the end of 2019 and achieve full coverage in the whole city in 2020.

National Exhibition and Convention Center (NECC)

NECC, the world's largest integrated convention and exhibition center with a total floor area of 1.47 million m², is composed of exhibition halls, the NECC Plaza, office buildings, and a premium hotel. Its innovative design and comprehensive services create a platform of opportunities for mutually beneficial domestic and international exchange and cooperation.



Night-time Economy

- Shanghai is making a great stride in developing its night-time economy by building nightlife landmarks. Shanghai Wild Animal Park, as the first "Special Night Safari Park" in China, provides unique night-time nature tours; time-honored cinemas such as Grand Cinema and Cathay Cinema have become the first "24-hour cinemas" in Shanghai, gathering targeted movie-goers to enjoy a superb late-night movie watching experience. In addition, a variety of night entertainment choices such as late-night bookstores, music clubs, and resident shows have also been offered in Shanghai.
- "International Styles": Xintiandi Block, Laowai Street 101, FOUND 158
- "Shanghai Tastes": Vanke Mall, Metro-City
- "Fashion Trends": Hyatt Regency Shanghai Global Harbor, Super Brand Mall



Source: 1. White Paper on Shanghai Convention and Exhibition Industry 2018; 2. Statistical Communiqué of Shanghai Municipality on the 2018 National Economic and Social Development; 3. Official website of NECC; 4. Guidance on Promoting the Development of Night-time Economy in Shanghai



Human Resources

As an inclusive city embracing meritocracy, Shanghai proactively recruits global talent with its favorable talent policies. As part of its efforts to strengthen the global influence of the “Five Centers”, 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 2018)

196 in the National Program for Special Support of Eminent Professionals (the Ten-thousand Talents Program)
3,704 in Shanghai Pujiang Talent Program
1,504 in the Shanghai Program for Special Support of Eminent Professionals
540 in Shanghai Talented Youth Development Program
1,058 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.

In 2018, 12,700 overseas students came to Shanghai, over 80,000 foreigners started to work here, and 395 Talent Visas (the “R Visa”) were issued to high-level foreign professionals, *the highest in China*. As of the end of 2018, the number of foreigners working in Shanghai totaled 215,000, *ranking No.1 in China, and accounting for 23.7% of the country's total foreign workers*.

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

Fudan University, Tongji University, Shanghai Jiaotong University, East China Normal University
World-class universities and world-class disciplines

An International University

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

A Research-based University

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

An Ample Supply of Technical Talent

As of the end of 2018, Shanghai was home to 631 adult vocational training institutions and 110 highly-skilled talent incubators, helping to provide an ample supply of technical talent for the city. The city's technical talent structure is continuously improving, and the proportion of highly-skilled professionals in the total technical talent has increased to 33.03%.

In 2018, 98 professional technicians from the machinery and electricity, aviation, automobile, architecture, transportation, education, science and technology, and other industries were listed in Shanghai Talent Cultivation Program of One Thousand Technical Experts. Among them, 69.4% were working at the coalface. Committed to craftsmanship and excellence, they have made tremendous contributions to the development of technical expertise in Shanghai.

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 Municipality on the 2018 National Economic and Social Development*; 2. *Shanghai Report on Science and Technology Progress 2018*; 3. Shanghai Municipal Human Resources and Social Security Bureau



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 2018, Shanghai was home to 3,223 schools, including 1,627 kindergartens, 721 primary schools, 833 general middle schools, 30 special education schools, and 12 reformatory schools, with a total enrollment of about 1.97 million students.

Shanghai enjoys extensive teaching faculties and steadily increasing educational investment. By the end of 2018, Shanghai had 139,800 faculty in primary and middle schools and 75,100 in colleges and universities.

Remarkable Educational Quality



Practical Education

In 2018, nearly 1,900 social practice bases for students were set up in Shanghai to build an educational research and practice base on a national level for primary and secondary school students.

Innovation Ability

In the 39th Odyssey of the Mind 2018 World Finals, students from Shanghai primary and middle schools won 9 trophies, representing 64.3% of the total medals won by the Chinese team.

Academic Competition

In the 3rd International Olympiad of Metropolises, students from the Shanghai team obtained five gold medals, two silver medals and one bronze medal, giving the Shanghai team second place overall and first place in the team standings.

International Education

Abundant International Education Establishments

Shanghai is home to a great number of international education establishments. In 2018, 188 institutions and programs (29 institutions and 159 programs) were being run under Chinese-foreign cooperation, among which 166 are degree-granting and the remaining 22 are for non-degree education.

Adequate International Schools

Shanghai boasts abundant educational resources for children of expatriates. In 2018 Shanghai had 36 international schools with a total of 30,404 students.

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.



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

Shanghai American School	YK Pao School
Shanghai World Foreign Language Academy	British International School Shanghai
Shanghai United International School, Gubei Secondary Campus	Wellington College International Shanghai



Established in 1865 and originally known as Longmen Academy, Shanghai High School, covering an area of over 22 hectares, currently enrolls over 4,100 students, among which about 1,200 students are studying in the local division, and about 2,900 in its international division. Shanghai High School is known for its outstanding teaching quality. Each year, a large number of its graduates are admitted by privileged universities in China and beyond.

Founded by the United States Consulate in 1912, Shanghai American School is one of the largest and oldest schools for foreign children in Shanghai. The school currently operates two campuses in Pudong and Puxi with a total enrollment of over 4,000 students from 44 countries and regions, 98% of whom are channeled into top-ranked universities around the world.



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 Annual Report on Education 2018; 2. Official website of Shanghai High School; 3. Official website of Shanghai American School



Medical Facilities

Shanghai has a host of medical institutions that meet the highest domestic and international standards, ranking second nationally in terms of the number of 3A hospitals, and 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 2018, Shanghai was home to 5,298 medical and healthcare institutions of all kinds at different levels, including 364 hospitals and 246 Community Healthcare Centers with a total of 206,500 medical personnel, 74,900 of whom were practicing doctors.

Shanghai has endeavored to build itself into an Asian medical hub by training and recruiting medical professionals to bolster key specialty areas. The city has also initiated a “Shanghai Key Clinical Specialties Development Program” in which 158 programs will be selected as future key clinical specialties.

Better International Medical Services

International Healthcare System

Shanghai has steadily improved its international medical services and it will gradually include foreign medical services into district-level health planning management. By April 2019, Shanghai was home to 28 foreign-invested medical institutions, including those from Hong Kong, Macau and Taiwan. In addition, the municipal government has been promoting the internationalization of special medical services in public medical institutions.

Collaboration with International Medical Institutions

Shanghai is strengthening its medical services by encouraging public hospitals to build cooperative partnerships with international medical institutions, as exemplified by the establishment of Huashan Worldwide Medical Institution and the cooperation between ParkwayHealth and Ruijin Hospital. Through deepened collaboration in human resources, management and technologies, medical services are improved and diversified to meet the needs of patients.

Ruijin Hospital Affiliated to School of Medicine, Shanghai Jiaotong University

Founded in 1907, Ruijin Hospital is an internationally renowned 3A-grade teaching and research hospital boasting four key specialties recognized by the Ministry of Education. It offers advanced technological treatments including minimally invasive surgery, arthroscopic surgery and cardiovascular interventional therapy, and makes full use of its comprehensive medical services to offer patients a multidisciplinary or interdisciplinary joint consultation system.

Shanghai United Family Hospital

Accredited by the Joint Commission International (JCI), Shanghai United Family Hospital is a comprehensive hospital offering direct settlement with more than 40 insurance companies worldwide. Striving to provide unique comprehensive medical services in a caring environment, the hospital has built an inclusive patient-oriented system where services including preventive care, diagnosis, treatment and rehabilitation help ensure full recovery.



Source: 1. *Statistical Communiqué of Shanghai Municipality on the 2018 National Economic and Social Development* 2. Official website of Ruijin Hospital 3. Official website of United Family Healthcare



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 towns within Shanghai will undoubtedly create memorable experiences for each and every visitor.



Clean Air and Green Environment

In 2018, Shanghai enjoyed 296 days (or 81.1% of the year) of good air quality, up by 5.8 % compared to the previous year, with many air pollutants reduced to record lows. The average PM 2.5 concentrations, for instance, remained in the 30s $\mu\text{g}/\text{m}^3$, at 36, down by 7.7% year on year. In addition, 1,307 hectares of green spaces were built in 2018, increasing the city's forest coverage to 16.9%, public green space per capita to 8.2 m^2 , and wetland reserve areas to 464,600 hectares.

Sports Amenities



In 2018, Shanghai added 89 walking trails, 72 ball courts and 342 community fitness centers. 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, the Pudong Football Stadium and the Shanghai Citizen Sports Park, are well underway.



Cultural and Leisure Facilities

Shanghai boasts a variety of cultural and recreational facilities. As of October 2019, the city had 243 public libraries, 138 museums and 81 art galleries. Shanghai History Museum, the International Table Tennis Federation Museum, China Securities Museum, Guangfulin Relics Park and Shanghai Haichang Ocean Park are all now open to the public. As of the end of 2018, Shanghai was home to 25 cultural centers and mass art centers, 23 public libraries and 49 archives at district and city levels.



Case Study: Shanghai Distinctive Towns

Shanghai is dotted with an array of distinctive towns including Fengjing Peasant Painting Village, the Langxia Countryside Park, and the Zhaojialou Ancient Town, each displaying a unique personality. Among these places, nine are recognized as one of "China's Distinctive Towns", either because of their solid industry foundation, rich history, or scenic landscapes. With a commitment to fostering an unmistakably characteristic charm, the distinctive towns in the suburbs of Shanghai have worked to develop specialized industries and preserve local cultures, adding idyllic beauty to this bustling metropolis and developing into noted brands that bring Shanghai culture to the world.



Source: 1. Statistical Communiqué of Shanghai Municipality on the 2018 National Economic and Social Development



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 hotpot 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 artifacts, 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.

Shanghai Museum

Shanghai Expo Cultural Park

Shanghai Science and Technology Museum

Shanghai Grand Theater

China Art Museum

The Paramount

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



18:00



20:00



22:00

Visit 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.



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.



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.



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 luxuriant 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.

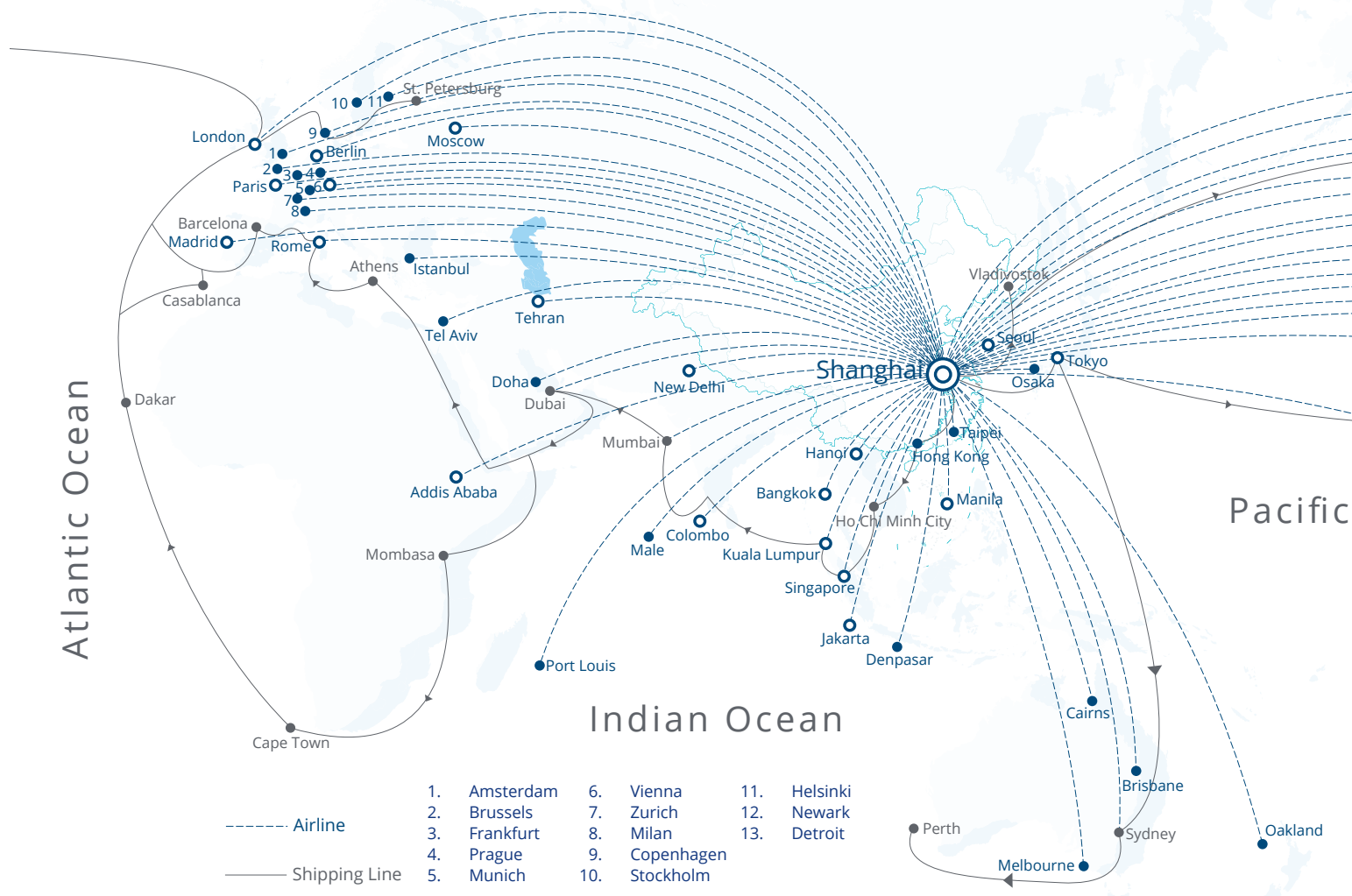


Entertainment

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.

Arctic Ocean

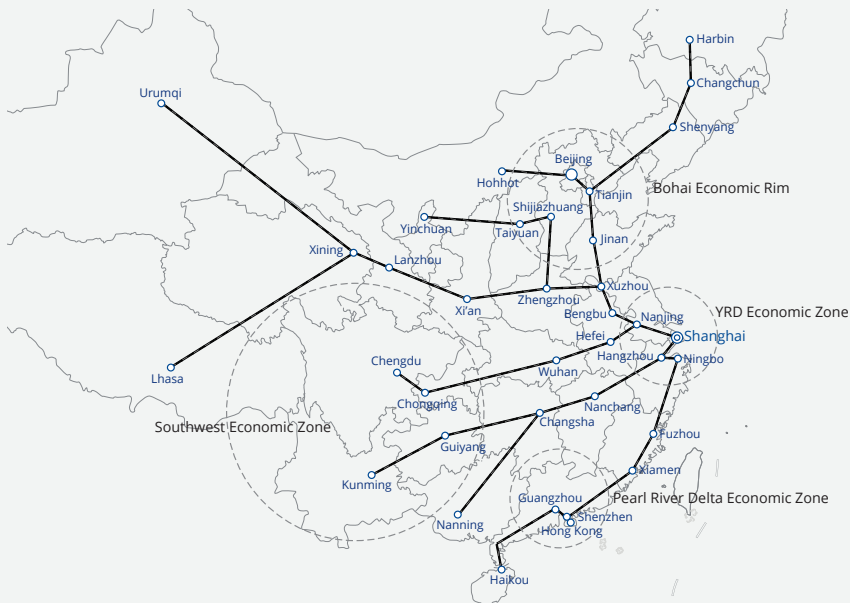
As China's largest economic center and a central city conveniently located beside the Yangtze River Estuary in Eastern China, Shanghai boasts vast hinterlands and a multimodal transportation network made up of airways, waterways, highways, and railways. These advantages have put Shanghai on the path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



Rail Transportation

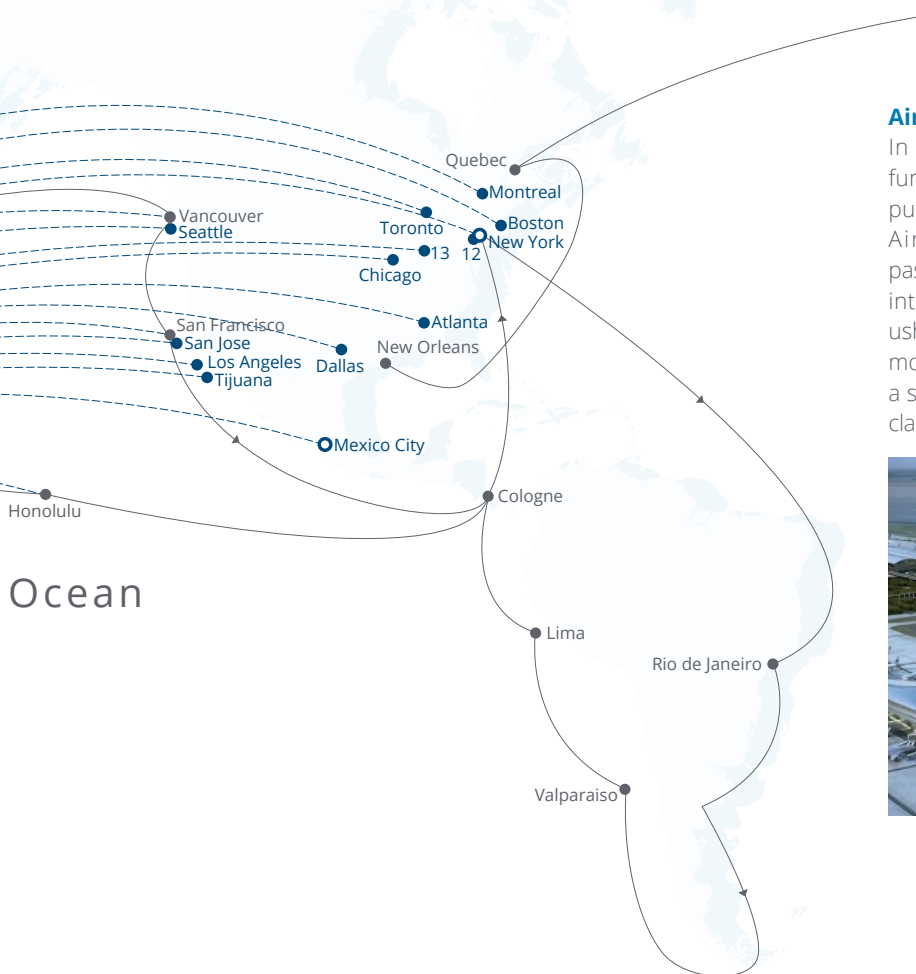
The YRD is home to China's densest, most sophisticated high speed rail network, and the Shanghai rail hub is the largest in Eastern China, serving as the departure point for a host of trunk lines including the Beijing-Shanghai, Shanghai-Ningbo, Shanghai-Hangzhou and Shanghai-Kunming Railways.

In 2018, the city handled nearly 123 million passenger journeys and over 4.68 million metric tons of goods. 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 2018; Shanghai Municipal Statistics Bureau

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 the airport into a world-class hub.



Shipping

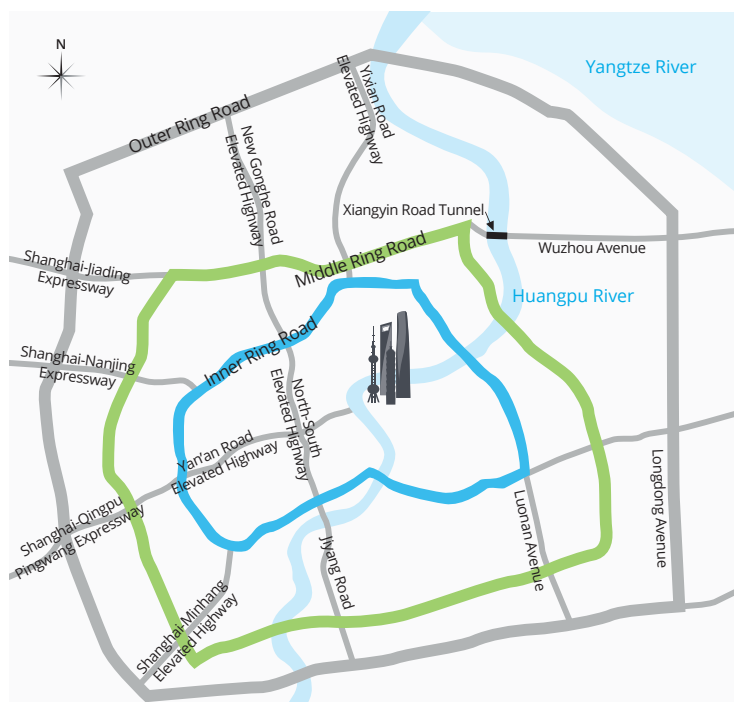
Shanghai's prosperity is closely connected to the prosperity of its port. In recent years, Shanghai has accelerated the development of its shipping industry, with a view to evolving into an international shipping center with the capacity to allocate global shipping resources by 2020.

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 2018, the Port handled a cargo throughput of 561 million metric tons and a container throughput of 42.01 million TEUs, **ranking No.1 in the world for nine consecutive years.**

Source: 1. Shanghai Annual Report on Its Integrated Transportation Network 2018



Transportation Network (Continued)



Grid Road Network

Shanghai's extensive road network enables direct and fast access to destinations inside and outside the city. As of 2018, Shanghai had a total of 13,300 km of roads, including 829 km of expressways with level crossing traffic of 378,000 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 promote the "One-city Effect" within the YRD metropolitan region.

Widespread Rail Transit Network

Shanghai also boasts an extensive metropolitan rail transit network. As of the end of 2018, the city was served by 16 operational metro lines totaling 705 km (plus one 29-km maglev line), [the longest rail transit system in the world](#). In March 2019, its daily ridership recorded an all-time high of over 13.29 million.

Efforts have been made to further promote connectivity, on the basis of the integrated rail ticketing in the YRD region, by adding Wuxi, Qingdao and Xiamen to form a "One-Code-For-Ten Cities" rail system covering Shanghai, Hangzhou, Ningbo, Wenzhou, Hefei, Nanjing, Suzhou, Wuxi, Xiamen and Qingdao.



Shanghai Urban Rail Transit Statistics (As of the end of 2018)

- ✓ Transit stations 57
- ✓ Stations 415
- ✓ Average daily ridership 10.16 million

Sources: 1. Shanghai Comprehensive Transportation Performance Annual Report 2018; 2. Shanghai Metro; 3. Shanghai Road Administration Bureau



Chapter VI

Summary and
Prospect



Summary and Prospect

Throughout the history of Shanghai, opening-up is a key word. Openness, innovation and inclusiveness are the most distinguished characteristics of Shanghai. Developing from a small town alongside the Huangpu River in southeastern China into an international metropolis of great importance in the Asia-Pacific region, Shanghai has witnessed skyrocketing growth propelled by the city's strengths and opportunities to open up. In the New Era full of new opportunities, driven by China's new round of reform and opening-up, Shanghai is further leveraging its inherent openness, innovation-driven development and inclusive 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. Building on its distinctive strengths, Shanghai is transforming itself into a Global City of Excellence ideal for foreign investors and entrepreneurs.



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



☑ **Inherent Openness: Further Opening up to Interconnect with Other Parts of China and the World Through Innovative Reforms**

Shanghai serves China as the central city 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 science and technology 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 has become the most competitive city in the Chinese Mainland with the largest number of regional headquarters of transnational corporations and foreign-invested R&D centers.

Shanghai is playing a critical role in pushing forward the comprehensively expanded and deepened reforms and opening-up in the YRD region and in China, and will continue to roll out reforms in an inclusive and open manner. Determined to successfully achieve the "Three New Missions", Shanghai will take advantage of new emerging trends in the city and industries, continuously pursue innovative development philosophies and policies, and make opening-up an essential part of the Shanghai Spirit. The newly inaugurated STAR Market provides sci-tech companies with direct finance access, making the capital market more inclusively supportive of such companies. The Lin-gang Special Area of SHFTZ is enabling a larger concentration of resources of different factors and more industries in free trade. The hosting of the CIIE in Shanghai has further opened up the city and will continue to facilitate its sharing with the rest of the world achievements of economic globalization and growth.





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

As the saying goes, “many a little makes a mickle.” Shanghai’s long-standing development shapes its distinctive industry landscape today. Taking advantage of China’s industry transformation and upgrading, Shanghai is comprehensively optimizing its manufacturing industry to build the “Shanghai Manufacturing” brand. Meanwhile, in line with international standards, Shanghai is constantly perfecting the necessary components of the financial market, getting involved in the deployment of international shipping resources and engaging in global trade. Shanghai is currently embracing overall industry upgrading driven by the integrated development of the manufacturing and service sectors.

☑ **Extensive Talent Pool: Attracting Top Professionals Worldwide to Facilitate Local Growth**

Believing that talent is the primary resource, Shanghai has provided an enabling environment for the development of an extensive professional talent pool, which in turn gives impetus to the city’s future growth.

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. Shanghai has made persistent efforts to maintain its competitiveness as the most attractive Chinese city where international professionals can find best opportunities for their career development.

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

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



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 to facilitate 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 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 Education Committee, Shanghai Municipal Science and Technology Commission, Shanghai Municipal Human Resources and Social Security Bureau, Shanghai Municipal Commission of Housing and Urban-Rural Development, Shanghai Municipal Administration of Culture and

Tourism, Shanghai Municipal Market Supervision Administration, Shanghai Municipal Financial Regulatory Bureau, and Shanghai Municipal Statistics Bureau. We are grateful for their admirable efforts to collect and provide information and data during the preparation of this White Paper.

Our special appreciation is also extended to Deloitte China ("Deloitte"). Engaged by the Shanghai Municipal Commission of Commerce, Deloitte has developed this brand new 2019 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 latest trending topics to foreign investors, which are presented in an international perspective and supported by relevant 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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