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Changsha Investment Environment Study 2011

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Preface

This publication presents an overview for those contemplating investment in Changsha. This May 2011 publication is the eighth edition. The original version of this booklet was released in May 2003 and it has been updated each year.

As the capital of Hunan province and one of the major economic cities in the Central China, Changsha is also a transportation hub of Central and South China. In recent years, Changsha has enjoyed a rapid development, with a compound annual growth rate of gross domestic product between 2006 and 2010 is 19 percent. According to the "Report on Urban Competitiveness" published by Chinese Academy of Social Sciences in May 2011, Changsha sits within the Top 10 of overall competitiveness among 294 cities in China.

Seen as one of the major industrial bases, the steady development and growth of Changsha's pillar industries including construction machinery, new raw materials, automobiles and parts, as well as emerging industries comprising of service outsourcing, modern logistics and bio-medicine have kept driving Changsha's economic growth.

A strong industrial base, adequate talent pool, lower operating costs and a mature industrial park, Changsha is continuing to attract foreign investment. In 2010, Changsha attracted USD 2.24 billion in foreign capital and approved 177 new investment projects, ranking among the top of all cities in Central China. By the end of 2010, 32 Fortune 500 enterprises had established a presence in Changsha, including Bosch, NEC and Mittal.

As its development and construction has picked up, Changsha's progress has been recognised by the government and investors. In 2009, the city ranked first in "China Top 10 Leisure Livable Ecological City" and won the title of "China Top 10 Brand City"; "Best International City Image of China (Mainland)"; "Happiest City of China"; "City with the Strongest Soft Power". In 2010 the city obtained the title of "Happiest City of China, Golden Medal"; "Happiest City of China, Prize for People's Satisfaction"; "Most Innovative City of E-Commerce in China"; "National Model City for Greening"; "Best International City Image of China"; "Model City of National Modern Logistics".

The business environment is evolving rapidly in China. Moreover, cost and operational issues vary from company to company and from industry to industry. Companies doing business in China, or those that are planning to do so, are advised to obtain current information and company-specific advice from experienced professional advisors and to conduct proper due diligence. This publication is dedicated to providing prospective investors with accessible, independent research on the business environment in Changsha, but it should not be taken as a substitute for detailed due diligence prior to investment.

The sources of information in this booklet have been attributed throughout. We offer a special thanks to the Changsha Municipal Bureau of Commerce for their assistance during this report's compilation.

The exchange rate used in this booklet is USD1=RMB 6.623. This booklet contains information available as at April 2011.

"Fortune 500" companies in Changsha and investor valuation

"Changsha government arranges fixed meetings with us in order to understand and solve our issues in the daily operations."

— Changsha BYD Automobiles Co., Ltd.

"Changsha has a huge consumer market, as well as continued expansion of the urban population and size. If conditions allow, we hope to expand investment."

— Wal-Mart Stores, Inc.

"Changsha Economic and Technology Development Zone is very helpful when solving recruitment issues by arranging recruitment conferences for us once a month."

— GAC FIAT Automobiles Co., Ltd.

Fortune 500 companies in Changsha			
Japan & Korea	Europe	North America	Others
<ul style="list-style-type: none"> • Suzuki (Japan) • Hitachi (Japan) • Mitsubishi (Japan) • Marubeni (Japan) • Sumitomo Metal Industries (Japan) • Sumitomo (Japan) • Sumitomo Electric Industries (Japan) • Mitsui (Japan) • Nissho Iwai (Japan) • Nippon Electric (Japan) • Itochu (Japan) • Samsung (Korea) • LG (Korea) 	<ul style="list-style-type: none"> • Bosch (Germany) • Metro (Germany) • Garrefour (France) • Danone (France) • FAIT (Italy) • Philip (Netherland) • Mittal (Netherland) • Nokia (Finland) • Electrolux (Sweden) • Inbev (Belgium) 	<ul style="list-style-type: none"> • Pepsi (US) • Time Warner (US) • Wal-Mart (US) • ConAgra (US) • Schlumberger (US) • Coca-cola (US) • McDonald's (US) 	<ul style="list-style-type: none"> • Hutchison Whampoa (HK) • Jardine Matheson (HK)



1 Changsha in context

- City introduction
- Economic development
- City competitiveness
- Industrial structure

Through traditional pillar industries, new industry developments, a strong education and scientific environment, as well as an increasing capacity and improved transportation network, Changsha's competitiveness is becoming more prominent in helping with the industrial transfer from coastal areas

City introduction

Changsha is a key city in the central provinces^(a), as well as a transportation hub of central and southern China

- Located south of the middle reaches of the Yangtze River, Hunan province is around 210,000km² in size and has a population reaching 69 million (as at end 2009) — the most populated among the six central provinces in China
- Changsha, the capital of Hunan, is the province's economic, political and cultural centre and the transportation hub of central China
 - The National Highway 107 (Beijing-Shenzhen), National Highway 319 (Xiamen-Chengdu), Beijing-Hong Kong and Macau Expressway (Beijing-Zhuhai), Shanghai-Ruilu Expressway, Beijing-Guangzhou Railway, and Wuhan-Guangzhou High-Speed Railway all intersect in Changsha. The Wuhan-Guangzhou High-Speed Railway, which was officially opened in 2009, is the world's longest and fastest high-speed rail connection. It has reduced travel time between Changsha and Guangzhou to two hours
 - Changsha Huanghua Airport is 10km from the city centre, with direct flights to 47 major domestic cities and foreign destinations such as Bangkok, Seoul, Busan, Osaka, Kuala Lumpur and Singapore. Since January 2011, the airport has had flight connections from Changsha — via Shanghai — to Paris, Frankfurt, London, Los Angeles, Vancouver, Sydney and Melbourne

- The Xiangjiang River can accommodate vessels of over 1,000 tonnes, while Changsha Xia'ning New Port is China's largest inland port hub. In 2010, the Port of Changsha had a cargo throughput of 41,100,000 tonnes, doubling that of 2007
- Changsha is a leading city for the modern logistics industry according to a 2010 publication from the Ministry of Commerce of the PRC

Having a long history and favourable weather, Changsha is ranked first among the "Ten Eco-Cities in China"

- Changsha's written history dates back as early as 1600 B.C. It was designated as a historic city by the State Council as the first batch in 1982
- Covering an area of 11,820 km², Changsha comprises five urban districts and four counties. In 2010, all four counties ranked among the Top 100 Counties in China
- In 2010, Changsha's population was 7.04 million
- Changsha has a subtropical monsoon climate with four distinct seasons. In 2010, the local average temperature and rainfall were 17.8°C and 1,626 mm, respectively

Changsha in China



Note: (a) Central provinces comprise Henan, Hubei, Anhui, Hunan, Shanxi, and Jiangxi, and the capitals are Zhengzhou, Wuhan, Hefei, Changsha, Taiyuan and Nanchang, respectively
 Source: Changsha Municipal Bureau of Commerce

Economic development

Along with steady economic growth, Changsha's economy has become more competitive in recent years

- In 2010, Changsha's GDP was RMB 454.7 billion with an annual growth rate of 21.4% — much higher than the national average of 18.7%
 - Changsha's GDP ranked second among central cities in 2010
 - Industrial structure is improving. The ratio of agriculture, manufacturing and services was 4:54:42 in 2010 from 7:44:49 in 2006. This indicates a more rapid growth in industrial output (26% compound annual growth rate from 2006 – 2010)
- In 2010, Changsha's GDP per capita was USD 10,000 — 2.2 times the national average, and first among the six central capitals

An economic circle ("Changsha-Zhuzhou-Xiangtan Circle") covering seven cities around Changsha leverages development synergies, with Changsha playing a leading role in this circle

- The circle comprises a core area within Changsha, Zhuzhou and Xiangtan as well as other five cities (Yueyang, Changde, Yiyang, Hengyang, Loudi)
- Changsha is the economic centre of this circle
 - The city accounted for 67.7% of the core area's combined GDP in 2010, 2.7% more than that of 2009
- Changsha is also the circle's transportation hub, according to the Blueprint for Changsha-Zhuzhou-Xiangtan Circle City Express approved by the National Development and Reform Commission in 2009:
 - Seven city expresses are in the pipeline, with a combined length of 760km. Travel time between the seven cities will be cut below 60 minutes once the transport network is completed
 - The 96km long city express between Changsha (the city centre), Zhuzhou and Xiangtan is planned to be put into use in 2015. As a result, travelling time between Changsha, Zhuzhou and Xiangtan will be less than 25 minutes

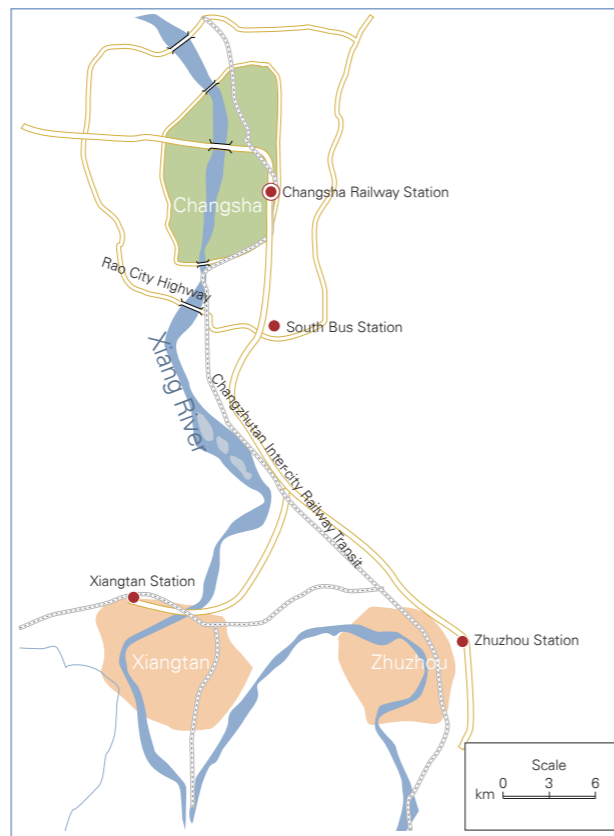
Chart 1: Changsha GDP by industries, 2006-2010



CAGR of GDPs	2006-2010
Changsha	19.3%
China	17.1%

Source: Changsha Municipal Statistics Bureau

City express among Changsha, Zhuzhou and Xiangtan



Sources: Changsha Municipal Statistics Bureau; Changsha-Zhuzhou-Xiangtan Circle official website, <http://www.czt.gov.cn>

City competitiveness

The local consumer market has great potential for investors

- Changsha's total retail sales volume reached RMB 181.2 billion in 2010, representing a 19% growth year-on-year which is much higher than the national average (15%)
 - The disposable income for urban residents was RMB 22,814 in 2010, with a consumption expenditure per capita of RMB 16,096, outranking all other cities in central China
- Up until 2010, 20,947 enterprises in the retail, wholesaling, hotel and food & beverage sectors (excluding branches) had set up in Changsha. Many multinational retail chains — including Metro, Carrefour, Wal-Mart, Parkson, and Lotus — have come to Changsha

Improved infrastructure

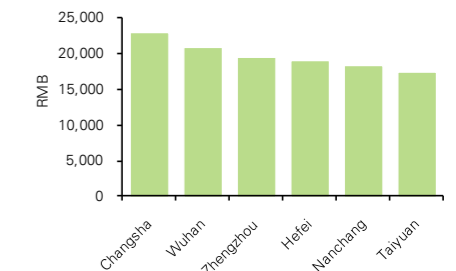
- Investments in infrastructure in Changsha reached RMB 55.8 billion in 2010, representing an annual growth rate of 16% and outperforming the other central capitals
 - According to the 2010 Report on Urban Competitiveness published by the Chinese Academy of Social Sciences, Changsha ranks 14th among 294 Chinese cities in urban infrastructure
- Water, land and air transportation networks have been formed
 - Changsha Xia'ning Port is one of 23 main inland ports in China. Its phase 3 project is now underway and is scheduled to be completed and fully operational by June 2013. The enlarged port will spur economic development and the growth of the modern logistics industry in Changsha
 - The Beijing-Wuhan High-Speed Railway and the Shanghai-Kunming High-Speed Railway (the Shanghai-Hangzhou and Hangzhou-Changsha sections) will be operational by the end of 2011 and 2014 respectively. Changsha expects to reinforce its role as a transportation hub once the railway projects are completed
 - Changsha Huanghua Airport's expansion is due to be completed in 2015, meeting the needs of an expected annual passenger traffic volume of 15.2 million and an annual aircraft traffic volume of 151,000 flights

Overall strength in R&D supports sustained economic growth

- As one of 20 in the first batch of innovative pilot cities, Changsha's high-tech industries' total output reached RMB 228.6 billion in 2010, 55% higher than that of 2009
- The China (Changsha) Science and Technology Achievements Transformation Fair 2010 saw 260 cooperation project contracts being signed and a committed capital of RMB 25.2 billion. This is 13% and 145% higher than those in 2009 respectively
- Changsha's government allocates RMB 200 million annually for research funding to support innovation and individual business ventures

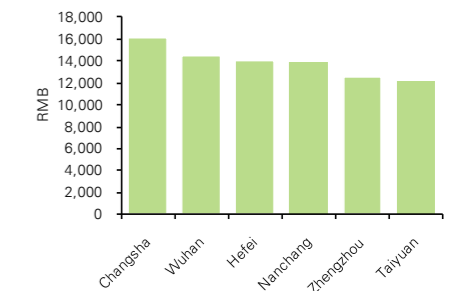
Sources: Changsha Municipal Bureau of Education; KPMG interviews

Chart2: Disposable income of urban residents per capita in inland capital cities, 2010



Source: Statistical Communiqué on the 2010 National Economic and Social Development 2010 for central capitals

Chart3: Consuming expenditure of urban residents per capita in inland capital cities, 2010



Source: Statistical Communiqué on the 2010 National Economic and Social Development 2010 for central capitals

"Over the past few years, Changsha has continuously upgraded the local infrastructure, with a focus on the construction of high-speed railways and expressways."

— Dell Inc.

Industrial structure

To spur local economic growth, Changsha has focused on developing priority industries, including construction machinery, automobiles and parts, new raw material, modern logistics, service outsourcing, Chinese herbal medicine and bio-medicine.

- In 2010, Changsha's six pillar industries^(a) recorded an increased industrial output of RMB 66.35 billion, up 34.4% from 2009, while contributing 54.4% to total industrial growth, 5.4% higher than in 2009

Key sectors in brief				
Industry	Size	Features	Planning	Key players
Construction machinery	In 2010, the gross industrial output was RMB 116.8 billion, up 55% from 2009.	It is Changsha's first pillar industry; Zoomlion and Sany, which are respectively No. 1 and No. 2 in China's construction machinery sector in terms of revenue, has made their presence in Changsha.	Under Changsha's 12 th Five-Year Plan, the sector will expect to realise an industrial output of over RMB 300 billion by 2015.	Zoomlion, Sany and Sunward
Automobiles and parts	In 2010, the gross industrial output reached RMB 21.6 billion, up 15% from 2009.	It is Changsha's second pillar industry, enjoying the benefits of industry cluster.	According to "Changsha Automobile Industry Planning" in the form of a White Paper released by the Changsha Government in 2009, Changsha's automobile capacity is planned to reach 120,000 units in 2015, with a revenue around RMB 250 billion.	China's leading players such as GAC Group, Futian, BYD, Shannxi Automobile and Zotye Auto, as well as 500 companies such as Bosch and Itochu have all set up presence in Changsha.
New raw material	In 2010, the gross industrial output totalled RMB 48.3 billion, up 35% from 2009.	Changsha has leveraged its human and raw-material resources in developing the industry; Changsha has more than 100 leading professionals and experts in the sector, as well as two national labs and four research institutions, and over ten provincial engineering centres; Hunan has large deposits of rare earth and non-ferrous metals, which are the basic raw materials for the industry.	Under Changsha's 12 th Five-Year Plan, the sector will realise an industrial output of over RMB 230 billion by 2015.	Lyrun is the largest supplier of foamed nickel, with one-third of the global market share; Shanshan New Raw Material is the largest and fastest-growing supplier of positive electrode material for lithium batteries, with over 40% share of the market in China.

Note: (a) The six pillar industries comprise construction machinery, automobiles and parts, new raw material, Chinese herbal medicine and bio-medicine, electronic information, and home appliances.
Source: Changsha Municipal Bureau of Commerce

Industrial structure

Key sectors in brief				
Industry	Size	Features	Planning	Key players
Modern logistics	In 2010, the industry's gross turnover stood at RMB 1,393.9 billion, up 32% from 2009; Changsha is home to over 460 logistics firms, of which more than 60 are well established.	Boasting a large pool of logistics talent, Changsha has a logistics vocational institute (the only one in China) and four technical institutions that offer logistics studies; The student intake of local logistics programmes exceeds 8,000.	According to "Changsha Modern Logistics Industry Planning", the sector's gross industrial output will maintain an average growth rate of more than 15% by 2015, and there will emerge three to five 5A-grade logistics firms and over 15 ones under the 4A category.	Changsha Shitai Logistics; Xiangtong Logistics; Xingsha Logistics ; and Lianyun Logistics
Service outsourcing	In 2010, the gross industrial output was RMB 24.5 billion, up 39% from 2009; The number of outsourcing suppliers now exceeds 700 in Changsha.	Changsha was selected as one of the National Service Outsourcing Bases as early as 2007; In 2009, Qingzhu Lake Ecological Zone was granted as "Hunan Outsourcing Demonstration Park".	According to "Changsha Service Outsourcing Industry Planning 2008-2012", Changsha will provide more than 100,000 new positions by 2012 and achieve a gross turnover of over RMB 50 billion by 2015.	Powerise Software Technology; Clochase Inc.; and Green Apple Data Centre
Chinese herbal medicine and bio-medicine	In 2010, the gross industrial output was RMB 14.2 billion, 16% higher than that in 2009.	Liuyang Biomedical Park in Changsha is the only state-level bio-medical base in the central provinces.	Under Changsha's 12 th Five-Year Plan, the sector will achieve an industrial output of over RMB 50 billion by 2015.	Jiuzhitang and Fangsheng Pharmaceutical

Source: Changsha Municipal Bureau of Commerce



2 Investment in Changsha

- Foreign investment
- Incentive policy
- Industrial park
- Case study
- Operation costs

Through low operation costs and mature industrial parks, as well as its strategic location in Central China, Changsha is continuing to attract foreign investments. In 2011, Changsha attracted USD 2.24 billion in foreign capital, an increase of 10% compared to 2009

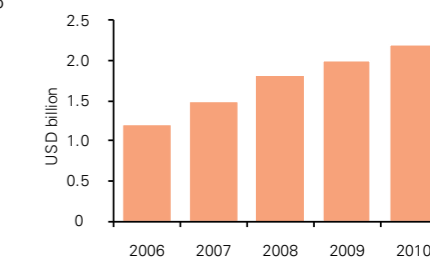


Foreign investment

Changsha is becoming a magnet for foreign investment within Hunan province and ranks high among inland cities

- Changsha had 177 new projects in 2010, using USD 2.24 billion, making up 43% of the total foreign investment in Hunan province
 - From 2006 to 2010, the compound annual growth rate of Changsha's utilised foreign investment reached 17%, higher than the average growth rate (11%) of China as a whole
 - Foreign investors have come mainly from Asian countries and regions with Hong Kong investors accounting for 77%
- In 2010, Changsha was ranked second in the use of foreign investment among inland cities, attracting 32 Fortune 500 companies to establish a local presence

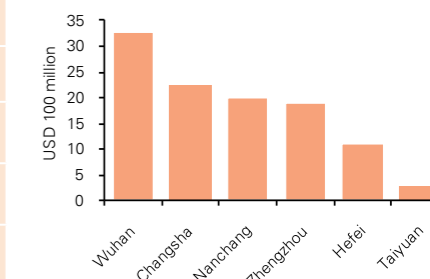
Chart 4: Changsha utilised FIEs, 2006-2010



Utilised FIEs	2006-2010
Changsha	17%
China	11%

Source: Changsha Municipal Bureau of Commerce

Chart 5: Comparison of utilised FIEs among inland cities, 2010



Source: Statistical Communiqué on the 2010 National Economic and Social Development of central capital cities

Top 10 Fortune 500 companies in Changsha in 2010		
Company name	Industry	Investment amount (USD million)
Wu Ling Electric Power Co., Ltd.	Electric power	1,972.80
China Mobile Communication Group Hunan Co., Ltd.	Mobile telecommunications	1,156.27
Changsha Zoomlion Science and Technology Co., Ltd.	Engineering machinery manufacturing	899.90
GAC FIAT Automobiles Co., Ltd.	Auto manufacturing	736.94
Hunan Xiangtuo International Investment Co., Ltd.	Investment and asset management	493.20
Hunan Valin Steel Tube & Wire Co., Ltd.	Steel rolling process	457.81
Hunan Puzhao Science & Technology Co., Ltd.	Sheet glass manufacturing	451.75
Sumitomo Rubber Industries, Ltd. (Hunan)	Auto, aircraft, and engineering machinery tyre manufacturing	297.00
Hunan Daoyue Highway Co., Ltd.	Railway, road, tunnel, and bridge construction	251.09
Bosch Automotive Products (Changsha) Co., Ltd.	Auto parts manufacturing	208.50

Source: Changsha Municipal Bureau of Commerce

The government aims to attract more investment and support key projects

- Designed specific policies to introduce key projects, including "one policy for one enterprise", "one discussion for one issue", and "special offer for special issue"
- Changsha will participate in or host the following key investment events this year:
 - The Second Changsha Service Outsourcing Projects Cooperation Fair (Changsha, May)
 - Changsha International Engineering Machinery Parts Expo 2011 (Changsha, July)
 - 2011 Hunan Economic Cooperation Fair & the Fifth Hunan Entrepreneurs Convention (Hengyang, September)
 - 6th Central China Investment and Trade Expo (Taiyuan, September)

Source: Changsha Municipal Bureau of Commerce

"The government pays great attention to attracting foreign investment, and will organize a talk between a group of local well-known companies and foreign companies on matters of investment and cooperation. Moreover, the government helps attracting foreign investment by providing preferential policies and supporting service"

—Du Yu,
CEO, Clochase (Hunan)

Incentive policy

Changsha provides favourable policies for investment that promote the development of key industries

- Changsha provides favourable policies for investors in high-tech industries
 - income tax on high-tech enterprises is levied at a reduced rate of 15 percent from the date of status ratification
 - industrialised high-tech projects, key industry projects and projects which significantly contribute to Changsha's employment, taxation revenues, export and economic structure may benefit from government rebates. Applicants with a minimum investment of USD30 million and paying USD1.5 million or more in tax can receive a refund of 30-100 percent on the land transfer fee during the third to fifth year of operation
 - construction submission fees of over USD6.3 per square meter can benefit from local government refunds if they follow local planning preferences
- Changsha provides favourable taxation and financing policies for investments in economic zones
 - the administrative committee of Dahexi Zone has a fund of USD22.6 million for industry development
 - both CHTIDZ and CETZ have funds of USD30 million each to support the development of key industries and technological innovation projects and of USD3 million to support the development of service outsourcing
 - manufacturing enterprises in the electronics, equipment and advanced material industries with fixed asset investments of USD75 million or more can access a separate industry support fund. The amount of funding could be 10 percent or more of the fixed asset investment, depending on the individual project contributions to taxation revenues in CHTIDZ
 - "Fortune 500" companies and China's top 100 enterprises that conduct research or production in industries such as IT/communications, equipment manufacturing and advanced materials, or those who set up headquarters or regional headquarters in the CHTIDZ will be given a one-off industry support grant. The amount of the grant, USD75,000-150,000, is dependent on brand reputation, investment scale and production volume
 - in CETZ, 150 percent of the realised R&D expense is tax deductible for machinery, automotive, engineering and manufacturing enterprises
 - for new approved foreign investments over USD150 million (or has revenues over USD300 million), investment promotion of the zone states that enterprises may get a refund equal to the income tax retained by local tax authorities for the first three tax years

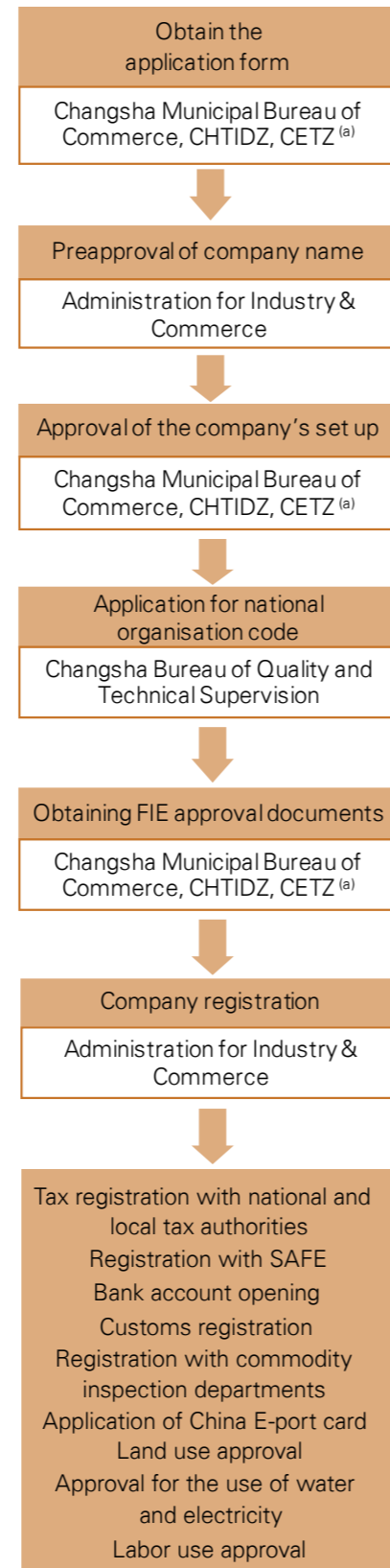
The service outsourcing industry will be supported by approximately USD7.55 million investment each year by the Changsha local government

- The local government offers subsidies to encourage service outsourcing companies:
 - subsidies to the top 10 service outsourcing companies
 - subsidies for recruiting senior management and training talent
 - subsidies for those organisations attending business conferences and exhibitions
 - subsidies for organisations which obtain international service outsourcing certifications

Investors can receive assistance to facilitate the investment procedure

- Changsha Customs offers efficient customs clearance measures such as pre-arrival declaration and on-the-spot examination for those enterprises within CHTIDZ
- The government provides fast-track procedures for investments of USD10 million or more
- The government has foreign investment incentives for intermediaries

Incorporation procedures for FIEs



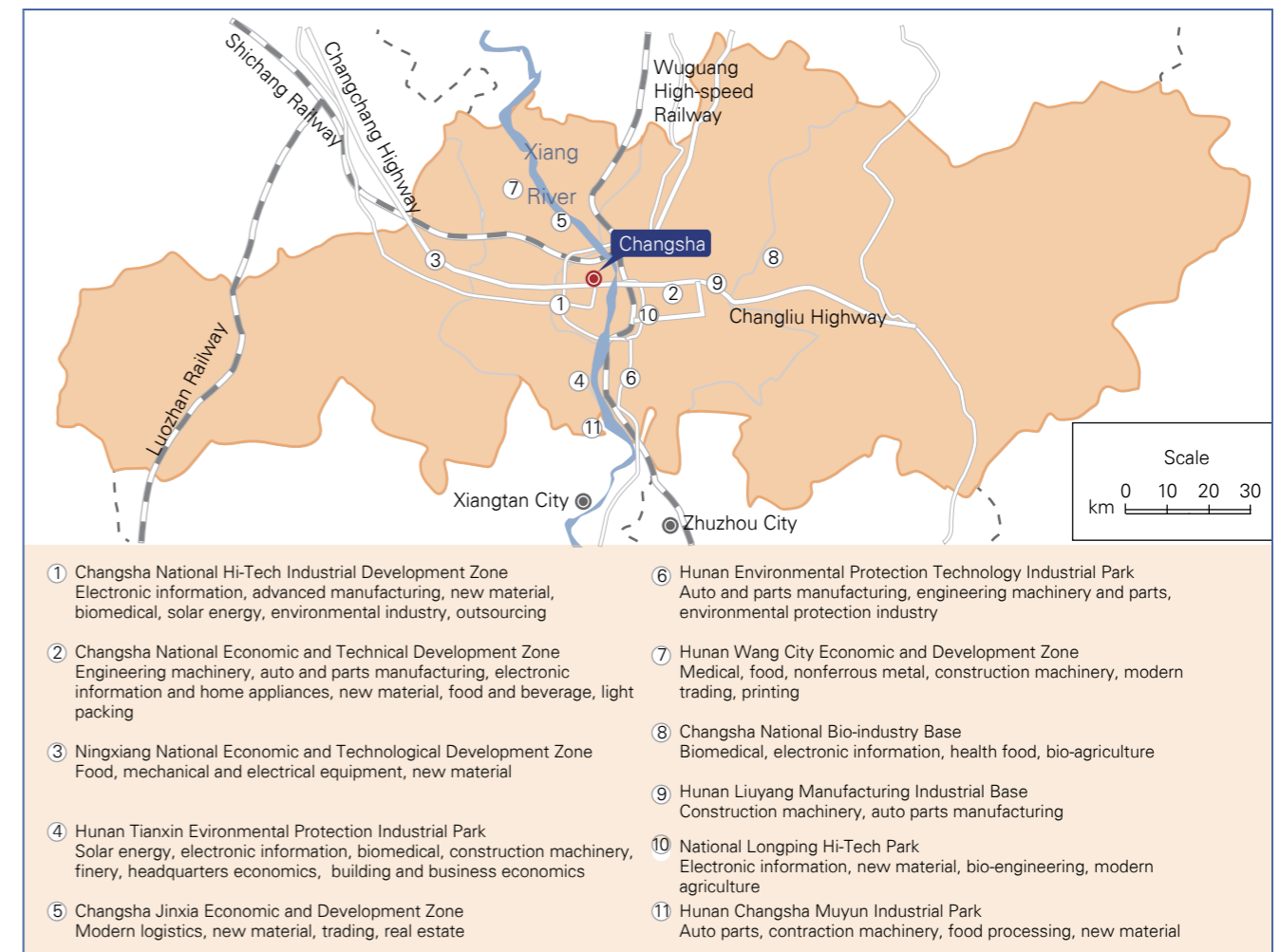
Note: (a) Investors who would like to set up company in CHTIDZ and CETZ can obtain the application form, approval of the company's set up and FIE approval documents within CHTIDZ and CETZ
Source: Changsha Municipal Bureau of Commerce

Industrial park

"Three zones and eight parks" drive the economic development of Changsha

- Three zones and eight parks are major industrial parks in Changsha, of which, "three zones" include Changsha National High-Tech Industrial Development Zone (CHTIDZ), Changsha National Economic and Technology Development Zone (CETZ) and Ningxiang National Economic and Technological Development Zone (NXETZ), who are all national-level economic zones
- The total area of "three zones and eight parks" is 467km², with specific industrial advantages (please refer to the picture below)
- In recent years, "three zones and eight parks" have kept a rapid development
 - In 2010, Value-added of major enterprises reached RMB 83.9 billion (up 31.1% from 2009), accounting for 54.9% and contributing 70.7% of Changsha's scale industry

Changsha "Three zones and eight parks"



Source: Changsha Municipal Bureau of Commerce

CETZ and Dahexi

Changsha National Economic and Technology Development Zone (CETZ)

- CETZ was established in 1992, and was named a National Economic and Technology Development Zone by the State council in 2000
- It ranked 6th among “China’s Most Investment Potential Zones” and was the only five-star development zone among the other six inland provinces. It was named a “Model of Machinery Base of National New-pattern Industrialization” which was approved by the Ministry of Industry and Information Technology
- In 2010, CETZ reached a total industrial output of RMB 91.5 billion and has maintained a 30% growth rate
 - construction machinery, automobiles and parts were the two leading industries, contributing more than 80% to total outputs
 - construction machinery made up 71% of this with a total industrial output of RMB 64.6 billion
- In 2010, CETZ completed a RMB 1.9 billion investment in infrastructure, kicked off 35 infrastructure projects and received direct foreign investment of RMB192 million (up 9.51% from 2009)
- By end of 2010, CETZ had 23 Fortune 500 companies, 16 listed companies and 41 companies with revenues over RMB 100 million
- Through further development, CETZ is expected to become “the city of world engineer machinery industry” and “new base of China automobile industry”

Overview of CETZ (by the end of 2010)	
	CETZ
Established	1992
Total area (km ²)	100
Developed area (km ²)	25
Total investment (CNY billion)	45.7
Distance from downtown area (km)	8
Distance from airport (km)	8
Number of enterprises	437
Number of foreign enterprises	86
Actual utilisation of foreign capital (USD million)	192
Leading enterprises in zones	<ul style="list-style-type: none"> • Zoomlion • Sunward • GAC Changfeng • Zotye • Sany

Dahexi Zone

- Located in the western end of the Xiang River, Dahexi Zone was established in 2008 and covers Yuelu, CHTIDZ, Wangcheng and Ningxiang with a total land of 1,200 square metres. It is comprised of a three phased processing area aimed to facilitate the setting up process for enterprises
- Industry development relies on CHTIDZ as the main body, which NXETZ and Wangcheng EDA are subsidies primarily made up of the high-tech industry, cultural and creative industries, as well as modern services and modern agriculture. They also serve as a base for setting up and processing of new raw materials, energy conservation and environment protection and advanced manufacturing
- In the past three years, Dahexi Zone has maintained rapid development and direct investment
 - Dahexi Zone had a total GDP of RMB 300 billion with a year-on-year growth rate of 18%, and a total industrial output of RMB 400 billion, or 41 percent of the total industry output of Changsha. The proportion of agriculture, manufacturing and services changed to 8:63:29 in 2010 from 16:48:36 in 2008 respectively
 - Total investment into the area was over RMB 120 billion. Emerging industries accounted for 67% of the total investment and 50% (1,000 projects) of the total number of projects
- According to the “12th Five-Year Plan”, Dahexi Zone is expected to form a major industry focus on high-tech and modern services, with an anticipated output of over 60 percent of the service industry

CHTIDZ and NXETZ

Overview of CHTIDZ and NXETZ (by the end of 2010)		
	CHTIDZ	NXETZ
Established	1988	2002
Total area (km ²)	117	60
Developed area (km ²)	55	15
Total investment (CNY billion)	27.5	15.8
Distance from downtown area (km)	5	25
Distance from airport (km)	28	45
Number of enterprises	4,000	260
Number of foreign enterprises	200	4
Actual utilisation of foreign capital (USD million)	170	80.4
Leading enterprises	<ul style="list-style-type: none"> • Hitachi stream electricity • Foxconn • Zoomlion • Wasion Group • Jiuzhitang 	<ul style="list-style-type: none"> • Taiwan Hongjin • France Lefulai • Tsingtao Beer • Matsui • Jiaia Group

Changsha National High-Tech Industrial Development Zone (CHTIDZ)

- CHTIDZ was established in 1988, and was named National High-Tech Industrial Development Zone by the State council in November 1991. Since then, It has been awarded advanced High-tech Industrial Development Zone six times. Changsha Software Park located in CHTIDZ won the “Outstanding China Software and Services Outsourcing Park”, which was the only park in Central China to win the honour
- In 2009, CHTIDZ was named a model zone for creative technology by the Ministry of Science and Technology. In 2010, the overall economic competitiveness ranked the zone 16th among all 84 national high-tech zones
- In 2010, the total revenue from technology, industry and trade reached RMB 180 billion, of which advanced machinery reached RMB 55.6 billion and electronics RMB 5.72 billion, up from 2009’s figures of 47 percent and 28.2 percent respectively
 - Advanced machinery, electronics, new raw materials and biomedicine are four pillar industries, accounting for over 90 percent of total revenue of CHTIDZ
- By the end of 2010, CHTIDZ had 29 listed companies and 16 Fortune 500 companies including Hitachi, Nokia, Motorola, Cisco, Dell, Ericsson and Foxconn
- Over the next five years, CHTIDZ will focus primarily on the development of six major areas including advanced machinery, electronic information, new raw materials, energy conservation and environmental protection, biomedicine, modern services and five special parks including electronic information, advanced machinery production, biomedicine production, new energy and conservation and an environmental protection park

Ningxiang National Economic and Technological Development Zone (NXETZ)

- NXETZ was established in 2002, and was named the National Economic and Technology Development Zone by the State council in November 2010
- NXETZ was awarded the “Model zone of credit system set-up of small and medium enterprises”, “Model zone of China Food Industry” and the “Top 10 most valuable zone for investment in Hunan”
- In 2010, NXETZ reached a total industrial output of RMB 26.6 billion and started 22 new projects, 26 continuous projects and 4 extended projects, of which major projects included
 - Yuanda Zhugong Plant (Yuanda Zhugong is one of leading players in the Chinese real estate industry)
 - Toyo Aluminum’s aluminum power production project (Toyo Aluminum is a global leader for aluminum manufacturing)
 - Industrial-use charcoal production base (Jingyehe is a leading charcoal production refinery)
 - Xianglu machinery production base (Xianglu Machinery ranks third in China for the road maintenance machinery industry)
 - Gree waste home appliance reproduction base (Gree is a global leader for air conditioning products)
- By the end of 2015, NXETZ is expected to reach a total industrial output of RMB120 billion and is forecasted to be in the Top 50 National Economic and Technology Development Zones

Case study

Case study 1: AVIC Landing-gear Advanced Manufacturing Corp. ("AVIC Landing Gear")

AVIC Landing Gear is the exclusive professional manufacturer of plane landing gear in China's aviation sector

- AVIC Landing Gear was established in 2008 as one of the major retained military product manufacturers in China. It mainly produces landing gear and hydraulic pressure components for airplanes, as well as subcontracts to produce advanced landing gear components, forklift Hydraulic Cylinders and automotive tilting systems

The local government's efficient service created good conditions for the company's development

- *"Changsha's 'Two Assurances and Two Supports' office^(a) understood our difficulties and assisted us to overcome the difficulties several times. In one case, the industrial park's power transforming circuit did not connect to our substation appropriately, the 'Two Assurances and Two Supports' office assisted us on coordinating with the local Electric Power Company and resolved the problem in a short period of time, guaranteeing our project schedule as planned."* – Management of AVIC Landing Gear Advanced Manufacturing Corp.
- *"The local government also gave us large financial support. We received a Technology Innovation Fund of RMB 2 million in 2008 and another government subsidy of RMB 2 million for assisting the high-tech project development."* – Management of AVIC Landing Gear Advanced Manufacturing Corp.

Case study 2: Clochase (Hunan) Inc. ("Clochase")

Clochase (Hunan), a wholly owned subsidiary of Clochase Canada, is an IT service outsourcing company

- Founded in 2005, Clochase is located in Changsha High-tech Zone Yuelu Mountain Hi-Tech Park (Lu Valley), an area dedicated to global enterprises with tailored IT systems and solutions
- In 2009, it ranked second among the top ten service outsourcing enterprises and is a key service outsourcing enterprise in Hunan Province

Facing rapid business expansion, Clochase relies on a sizable college talent pool and government support

- The company has deep ties with Hunan University and Hunan Business College for hiring graduates, including computer science, foreign languages and management graduates. Also, compared to coastal cities, Changsha has a significant advantage in lower labour costs
 - *"The quality of English speaking graduates has progressed greatly in recent years, and they can fulfil basic needs of foreign enterprises."* - Du Yu, CEO of Clochase (Hunan)
- The government has provided preferential policies for high-tech service outsourcing when renting land and when training personnel, with other incentives for exporting products
- The government helped local high-tech enterprises go out and attract foreign investment, including organising investments among enterprises to introduce high-quality foreign companies to invest and mutually coordinate long term partnerships and success
 - *"Changsha government has attached great importance to attract investment and will organise an information session for well-known local and overseas enterprises to promote their potential cooperation in the future. Moreover, the local government provided great assistance on the industrial park's investment promotion, including offering competitive preferential policies and other supporting services."* - Du Yu, CEO of Clochase (Hunan)

Note: (a) Changsha 'Two Assurances and Two Supports' office aims to assist the enterprises' development, to assist promoting the major projects, to support the improvement of livelihood standards and to support economic growth

Sources: Company websites and KPMG interviews

Case study

Case study 3: GAC FIAT Automobiles Co., Ltd. ("GAC FIAT")

GAC FIAT is one of the major investment projects in Hunan province

- GAC FIAT was incorporated in 2010 through a joint venture between Guangzhou Automobile Group Co., Ltd. (GAC) and Fiat Group Automobiles S.P.A. (FGA) on a 50:50 basis. Its main businesses cover research and development, manufacturing, sales and provision of after-sales services of vehicle products, engines, parts and components
- The total investment for GAC FIAT is RMB 5 billion and is expected to start production in July 2012 with an annual production capacity of 140,000 vehicles during its first phase

GAC FIAT has confidence in its future development in Changsha, resulting from Changsha's favourable infrastructure and local government support

- *"As one of the major promoters for the Rise of Central China, Hunan province is proactively developing the automotive industry. Changsha, as the capital city of Hunan province, enjoys convenient transportation in terms of road, railway, waterways and airline access which benefits the enterprises to a large degree as it reduces their cost of logistics."* – Management of GAC FIAT
- *"CETZ provided 'one-stop' services to us since our establishment, including " a green channel" for investment project approval and great assistance in talent recruitment, supporting facility construction, employee accommodations, etc."* – Management of GAC FIAT
- *"Changsha government has clear perspective and planning for attracting investment. The government designed an automotive component industrial park of 800 mu (approximately 533,333 m²) nearby our vehicle manufacturing base, which not only facilitated our logistics support but also sharpened the competitive edge for Hunan's automotive sector. This industrial area has already attracted several Fortune 500 component manufacturers, including COSMA, Magneti Marelli and Johnson etc."* – Management of GAC FIAT

Case study 4: Jiuzhitang Co., Ltd. ("Jiuzhitang")

Jiuzhitang is a key Chinese medicine national enterprise as well as one of ten landmark industrial enterprises in Changsha

- In 2010, Jiuzhitang realized RMB 1.3 billion in sales revenue. Currently, it has more than 3,000 employees with 2,000 serving in its headquarters. Its products include animal by-products, Liu Wei Di Huang Wan and Siqikang

Changsha's improving infrastructure helps with Jiuzhitang's development

- Jiuzhitang is located in the city area of Changsha and plans to move to Lu Valley in 2013 or 2014
 - Lu Valley has enjoyed rapid development in recent years. Compared to the higher production cost and cramped urban production environment, Lu Valley has a better investment and production environment, convenient transportation and lower entry costs, which helps attract a rich variety of hi-tech companies
 - *"Lu Valley has developed quite fast these years with the continuous improvement of water, electricity and transportation infrastructure, as well as the offer of tax incentives. The new production plant is being launched in Lu Valley with plans to complete the construction and GMP certification within 3 years."* — Yan Hong, Assistant Director of Labor Union, Jiuzhitang

Changsha advocates "service-oriented government" concept and actively provides services for enterprises

- During the financial crisis, the government proposed the service approach of "two assurances and two supports" in order to assist enterprise development and promote major projects. It is also aimed to support and improve living standards and economic growth
 - *"Service concepts of 'Two Assurances and Two Supports', the '5+2' (5 working days + 2 days off) and the 'day + night' initiatives (day-time + night-time) greatly helped with the development of the enterprises"* — He Xiaohua, Director of Technology Reform, Jiuzhitang

Sources: Company websites and KPMG interviews

Operating costs

Land, factories and office buildings

Foreign companies may purchase Land Use Rights (LUR), but cannot own property outright

- Foreign companies cannot own land in China. Land is accessed by paying a one-off fee to the local government in exchange for a LUR certificate, typically allowing 50 years of usage for industrial land
- Industrial zones have their own price schedules for LUR (actual prices are subject to negotiation with the specific zone)
- According to the current regulations, LUR is obtained through public bidding, auctions or public posting of available land

Steel-frame and concrete factories can be constructed or rented in industrial zones

- If constructing own factories:
 - An indicative cost to construct a single storey steel-frame factory is in the range of RMB 800/m² to RMB 1,200/m² (based on a floor area of 1,000m² and height of 8 -15m)
 - The cost to construct a three- to six- storey steel-reinforced concrete factory is roughly RMB 1,500/m² to RMB 2,100/m² depending on the number of floors (based on a floor area of 1,000m² and height of 4 - 5m per floor)
- If renting factories:
 - Annual rent for standard factory space is roughly RMB 150/m² to RMB 300/m² depending on the location of the plant
 - A “standard factory space” refers to a six-floor steel-reinforced concrete factory with a floor area of 1,000m² and height of 4 - 5m

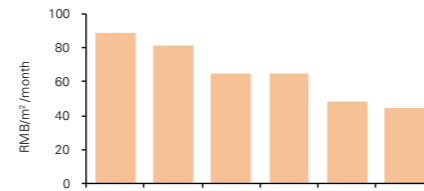
Rent for high-end office buildings in Changsha are lower than their counterparts in coastal and major inland cities

- High-end office buildings are located in downtown Changsha, with convenient access to the airport and railway stations
 - Rent for these buildings is typically RMB 45/m² per month with additional management fees at around RMB 2/m² to RMB 4/m² per month

Industrial land prices, 2010	
Industrial zone	Price for LUR (RMB/m ²)
CETZ	478
CHTIDZ	480
NXETZ	282

Source: Changsha Municipal Bureau of Commerce

Chart 6: Rent comparisons for office space, 2010



Note: Rents above do not include management fee
Sources: CBRE Market Research for Office Buildings in China, 2010; Changsha Municipal Bureau of Commerce

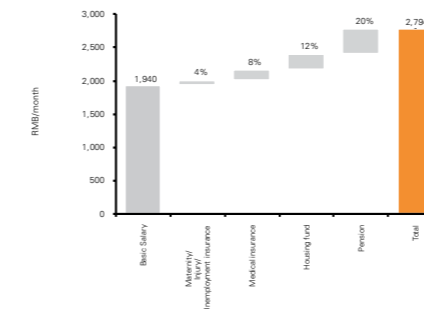
Source: Changsha Municipal Bureau of Commerce

Construction cost (RMB/m ²), 2010			
Plant type	CETZ	CHTIDZ	NXETZ
Based on a floor area of 1,000m ² and height of 8 -15m for a single storey steel-frame factory	800	400 – 800	700 – 1,000
Based on a floor area of 1,000m ² and height of 4 - 5m per floor for a three- to six-storey steel-reinforced concrete factory	1,500	1,000 – 1,400	1,000 – 1,300

Source: Changsha Municipal Bureau of Commerce

Human capital

Chart 7: Labor costs for enterprises in Changsha, 2009



Note: The average monthly salary (RMB1,940) of Changsha used as an example
Sources: Changsha Human Resources and Social Security Bureau; KPMG analysis

Chart 8: Comparison of labor costs among Changsha and other major cities, 2009



Source: Human Resources and Social Security Bureau for cities

Source: Changsha Human Resources and Social Security Bureau

Changsha has a large, high-quality workforce

- Changsha now has 97 scientific research institutes, 49 colleges and 310,000 college graduates, ranking among the top inland cities for its number of colleges and graduates
- As one of the leaders in the industrial machinery industry, Changsha has a sizable professional and technical workforce
 - Changsha has 32 technical schools and in 2010 they had 100,000 graduates covering electronics, auto repair, machinery and equipment

The government provides a series of incentives for high-quality talent

- According to the “Government Talents Introduction Plan,” Changsha introduced more than ten thousand professionals during 2009-2011, and among them were 4,000 technical and 3,000 management personnel
- The government has budgeted no less than RMB 30 million each year as an incentive to attract individuals to move to Changsha who have specific professional qualifications and talents for business start-ups. Moreover, the science and technology industrial park and district also provides support funds

Compared to other major cities in China, labor costs in Changsha are relatively advantageous

- The average monthly salary of employees at enterprises in Changsha in 2009 was RMB 1,940. Like other cities in China, enterprises are additionally obliged to pay social welfare for their employees
 - Social welfare includes pension, medical insurance, housing fund, maternity, injury and unemployment insurance
 - According to local rules, a company’s portion of social welfare should be 44 percent of their employees’ basic salary; that is, for an employee whose monthly salary is RMB 1,940, the employer should pay an additional RMB 854 to meet social welfare obligations (see Chart 7)
- Changsha has advantageous salary and labor costs
 - We chose Wuhan, Xi’an, Ningbo and Nanjing to compare. As a result, Changsha has lower labor costs compared to coastal and some inland cities such as Wuhan and Xi’an (see Chart 8)

Reference salaries for Changsha’s employees, 2010	
Position	Annual salary (RMB)
Manufacturing Manager	19,150-136,650
Accounting Manager	15,970-150,350
Sales Manager	13,810-119,490
Technical staff	12,700-96,000
Operating staff	10,200-106,700

Source: Changsha Human Resources and Social Security Bureau



3 Business and living environment

- Business facilities and services
- Living facilities

Changsha offers an open and pleasant living environment for investors, including various choices for education, healthcare, recreation and leisure

Business facilities and services

There are abundant professional service providers in Changsha

- Changsha has been equipped with excellent financial and insurance service systems and the business offices throughout urban and rural areas
 - In addition to the four major state-owned banks, Xingye Bank and Mingsheng Bank are located in Changsha as well as some foreign banks such as HSBC
 - Around 40 insurance companies are located in Changsha, including China Insurance, Mingsheng Insurance and Ping'an Insurance
- Changsha has an adequate talent pool, including law, finance and tax, which helps provide services for enterprises and individuals

“Changsha has equipped itself with a talent pool covering tax, accounting and law services, which meets the needs of enterprises in Changsha.”

—He Longqing, Financial Manager of Changsha Pepsi Cola

Changsha can provide various kinds of accommodations

- There are 32 high-end hotels located in Changsha, including 21 Four-star and 11 Five-star hotels, e.g. Starwood and Crown Plaza
- Changsha also has a full range of economy hotels, including Motel, Hanting Inns, Home Inns and Jinjiang Inns, which provide clean standard rooms for RMB 110 to RMB 200 per night
- Long-term expats have several options for lodging in Changsha, ranging from apartments to serviced rooms in one of Changsha's hotels
 - In 2010, the average purchase price of a condo in Changsha downtown was around RMB 5,182/m²; the rental for a 100m², two bedroom apartment was about RMB 2,500/month

Changsha has a convenient transportation system

- Changsha has convenient public transportation system with a uniform one-way ticket price of RMB 1 for all buses
- In 2010, about 6,280 cabs were available for passengers, with prices starting at RMB 6 for the first 2km and RMB 1.8 for each additional kilometer in the daytime, and RMB 7 and RMB 2.0 respectively at night
- Subway lines were under construction throughout the city and expected to be completed between 2013 and 2015

Sources: Changsha Municipal Bureau of Education; Changsha Municipal Bureau of Commerce; Changsha Municipal Bureau of Tourism



Living facilities

Changsha has a mature medical care system, with a number of different types of medical institutions

- By the end of 2010, Changsha had 2,655 medical institutions, including 255 hospitals and health centers, 12 anti-epidemic and disease prevention stations and 11 maternal and child health-care institutions, with a total of 48,800 medical professionals and 42,600 beds
 - Xiangya Hospital was built in 1906, and has been equipped with the largest scale of modern healthcare facilities in China. It provides 2,000 beds and can accommodate more than 10,000 clinical patients on a daily basis
- In Changsha, both Xiangya Hospital and Changsha Central Hospital offer medical services to foreigners

Changsha has strong educational resources

- Several schools are available for the children of expats in Changsha
 - Lushan International Experimental School are available for both Chinese and non-Chinese students, providing education resources covering from primary to middle schools, in addition to an international department. It has 7,524 students including more than 100 students from Korea, Japan, Australia and the United States
 - Changsha (Weixi) International School, established in 2009 in the CETZ, is designed specifically for non-Chinese students (including students from Hong Kong, Macau and Taiwan). The 1st project was mainly constructed for primary school courses for pre-school kids from seven to nine years old and has a capacity of 500 students. Courses will expand to include middle school students depending on the enrolment
- Changsha has 49 high-education institutions, including several “211” universities e.g. National University of Defense Technology, Central South University, Hunan University and Hunan Normal University

Changsha is also a great place for leisure and entertainment

- “Hunan Cuisine” is one of eight major cuisines of China, with more than 4,000 dishes
- Changsha has a range of cafes and theatres. It also has the Grey Soup SPA Holiday Inn, Qingzhu Riverside Golf Club and Tianhan Grand Theatre
- Changsha has 7 National AAAA tourist attractions, 9 state-level major cultural relic preservation sites and 1 national key scenic location
 - Yuelu Institution, established in AD 960 and located at the foot of beautiful Yuelu Mountain It is ranked in the top four major institutions from the Song Dynasty
 - Orange Isle (Juzi Zhou) was awarded “The Most Beautiful Isle in China”, and attracts a large number of tourists each year

Sources: Changsha Municipal Bureau of Education; Changsha Municipal Bureau of Commerce; Changsha Municipal Bureau of Tourism



4

Appendices

- Telecommunications, utilities and transportation
- Useful contacts



Appendix 1: Telecommunications, utilities and transportation

Telephone charges (RMB/minute)				
Local call		National call	International call	
Fixed line	0.22 for the first 3 minutes and 0.11 thereafter	0.07	HK, Macau, Taiwan	0.2+local call charge
			Other countries	0.8+local call charge
Mobile	0.36	0.59	HK, Macau, Taiwan	0.6+local call charge
			Other countries	1+local call charge
IP phone	0.22 for the first 3 minutes and 0.11 thereafter	0.3+local call charge	HK, Macau, Taiwan	1.5+local call charge
			US, Canada	2.4+local call charge
			Japan, Southeast Asia	3.6+local call charge
			Other countries	4.6+local call charge

Source: China Telecom Hu'nan Co., Ltd.

Cost and time of highway transportation of a 20 foot container from Changsha to domestic cities listed below		
Destination	Cost (RMB)	Days
Beijing	400	3-4
Shanghai	400	3-4
Guangzhou	300	2-3
Shenzhen	400	3-4

Source: COSCO Shipping Co., Ltd.

Cost and time of railway transportation of a 20 foot container from Changsha to domestic cities listed below		
Destination	Cost (RMB)	Days
Beijing	4,557.2	3-4
Shanghai	3,458.5 - 3,592.9	3-4
Guangzhou	2,435.4	2-3
Shenzhen north	3,358.5	3-4

Notes: Destination station of listed data include Beijing Dahongmen railway station, Shanghai Minhang or Yangpu railway station, Shenzhen Beilonggang railway station and Guangzhou Dalang railway station

Source: Changsha north railway station

Utilities cost in Changsha on 2010			
	Daily Life	Industry	Business Services
Water (RMB/M ³)	1.88	2.20	3.40
Electricity (RMB/KwH)	0.588	0.949	1.030
Gas (RMB/M ³)	2.45	3.00	3.00

Source: Changsha Municipal Bureau of Commerce

Cost and time of sea transportation of a 20 foot container from Changsha to cities listed below		
Destination	Cost (RMB)	Days
HK	280	13
Osaka	500	14
Los Angeles	1,900	23
Rotterdam	1,800	40
Hamburg	1,800	40
New York	2,700	40

Notes: Prices listed are bidding prices for April 2011, and considering economic changes, a 30 percent price change is considered to be reasonable; Days listed include river port transportation time from Changsha to Shanghai, normally 6 days

Source: COSCO Shipping Co., Ltd.

Flights ticket prices from Changsha to domestic cities listed below			
Destination	Ticket Prices(RMB)	Flight Hours	Weekly Flight Number
Beijing	1,050	1.5	84-91
Shanghai	1,370	2	98-105
Guangzhou	800	1	28-35
Shenzhen	840	1	35-42
Chongqing	850	1.2	35

Note: Ticket prices is for economy class, including fuel charge

Source: Changsha Huanghua International Airport

Appendix 2: Useful contacts

Changsha Municipal Bureau of Commerce
10th Floor, The First Municipal Government Mansion
No.218 Yuelu Road, Changsha
Postcode: 410013
Website: www.cstrade.gov.cn

Foreign Investment Liaison Department
Tel: +86 (731) 8866 5557
Email: hninvest@yahoo.com.cn

Foreign Investment Administration Department
Tel: +86 (731) 8866 6056
Email: csinvest2008@yahoo.com.cn

Foreign Investment Services Department
Tel: +86(731) 8866 5561
Email: csinvest_0727@yahoo.com.cn

Foreign Trade Department
Tel: +86 (731) 8866 5556
Email: ld_trade@126.com

China Council for the Promotion of International Trade, Changsha branch AND

China Chamber of International Commerce, Changsha Chamber
Address: No.182, Chaoyang Road, Changsha
Tel: +86 (731) 8416 5136
Website: www.cscppit.org

International Relationship and exhibition department
Tel: +86 (731) 8416 5137

Conference Department
Tel: +86 (731) 8416 5140

Information Department
Tel: +86 (731) 8416 5075

Other Government Contacts
Changsha Riverwest, Xiandao District Mangement Committee
No.668 Riverwest, Lugu Road, Changsha
Tel:+86(731) 8899 5180

Changsha High-Tech Development Zone Management Committee
No.668 Riverwest, Lugu Road, Changsha
Tel:+86 (731) 8899 5542
Website: www.cshztz.gov.cn

Changsha Economic and Technical Development Zone Management Committee
No.2 Xingshasanyi load, Changsha
Tel:+86 (731) 8401 1101
Website: www.cetz.gov.cn

Changsha Development and Reform Committee
5th Floor, The First Municipal Mansion
No.218 Yuelu Road, Changsha
Tel:+86(731) 8866 5530

Changsha Economic Committee
8th Floor, The First Municipal Mansion
No.218 Yuelu Road, Changsha
Tel:+86(731) 8866 6008
Website: www.csgy.gov.cn

Changsha Housing and Urban-rural Development Committee
10th Floor, The First Municipal Mansion
No.218 Yuelu Road, Changsha
Tel:+86(731) 8866 5908
Website: www.zgcsjs.com

Changsha Municipal Bureau of Labor and Social Security
No.1 669 Lotus Middle Road Yiduan
Tel:+86 (731) 8490 7958
Website: www.csldbz.gov.cn

Changsha Municipal Bureau of Land and Resources
No.150 Xianghu Fishery, Evening News Road, Changsha
Tel:+86 (731) 8218 0771
Website: www.csgtzy.gov.cn

Changsha Municipal Bureau of Transportation
No.269 Wanjiaili Middle Road, Changsha
Tel:+86 (731) 8815 1200

Changsha Municipal Bureau of Urban-rural Planning
9th Floor, The Second Municipal Government Mansion
No.218 Yuelu Road, Changsha
Tel: +86(731) 8866 6205
Website: www.csup.gov.cn

Changsha Municipal Bureau of Environmental Protection
No.168 Chaoyang Road, Changsha
Tel:+86 (731) 8412 9654
Website: http://hbj.changsha.gov.cn

Changsha Municipal Bureau of Public Utilities Administration
10th Floor, The Second Municipal Mansion
No.218 Yuelu Road, Changsha
Tel: +86 (731) 8866 6488

Changsha Municipal Bureau of Industry and Commerce
No.411 South 2nd Ring Road, Yiduan, Changsha
Tel:+86 (731) 8997 1606
Website: www.csaic.gov.cn

Changsha Municipal National Taxation Bureau
No.269 Shaoshan Road North, Changsha
Tel:+86 (731) 8418 5602
Website: www.csgtax.gov.cn

Changsha Municipal Local Taxation Bureau
No.1 Baisha Street, Changsha
Tel:+86 (731) 8511 8960
Website: www.cstax.gov.cn

Major Internal Website Links

Hunan Provincial Government
www.hunan.gov.cn

Changsha Municipal Government
www.changsha.gov.cn

Changsha Business
www.cstrade.gov.cn

Changsha Customs
changsha.customs.gov.cn

Xingchen Online
www.changsha.cn

Changsha Real Estate Development
www.haofz.com

Changsha Online Map
www.changsha.edushi.com

Changsha Tour
www.csta.gov.cn

About KPMG

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KPMG China has 13 offices (including KPMG Advisory (China) Limited) in Beijing, Shenyang, Qingdao, Shanghai, Nanjing, Chengdu, Hangzhou, Guangzhou, Fuzhou, Shenzhen, Xiamen, Hong Kong SAR and Macau SAR, with more than 9,000 professionals. Shanghai office is the hub of Eastern & Western China region.

In 1992, KPMG became the first international accounting firm to be granted a joint venture licence in China, and our Hong Kong SAR operations have been established for over 60 years since 1945. This early commitment to the China market, together with our unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in our appointment by some of the China's most prestigious companies.

As China businesses join the global economy and international companies seek to enter the China market, KPMG's blend of international experience and local knowledge makes us well-positioned to serve our clients in this increasingly complex, but exciting market.

Our single management structure for all our China offices allows efficient and rapid allocation of experienced professionals wherever the client is located in China. The flexibility of this single structure allows us to effectively serve companies across China, and we have many projects where professionals from different offices work together on a work engagement under the supervision of a single nominated client partner, who has operational control of all resources.

Our business in China has established industry groups, helping enable targeted, industry-specific experience and methodologies to be delivered where needed. For our clients, this focus on industry and country-specific knowledge helps us deliver exceptional people with an intimate knowledge of specific business issues, as well as an overriding commitment to strive for the highest quality services.

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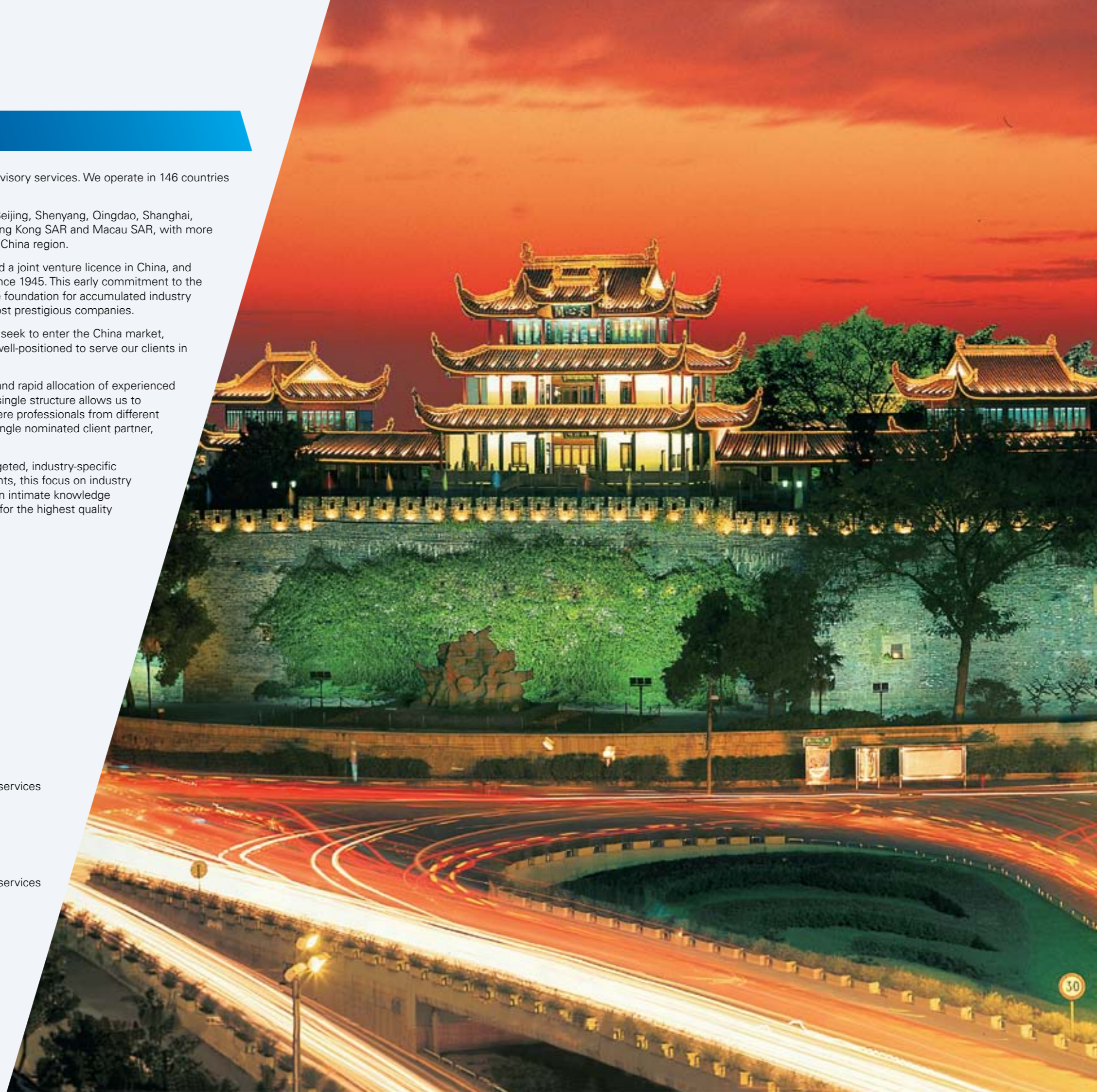
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