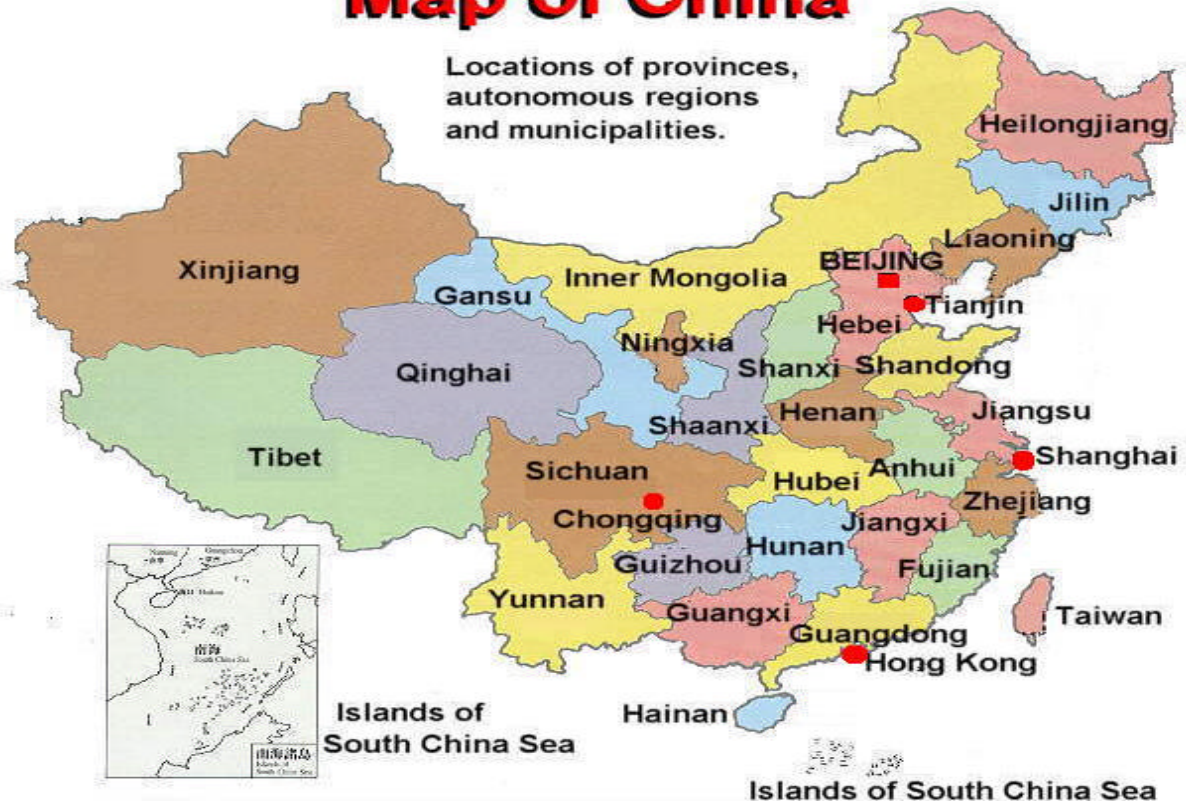


20 February 2006



China Country Report on Guangdong Province

Map of China



1. GEOGRAPHY

- **Total area:** 186,000 km² (approx. 272 times that of Singapore's)
- **Capital:** Guangzhou (3rd largest city in China)
- **Administrative Divisions in Guangdong (21 prefecture level cities):**

Chaozhou
Dongguan
Foshan
Guangzhou
Heyuan
Huizhou
Jiangmen

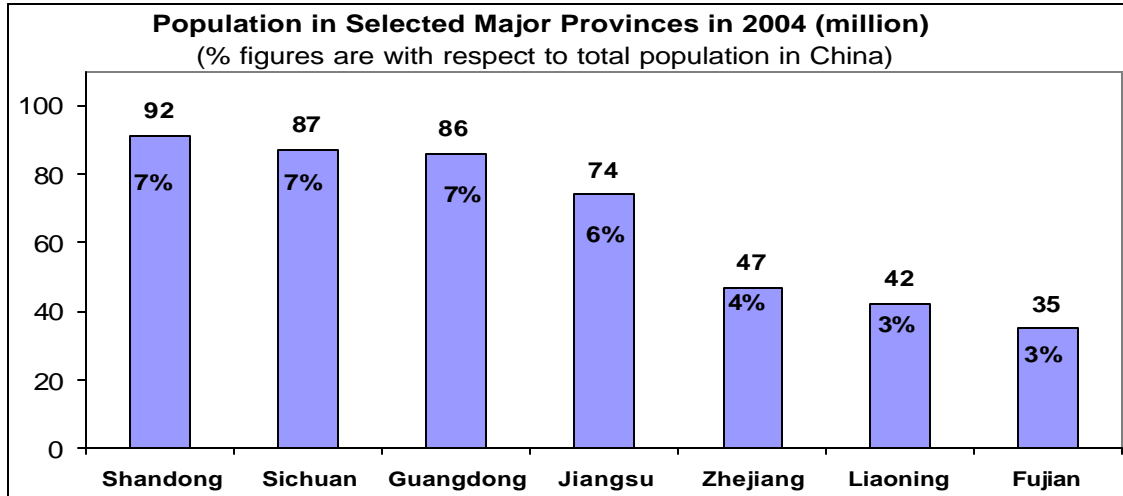
Jieyang
Maoming
Meizhou
Qingyuan
Shantou
Shanwei
Shaoguan

Shenzhen
Yangjiang
Yunfu
Zhanjiang
Zhaoqing
Zhongshan
Zhuhai

- **Major Cities:** Chaozhou, Dongguan, Guangzhou, Shantou, Shenzhen, Shunde, Zhuhai
- **Special Economic Zones (SEZs):** Shenzhen, Shantou, Zhuhai

2. SOCIO-DEMOGRAPHY

- **Population:** 83 million in year 2004 (approx. 21 times that of Singapore's) and accounting for **7% of China's total population**
- **Population growth rate (1999-2004 CAGR):** approx. 3% per year
- 75% of the population in the major cities of Guangzhou, Shenzhen, Zhuhai and Dongguan is urbanized



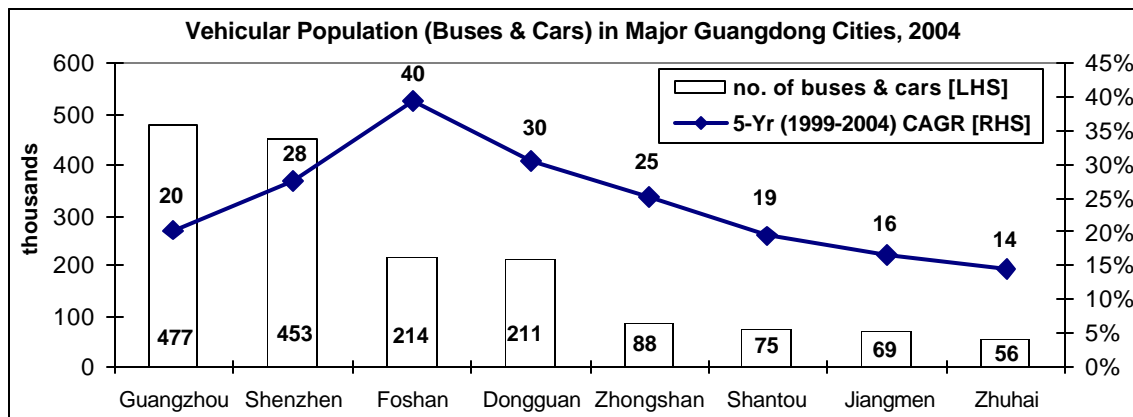
Source: CEIC

- **Languages:** Putonghua (Mandarin), Cantonese, Hunanese, Teochew (Chaozhou and Shantou), Hakka (northeast Guangdong) and English

3. MOTOR VEHICULAR AND TELECOMMUNICATIONS GROWTH

A. Motor Vehicular Growth – Buses and Cars

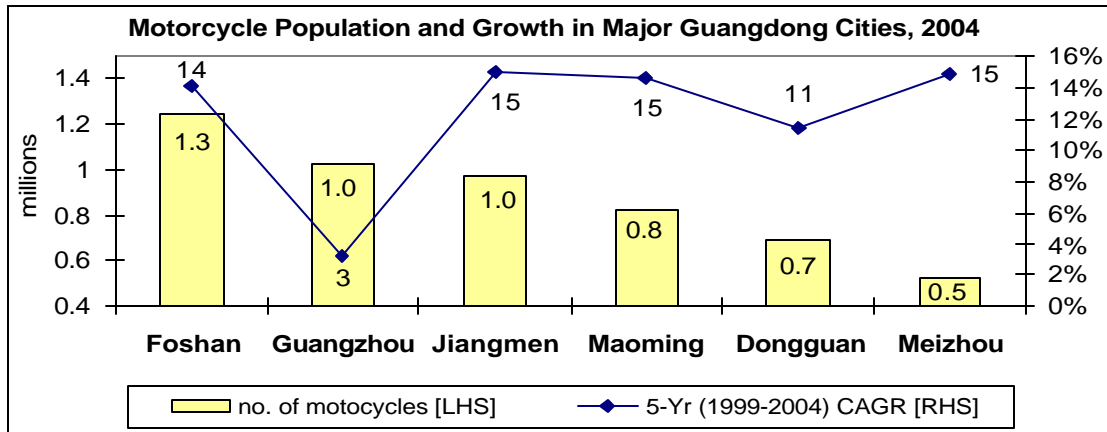
- The number of buses and cars grew by double-digit in major Guangdong cities over a 5-year period (1999-2004) on an annually compounded basis



Source: CEIC

B. Motorcycle Growth

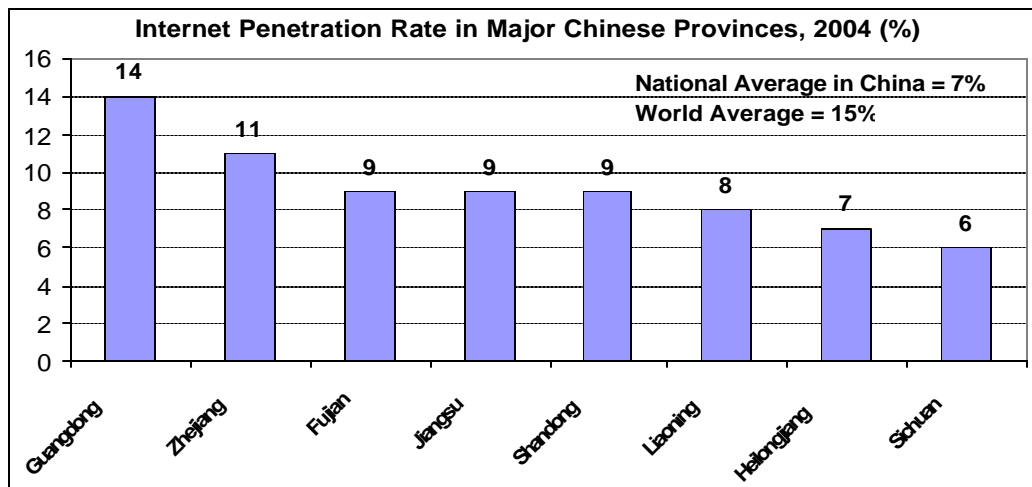
- Foshan has the most number of motorcycles among major Guangdong cities
- The smaller and presumably less urbanized cities of Jiangmen, Maoming and Meizhou tended to exhibit higher motorcycle growth underscoring a comparatively less developed public transport system



Source: CEIC

C. Internet Penetration

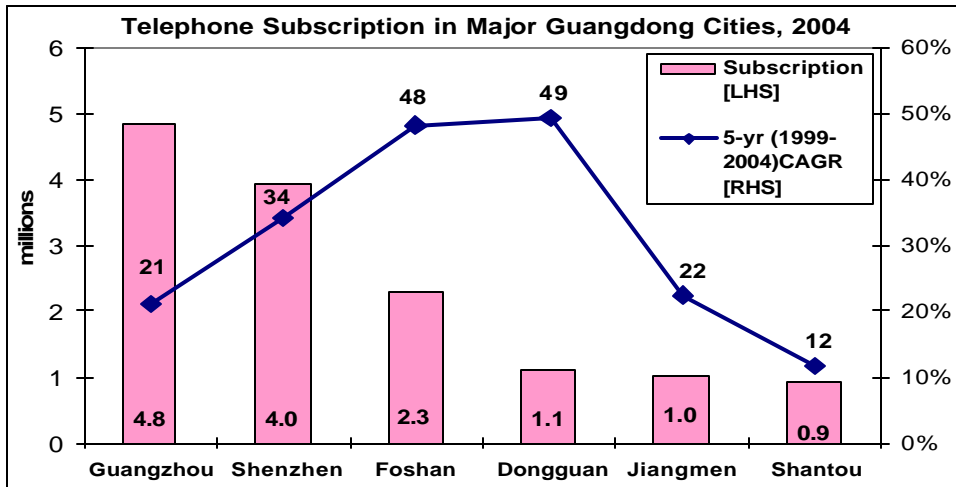
- Guangdong's internet penetration rate of 14% is the highest in China



Source: China Internet Network Information Centre and CEIC

D. Telephone Subscription Growth

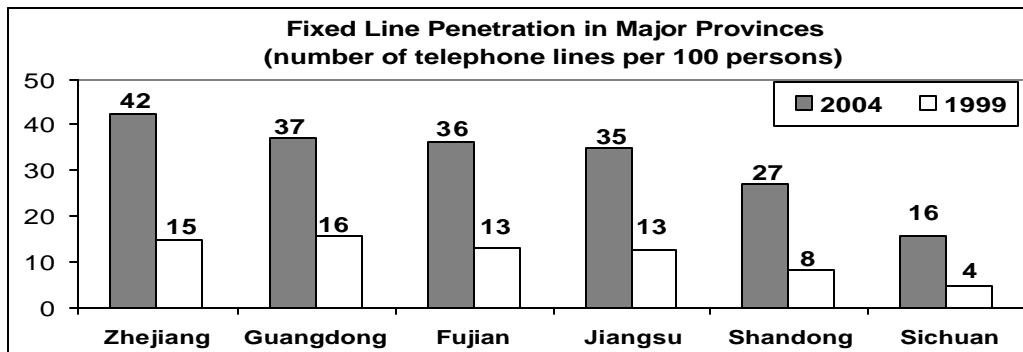
- Telephone subscription is mostly higher in larger cities (eg. Guangzhou, Shenzhen and Foshan) which also enjoyed relatively higher growth rates



Source: CEIC

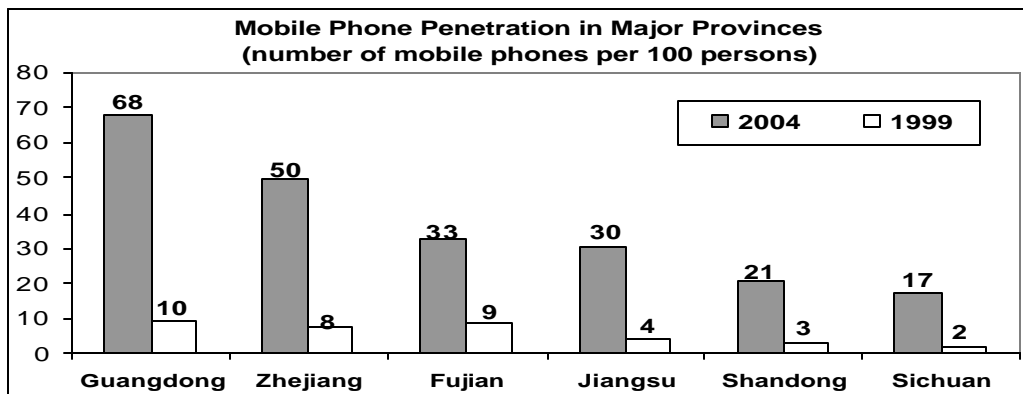
E. Telephone Penetration Rates

- Fixed line penetration more than doubled from 16 per 100 persons in 1999 to 37 per 100 persons in 2004 in Guangdong (2nd highest after Zhejiang)



Source: CEIC

- Guangdong has the highest mobile phone penetration among major provinces

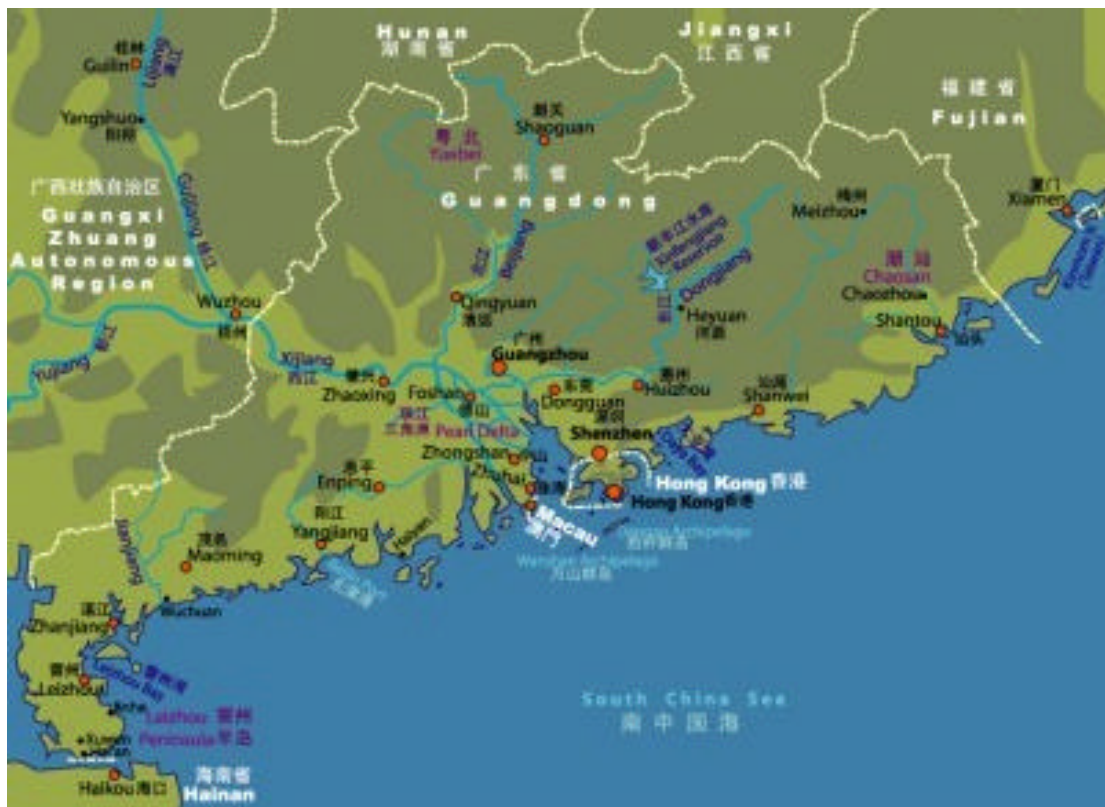


Source: CEIC

4. GUANGDONG ECONOMY

A. Overview

- Guangdong's nominal GDP of USD 228 billion in 2004 - highest among all provinces – contributed about 13% of China's total economic output
- Guangdong has the highest export value among all provinces, accounting for 32% of China's total. The value of retail sales (consumer goods) in Guangdong is also the highest among all provinces - 12% of China's total.
- The more developed areas of Guangdong are centered within the Pearl River Delta covering cities like Guangzhou, Shenzhen, Zhuhai, Dongguan, Foshan, Zhongshan, Huizhou, Jiangmen, Zhaoqing and Qingyuan (see map below)



- The Eleventh Five-Year Plan (2006-2010) aims to urbanize 70% of Guangdong's population by 2010 by transforming Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan and Jiangmen into metropolitan cities
- Programs on infrastructure, environmental protection, wider applications of IT and growth of the high-tech sector will be implemented
- The export target is expected to reach US\$200 billion by 2010, necessitating an average economic growth of 8% per year

- Internet subscription is expected to hit 25 million with 400 personal computers per 1,000 residents. This 40% penetration rate is approximately 3 times the current level of 14%. All households are expected to have phone access

B. Gross Domestic Product

- The secondary industry is a major contributor to GDP, providing 55% of Guangdong's GDP in 2004 from 50% in 2000

Guangdong's GDP versus China's (2004)

	Guangdong (RMB billion)	China (RMB billion)	As a % of China
Primary	147	2,096	7
Secondary	1,040	7,390	14
Tertiary	699	6,502	10
TOTAL	1,886	15,988	12

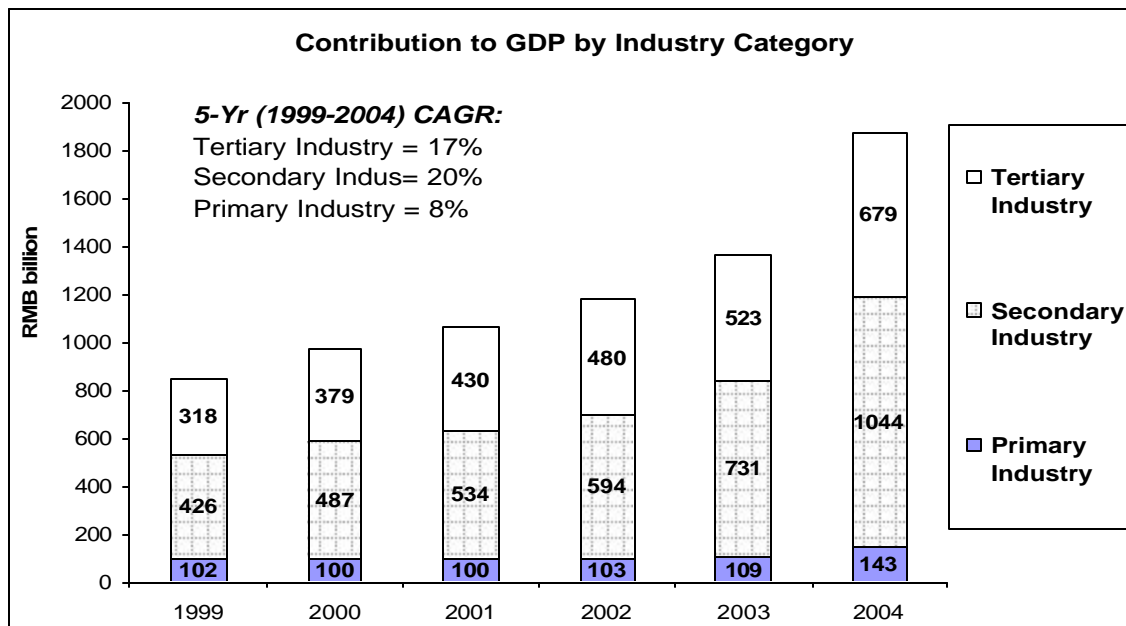
Source: CEIC and Sma's estimates

Note: Primary Industry: Agriculture (farming, forestry, animal husbandry, fishery etc)

Secondary Industry: Processing & Manufacturing (mining, manufacturing, electricity, gas, construction etc)

Tertiary Industry: Service-based (wholesale & retail, trade, finance, insurance, real estate, health care etc)

- The 5-year (1999-2004) CAGR growth for the secondary industry was 20%, higher than the growth for the primary (8%) and the tertiary industries (17%)

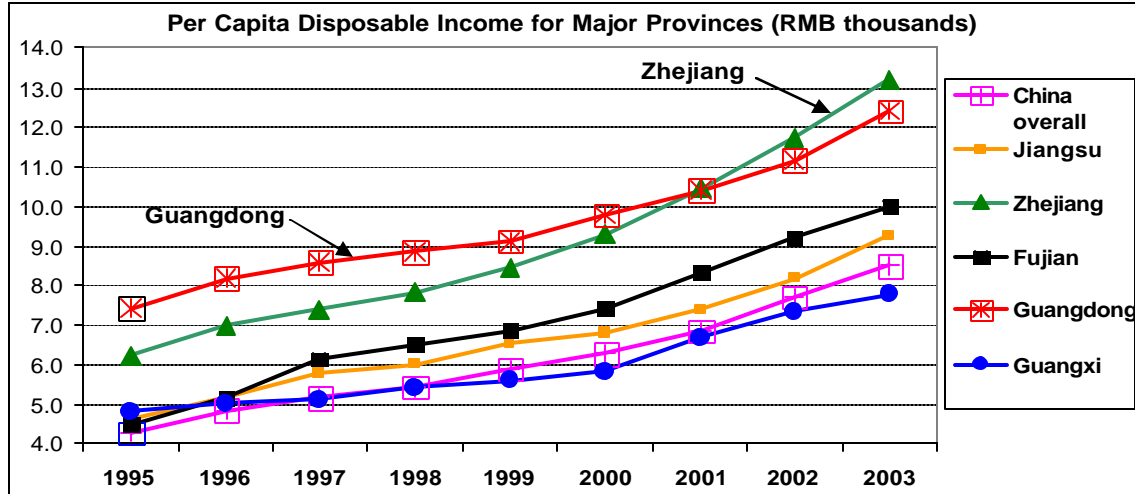


Source: CEIC

- Guangdong enjoys high private sector participation. Production by the private sector accounted for 83% of the province's total industrial output in 2004.

C. Per Capita Disposable Income

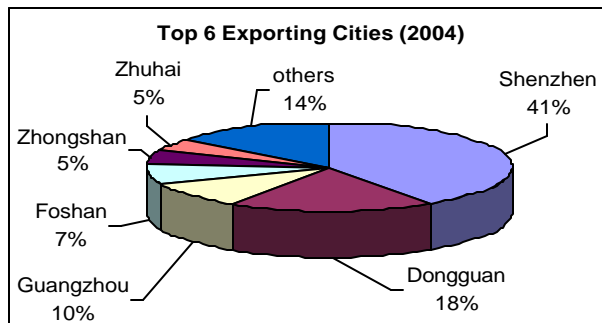
- From the mid-90s to 2001, Guangdong has the highest per capita disposable income. It has since been overtaken by Zhejiang province



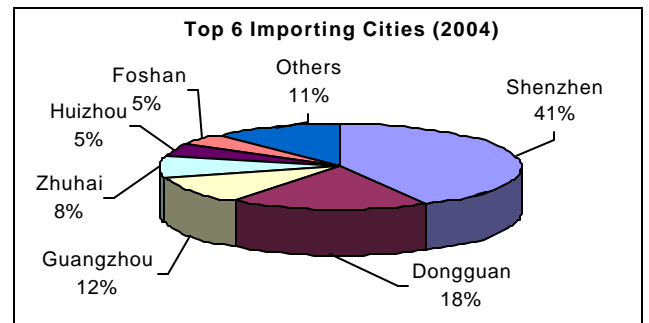
Source: CEIC

D. Foreign Trade

- As an exported-oriented province, the ratio of foreign trade to Guangdong's GDP was 184% in 2004
- Total exports grew by 25% to US\$ 192 billion in 2004 from US\$ 153 billion in 2003. Average growth in export was 20% in the last 5 years
- Top 6 exporting cities in 2004: Shenzhen, Dongguan, Guangzhou, Foshan, Zhongshan, Zhuhai
- Top 6 importing cities in 2004: Shenzhen, Dongguan, Guangzhou, Zhuhai, Huizhou and Foshan



Source: Guangdong Customs Statistics



Source: Guangdong Customs Statistics

Major Exports From and Imports Into Guangdong (2004)

	Exports from Guangdong	Imports into Guangdong
1	Machinery and Electrical Equipment	Integrated Circuits and Electronic Component Parts
2	Textile Materials, Garments, Clothing Accessories	Rolled Steel
3	Footwear and Related Products	Data Processing Equipment
4	Base Metals and Related Products	Parts of Semiconductor Devices
5	Instruments, Medical Instruments & Equipment, Clocks, Watches	Crude Oil
6	Plastics, Rubber and Related Products	Finished Petroleum Products

Source: CEIC

Major Trading Partners of Guangdong (2004)

	Exports to	US\$ bil	% of Total		Imports from	US\$ bil	% of Total
1	Hong Kong	68.6	36	1	Japan	28.2	17
2	USA	45.8	24	2	Taiwan	27.4	17
3	Japan	12.8	7	3	Korea	14.1	9
4	Germany	5.8	3	4	USA	0.9	5
5	Netherlands	5.3	3	5	Malaysia	0.7	4
6	UK	4.8	3	6	Hong Kong	0.6	4
7	Korea	4.1	2	7	Thailand	0.5	3
8	Singapore	3.5	2	8	Singapore	0.5	3
9	Taiwan	2.8	1	9	Germany	0.4	2
10	France	2.6	1	10	Philippines	0.3	2

Source: CEIC

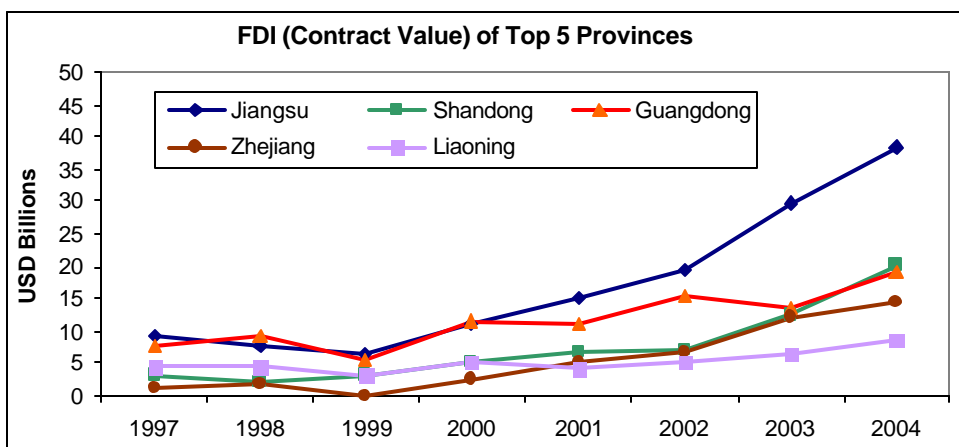
E. Guangdong- ASEAN Trade

- Although Singapore absorbed only 2% of Guangdong's total exports and supplied 3% of its total imports, it is Guangdong's top Asean trading partner
- Singapore absorbed 38% of Guangdong's exports to and supplied 21% of its imports from Asean
- Guangdong's exports to and imports from Singapore has grown by 16% and 23% respectively on a 5-year (1999-2004) CAGR basis

F. Foreign Direct Investments (FDI)

- There are 3 basic types of FDI in China: i) equity joint venture, ii) co-operative joint venture and iii) wholly foreign-owned enterprise (WFOE)
- The first two types require the participation of a Chinese company. The most popular is WFOE as it gives the foreign investor full control. This mode of investment is favoured by Taiwanese and Hong Kong investors (the 2 largest sources of FDI in Guangdong)

- Foreign invested enterprises (FIEs) play an important role in Guangdong's economy. They account for about 65% of Guangdong's gross industrial output and 64% of its exports
- Foreign investments in Guangdong are mainly in the manufacturing industry (73% of total utilized FDI in Guangdong in 2004). These include computer accessories, computers, biological products, mechanical and electrical products, refined chemicals, hardware, toys and garments
- Since the 1990s, Guangdong and Jiangsu have been the largest provincial recipient of FDIs. However, FDIs into Jiangsu have superseded that of Guangdong since 2000



Source: CEIC

5. PILLAR INDUSTRIES

- Guangdong is a leading industrial province driven by 9 pillar industries:

Fast Growing Industries:	Potentially High-Growth Industries:	Traditional Industries (Stable Growth):
A. Electronics & Information B. Electrical Appliances & Machinery C. Petrochemicals	D. Automobiles E. Pharmaceuticals F. Paper making	G. Textiles & Garments H. Food and Beverage I. Construction Materials

Source: Department of Foreign Trade and Economic Co-operation, Guangdong

- Guangdong is a major export-processing base for foreign investors mainly from Hongkong and Taiwan
- Cities with the largest industrial production base are: Guangzhou, Shenzhen, Dongguan, Foshan, Huizhou, Jiangmen and Zhuhai
- **Guangdong's Key Production Strength: Light manufacturing industries** eg. electrical appliances (TVs, electrical fans and refrigerators), garments, footwear, bicycles and toys

- In 2004, exports from the light industries accounted for nearly 50% of total industrial output
- In recent years, there is increasing emphasis on heavy, new and high technology industries. The share of heavy industries in Guangdong as a percentage of GDP increased to 56% in 2004 from 43% in 1999. For example, in Shenzhen, new and high technology industries accounted for more than 40% of the city's total industrial output in 2004

Output share of Major Industrial Sectors (2004)

Industrial Sector	% share of total industrial output
Leading New Industries:	
Electronic Information	28
Electric Equipment and Special Purpose Equipment	14
Petroleum and Chemicals	9
Leading Traditional Industries:	
Textile and Garments	7
Food and Beverage	6
Building Materials	4
Leading Potential Industries:	
Motor Vehicles	4
Papermaking and Logging	2
Medicine/Pharmaceuticals	1

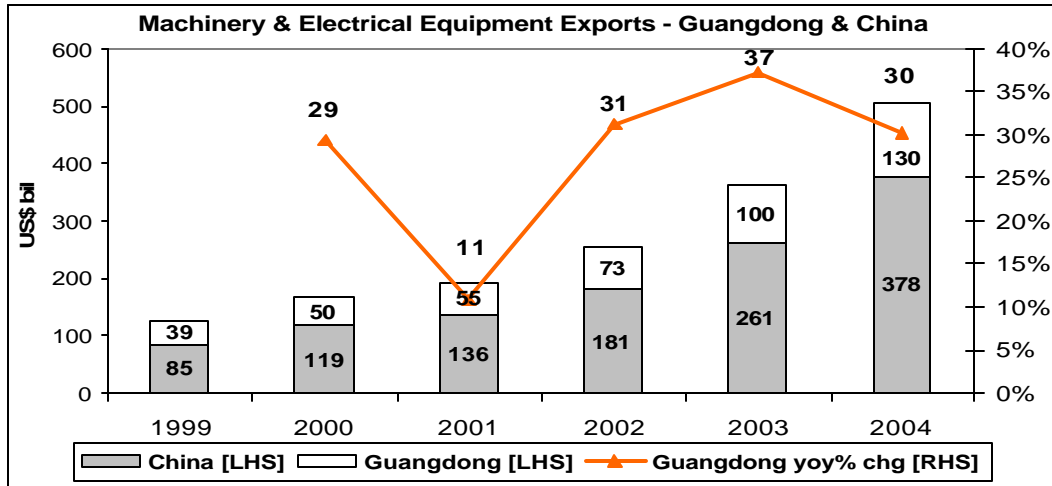
Source: Guangdong Statistical Yearbook, 2005

A. Electronics and Information Industry

- This industry commands a leadership status as Guangdong is an important IT production base in China
- Key products:
 - communication equipment: stored program control exchanger and optical communication products
 - electronic parts: colour tubes and discrete part chips
 - electronic components: printed circuit boards
- Main production bases: Shenzhen, Guangzhou, Dongguan, Huizhu, Foshan and Zhongshan ("corridor of electronic and information industry")

B. Electrical Appliances and Machinery

- Guangdong is the top producer and exporter of electrical appliances and machinery in China, especially household electric products.
- Key products: colour TVs, laser disc players and hi-fi systems
- Main production bases: Shenzhen, Guangzhou and Foshan



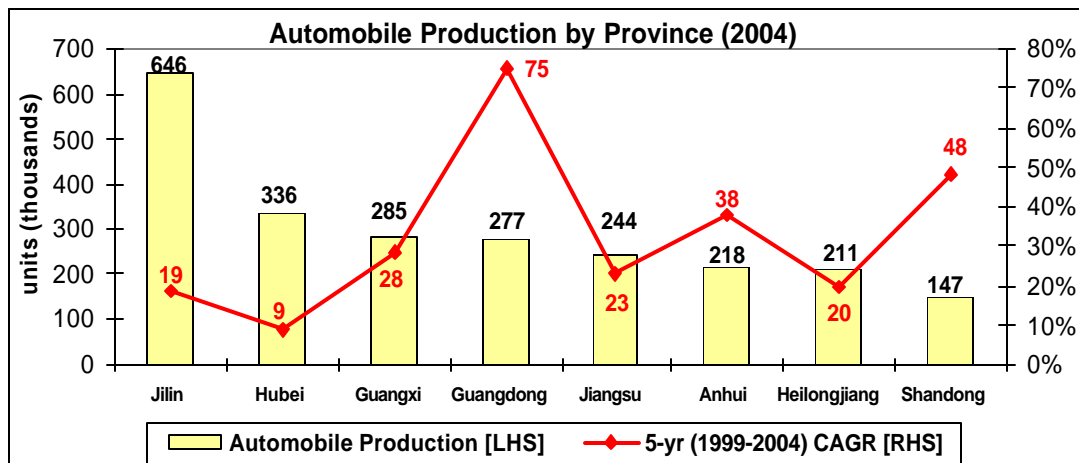
Source: CEIC

C. Petrochemical Industry

- Key products: crude oil processing, finished oils (gasoline, kerosene & diesel), ethylene, synthetic resin, architectural coating, rubber shoes
- Main production bases: Maoming, Guangzhou, Huizhou and Zhangjiang

D. Automobiles

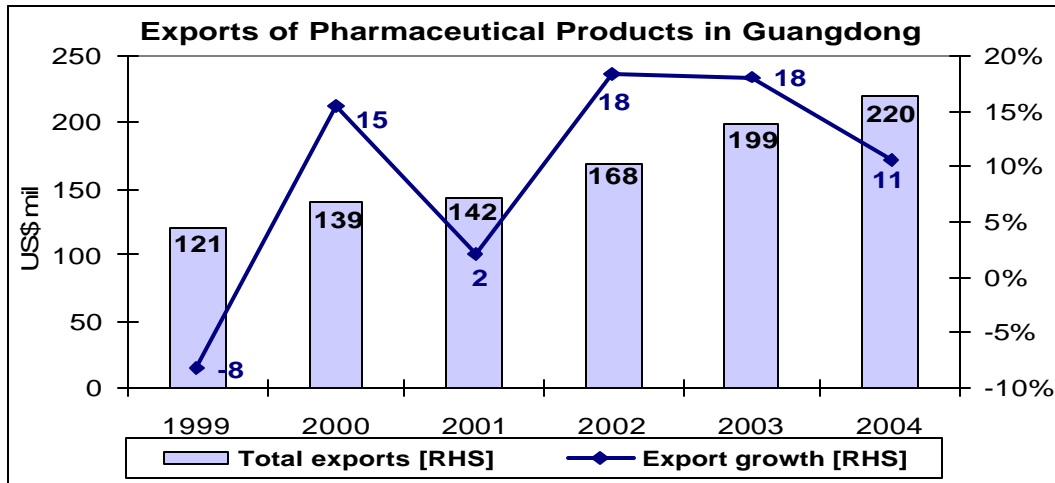
- Guangdong is the 4th largest provincial producer of automobiles and has the largest automobile manufacturing base in south China
- There are a total of 432 automobile factories in Guangdong. This industry has a total production value of RMB 71.2 billion in 2004 and enjoyed a 5-yr (1999-2004) CAGR of 75%
- Major foreign producers include Honda, Isuzu, Nissan, Toyota
- Key products: cars, coaches, auto parts and components
- Main production bases: Guangzhou Economic and Technical Development Zone, Guangzhou Nansha Development Zone and Huadu



Source: CEIC

E. Pharmaceuticals

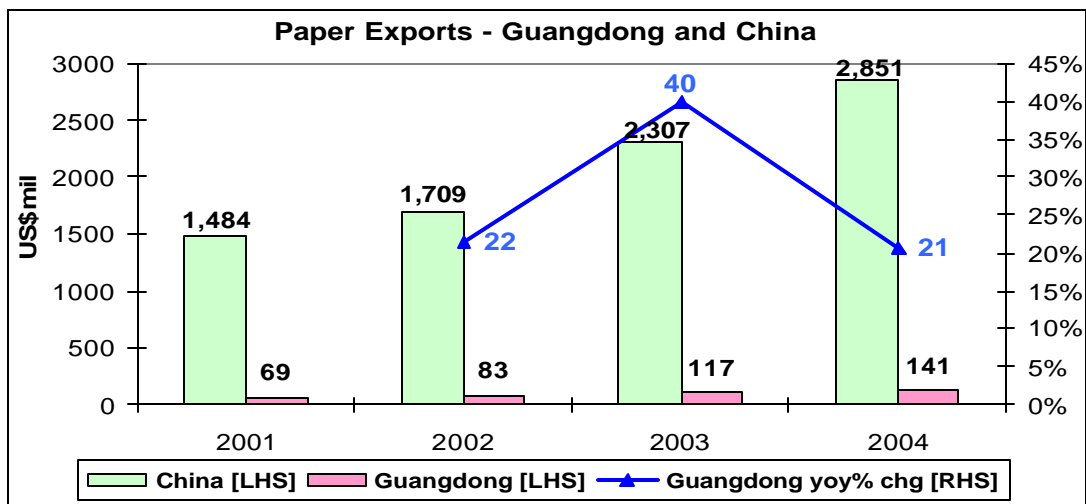
- This industry has been growing by double digits since 2002
- Total output amounted to US\$ 220 million in 2004
- Key products: chemical and biological pharmaceuticals, traditional Chinese medicine and medical equipment



Source: CEIC

F. Paper Making

- Guangdong boasts of a key paper and pulp industry and a state-funded research centre focusing on production, trade and scientific research
- Guangdong's warm sub-tropical and wet monsoon climate with abundant rainfall suits the growth of fibre
- Main production bases: Guangzhou, Dongguan, Foshan, Jiangmen, Zhuhai, Shenzhen, Zhanjiang (home to 80% of paper-making firms in Guangdong)



Source: CEIC

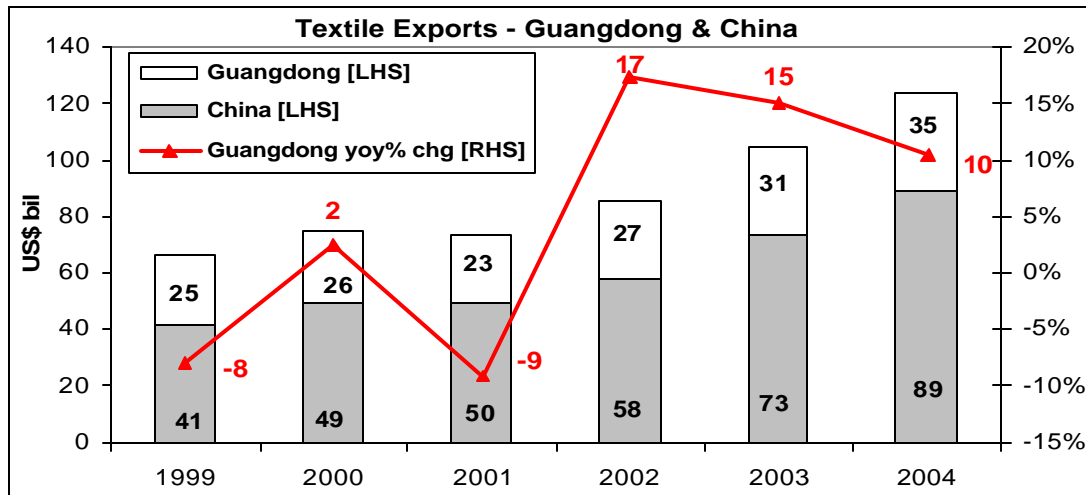
G. Textiles and Garments

- Guangdong is a major producer and exporter of textiles; it is the third largest garment exporting base in the world
- Production is spread out in different areas with each specializing in a particular textile/garment product:

Area	Product
Dongguan	Garments and knitting goods
Foshan	Surface fabric, knitting goods, children's garments & underwear
Puning	Shirts
Zhongshan	Sportswear

Source: Department of Foreign Trade and Economic Co-operation, Guangdong

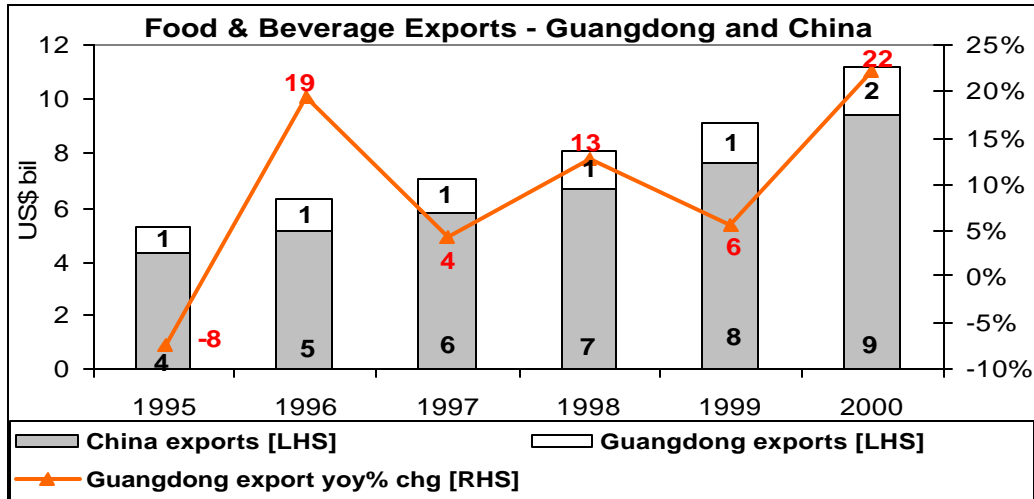
- Main production bases: Guangzhou, Shenzhen, Foshan, Zhongshan, Dongguan, Shantou, Jiangmen



Source: CEIC and SMA's estimates

H. Food and Beverage

- Guangdong is a major producer and exporter of food and beverages in China
- Much emphasis has been placed on technological improvement and the introduction and absorption of foreign technology
- Key products: beverages, baked and roasted foods, health products and condiments
- Guangdong's food and beverage output grew by 25% yoy in 2004 to reach RMB 165 billion



Source: CEIC and SMA's estimates

I. Construction Materials

- Construction products are concentrated in different parts in Guangdong:

Area	Product
Foshan	Ceramics
Shunde	Architectural Coating
Dali	Aluminum products
Chaozhou	Sanitary ware
Yunfu	Stoneware
Kai Ping	Water heating equipment and sanitary ware

Source: Department of Foreign Trade and Economic Co-operation, Guangdong

- This industry is mature and has a relatively high level of privatization
- Guangdong's exports of construction materials accounted for 30% of China's total exports of these products. In particular, construction ceramics has been increasing at an annual rate of 70% over the last few years

6. INVESTMENT INCENTIVES

A. General Incentives for Foreign Investment Enterprises (FIEs)

- FIEs are permitted to:
 - Import raw materials without using the state import-export companies;
 - Apply for exemption of import duties and value added tax under an approved import processing arrangement for imported raw materials used in producing goods for export;
 - Establish their own export channels;

- Retain foreign currency earned from exports and
- Enjoy the same treatment as Chinese enterprises if they purchase commodities in China under the same conditions as Chinese enterprises

B. Incentives for Bonded Areas (Free Trade Zones or FTZs)

- FTZs are considered outside the territory of China, but goods and equipment imported into the zone from abroad are exempted from customs duty
- If these goods are subsequently transferred to non-FTZ region in China, customs duty will be levied
- Products manufactured in a FTZ are exempted from customs duty and VAT when they are sold within the FTZ or exported out of China

C. Tax Incentives

I. Reduced Income Tax Rates

- The standard income tax rate for FIEs is 30%
- A reduced rate of 15% applies if the FIE is set up in:
 - a Special Economic Zone (SEZ);
 - an FTZ and is engaged in production-oriented activities;
 - an open coastal economic zone or i) the old urban district of a city where an SEZ or FTZ is located, provided that the enterprise is engaged in a technology or knowledge-intensive project; or ii) a project with foreign investment of at least US\$30 million and a long payback period; or iii) a project in energy, transportation, or harbour construction; (note: a 24% rate applies to production-oriented FIEs that are established in these areas but that are not engaged in such projects);
 - a national new high-technology industry development zone and confirmed as being a high-or new-technology enterprise or
 - the central region and engaged in a project that is considered as 'encouraged' under the Industrial Catalogue for Foreign Investment Industry and the Industrial Catalogue for Foreign Investment in the Central and Western Regions of China (note: the FIE may be granted 15% income tax rate in the three years following the expiration of the initial tax exemption and reduction period).

II. Tax Exemption and Reduction

- FIEs that are scheduled to operate for at least 10 years and are engaged in production-oriented activities are entitled to income tax exemption for two

years, starting with the first profit-making year, followed by a 50% reduction of the applicable income tax rate (30%, 24%, or 15%) in the next three years

- The State Council may issue separate exemptions and reductions for FIEs engaged in the exploitation of resources like petroleum and natural gas
- FIEs bringing i) a foreign investment exceeding US\$5 million, ii) established in an SEZ, iii) engaged in a service industry and iv) has a scheduled term of operation of at least 10 years may, on approval by the tax authorities of the SEZ, be exempted from income tax in its first profit-making year, followed by a 50% reduction of the usual income tax rate in the next two years
- FIEs with a scheduled term of operation of at least 10 years that is confirmed as a high-or new-technology enterprise and that is established in a high-and new-technology development zone may, upon approval by the local tax authorities, be exempted from income tax for two years, starting with the first profit-making year. In certain localities, FIEs can enjoy three years of exemption followed by three years of 50% reduction in income tax starting from the first operation year (e.g., the Beijing New Technology Industry Development Zone)
- FIEs that export at least 70% of its total output may be granted an income tax reduction of between 10% to 50%
- FIEs initially certified as technologically advanced enterprises by the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) are entitled to a 50% income tax rate reduction in the three years following the expiration of the initial tax exemption and reduction period if they continue to remain so

III. Refund on Tax Paid on Re-invested Profits

- Re-investment of profits derived from an FIE may enjoy a 40% tax refund on the reinvested amount, subject to the tax authorities' approval
- Provincial governments may waive or reduce the 3% local income tax payable by FIEs

IV. Tax Free Profit Remittances and Withholding Tax

- After-tax profits derived from an FIE is exempted from withholding tax
- The withholding tax rate applicable to most payments to foreigners is 10%

7. PREFERRED INDUSTRIES FOR INVESTMENTS

The preferred industries in the manufacturing sector are:

Food Processing	<ul style="list-style-type: none"> • Processing of food, vegetables, fruits, livestock and aquatic products • Production of drinks made from fruits, vegetables and dairy products
Electric Machinery & Equipment	<ul style="list-style-type: none"> • Production of digital audio and video coding/decoding equipment, high-density compact disk and components, high-end routers and network switchboards, telecommunication system and electronic equipment
Chemical Raw Materials	<ul style="list-style-type: none"> • Production of: alkene, ethylene, benzene, dimethylbenzene and its derivatives, synthetic fibre, synthetic rubber, engineering plastics and alloys, high capacity dope and biologic and compound fertilizers
General Machine-Building	<ul style="list-style-type: none"> • Production of numerically controlled machine tools, digital control systems, welding robots, insulator, precision plunger dies, cavity molds and bearings
Transport Equipment	<ul style="list-style-type: none"> • Production of automobile engines, electronic devices and spare parts and air-borne equipment and spares parts for civil planes
Textile	<ul style="list-style-type: none"> • Production of special textiles for engineering use • Weaving and dyeing and post dressing of high-grade loomage face
Paper Making	<ul style="list-style-type: none"> • Production of high-quality paper and cardboard (equity joint ventures or contractual joint ventures only)
Medicine	<ul style="list-style-type: none"> • Production of: amino acids, vitamins, analgesic-antipyretic, anti-carcinogen, cardiovascular and cerebrovascular medicines and contraceptives
Chemical Fibre	<ul style="list-style-type: none"> • Production of differential chemical fibre and high-tech fibre and polyester
Non-metal Mineral Products	<ul style="list-style-type: none"> • Production of high-level refractory material used in furnace, glass fibre, high-level sanitation porcelain and light-weight high-intensity and multi-function materials for wall and environment-protecting materials
Plastic Products	<ul style="list-style-type: none"> • Production of polyamide film, re-utilisation & counteraction of waste plastics
Special Equipment	<ul style="list-style-type: none"> • Production of new technology for processing food, cotton, oil, vegetables, meat and aqua products, hydrophilic ecological systems for environmental protection, equipment for flood prevention and emergency rescue, multi-colour offset press for web and folio of large-sized paper

Note: For a comprehensive listing, please refer to www.gddoftec.gov.cn

8. STARTING A BUSINESS IN GUANGDONG

A foreign or co-operative Chinese investor should follow the procedures below:

- i) **Submit the Application Form** of the foreign-funded enterprise to the local county or municipal authority in charge of foreign economy and trade and provincial department of foreign trade and economic co-operation
- ii) **Register its name** with municipal or provincial administration of industry and commerce
- iii) **Submit** the following for approval:
 - o **feasibility study report** and
 - o **articles of association** (attaching replies stating the start of project from authorities in charge of environmental protection, fire prevention, health and land resources) to local county or municipal and provincial administrative authorities of foreign economy and trade
- iv) **Apply for and receive Permit Certificate** from local municipal authority in charge of foreign economy and trade or provincial department of foreign trade and economic co-operation
- v) **Register the enterprise** with municipal or provincial industrial and commercial administration
- vi) **Apply for the enterprise stamp** from the local Public Security Bureau
- vii) **Apply for the enterprise's identification number** from the local Public Provincial Bureau of Technical Supervision
- viii) **Final steps** involve the following:
 - o Registration of foreign exchange
 - o Open a bank account
 - o Registration of taxes and registration with Customs
 - o Labour application, eg. work permits
 - o Complete formalities for commodity and plant/animal inspection and quarantine
 - o Insurance procedures

KEY ECONOMIC INDICATORS: GUANGDONG
APPENDIX A-1

	2000	2001	2002	2003	2004
Real GDP: US\$ billion YOY% change	117	133	151	171	194
Real GDP per capita* (US\$)	1,311	1,529	1,783	2,078	2,380
GDP Composition by Sectors (%): Primary Secondary Tertiary	10 50 39	9 50 40	9 50 41	8 54 38	8 56 36
Total Trade: US\$ billion YOY % change	170 21	176 4	221 25	284 28	357 26
Total Exports: US\$ billion YOY% change	92 18	95 4	118 24	153 29	192 25
Total Imports: US\$ billion YOY% change	78 25	81 4	102 27	131 27	166 27
Exports to Singapore: US\$ billion YOY% change	2 23	2 -8	2 26	3 15	4 28
Imports from Singapore: US\$ billion YOY% change	2 19	2 6	3 42	4 42	5 12
Inflation Rate (%): (CPI – Urban)	2	-1	-1	1	3
USD/RMB exchange rate (Before 2005: RMB peg)	8.28	8.28	8.28	8.28	8.28
Labour Force in Manufacturing (million)	8	8	10	13	15
Unemployment Rate (%) - Urban Areas	2.5	2.9	3.1	2.9	2.7
Interest Rate 3-month interbank offer rate (average of period)	4.1	3.7	3.4	2.9	3.4

Source: CEIC, Asian Development Bank, SMA estimates

*Note:

1) Real GDP is computed based on a 25-Year CAGR of 13.4%

2) Real GDP per capita is estimated based on a 25-Year CAGR growth rate of 16.6% from 1978-2003. 2004 growth rate is 14.5%

ECONOMIC INDICATORS: MAJOR PEARL RIVER DELTA CITIES
APPENDIX A-2

Cities	GDP growth (%)	Per Capita GDP(RMB)	Gross Industrial Output* (RMB bn)	Retail Sales (RMB bn)	Exports (US\$ bn)
Shenzhen	17.3	59,271	650.9	91.5	77.8
Guangzhou	15	56,271	504.3	167.5	21.5
Zhuhai	13.8	41,848	126.3	18	9
Foshan	16.3	47,658	333.1	54.2	2.5
Huizhou	15.1	23,643	112	21.3	8.7
Dongguan	19.6	71,995	258.3	38.9	35.2
Zhongshan	18.7	44,006	169.5	17.9	10
Jiangmen	12.2	21,647	132.3	31.2	5.1
Zhaoqing	13.2	13,945	538.4	19.4	1.2

Source: Guangdong Statistical Yearbook 2005

*Note: Computed based on all state-owned and other enterprises with annual sales > RMB 5 mill

SINGAPORE COMPANIES IN GUANGDONG(SELECTED CITIES) APPENDIX B

	Company Name in Singapore	Company Name in China	Industry
A.	Guangzhou:		
	Asian Tigers K C Dat (KC Dat (S) Pte Ltd)	Trans China International Ltd, Guangzhou	Freight Forwarding
1	Autron Corporation Ltd	American Tech Co Ltd	Equipment, Machinery & Parts, Electrical & Electronics
2	CPG Corporation Pte Ltd	Guangzhou Rep Office	Consultancy
3	Digistore Soutlions (S) Pte Ltd	Guangzhou Digistore Solutions Co Ltd	Consultancy
4	FE Global Electronics Pte Ltd	Advance Flextech Co Ltd	Equipment, Machinery & Parts, Electrical & Electronics
5	First Engineering Ltd	Guangzhou Sanxing Precision Moulds & Plastics Engineering Ltd Co.	Tool& Die Makers
6	Kenstar Engineering Pte Ltd	EPD Kenstar	Plastic & Rubber Articles (Industrial)
7	Liang Huat Aluminium Ltd	Liang Huat (Nanhai) Aluminium Industries Co. Ltd	Building/industrial Materials – Metal (Ferrous/Non-Ferrous)
8	Not available	Nanhai Hua Lian Aluminium Co Ltd	Building/industrial Materials – Metal (Ferrous/Non-Ferrous)
9	Pico Art International Pte Ltd	Guangzhou Pico Exhibition Services Co. Ltd	Business Services - Exhibitions
10	Delgro Corporation Ltd	Guangzhou Xin Tian Wei Transportation Development Co Ltd	Business Services - Transportation
11	Megachem Pte Ltd	Megachem (Guangzhou Free Trade Zone) Co Ltd	Business Services- Trading
12	Qianhu Corporation Ltd	Guangzhou Wan Jiang Technology Co Ltd	Lifestyle Products
13	Sinwa (Singapore) Pte Ltd	Sinwa Guangzhou Ship Supply Co Ltd	Ship Chandlers
14	Tru-Marine Pte Ltd	Tru-Marine Machinery Engineering Guangzhou Co	Engineers - Marine

15	UOB Group	UOB Guangzhou Branch	Business Services – Finance
16	Winston Engineering Corporation Pte Ltd	Winston Engineering Corp Pte Ltd (Guangzhou)	Equipment, Machinery & Parts, Electrical & Electronics
17	Zicom Pte Ltd	Zicom Pte Ltd	Equipment, Machinery & Parts, Automation/ Material Handling
B. SHENZHEN:			
1	Asia Power Corp Ltd	ShenZhen NARI Technologies	Business Services – Finance
2	Autron Corporation Ltd	American Tec Co Ltd	Equipment, Machinery & Parts, Electrical & Electronics
3	Cathay Decoration & Construction Pte Ltd	NA	Pulp, Wood & Furniture, Furniture and Carpentry
4	Dovechem Stolthaven Ltd	Imperial Metal & Plastic Product (Shenzhen) Co. Ltd.	Mineral, Chemical or Allied Industry Products, Chemical Compounds
5	Dovechem Stolthaven Ltd	Shenzhen Dovechem Terminals Limited	Mineral, Chemical or Allied Industry Products, Chemical Compounds
6	FE Global Electronics Pte Ltd	Advance Flextech Co Ltd	Equipment, Machinery & Parts, Electrical & Electronics
7	Handy Tools International Pte Ltd	Handy Tools (Shenzhen) Co Ltd	Housewares - Wholesalers & Manufacturers
8	Keppel Corporation Ltd	NORMS Engineering Co Ltd	Transportation Equipment, Servicing and Repairs
9	Keppel Offshore & Marine Ltd	NORMS Engineering Co Ltd	Transportation Equipment, Servicing and Repairs
10	Kuok Oils & Grains Pte Ltd	Southseas Oils & Fats Industrial (Chiwan) Limited	Business Services – Trading
11	Ritronics Components (S) Pte Ltd	Wensi International Limited	Business Services – Trading
12	S'pore Asahi Chemical & Solder Industries Pte Ltd	Shenzhen Longhua Asahi Solder Factory	Building/Industrial Materials -- Metal (Ferrous and Non-Ferrous)
13	Univa Aromatics Pte Ltd	Univa Aromatics Co Ltd	Food & Beverage – Preservatives, Ingredients, Additives
14	UOB Group	UOB Shenzhen Branch	Financial Services
C. DONGGUAN:			
1	Autron Corporation Ltd	American Tec Co Ltd/ Taiwan Autron Corporation	Equipment, Machinery & Parts, Electrical & Electronics
2	Pico Art International Pte Ltd	Dongguan Pico Exhibition Services Pte Ltd	Exhibition Services
3	GSW Communication Equipment Co. Ltd	GSW Communication Equipment Co Ltd	Telecommunications
4	Speedy Industrial Supplies Pte Ltd	Suntech Electronics Ltd	Computer Peripherals - Wholesalers & Manufacturers
5	Star Furniture Industries Pte Ltd	DongGuan Mondi Furniture Co., Ltd	Furniture Manufacturers
D. FOSHAN:			
1	Keppel Logistics Pte Ltd	Keppel Logistics (Foshan) Ltd	Logistics/Transportation Services
E. JIANGMEN			
1	Singapore Petroleum Co Ltd	Jiangmen City Sinjiang Gas Co Ltd	Petrochemicals

Source: www.singaporeabroad.org.sg

REGIONAL COST COMPARISON IN GUANGDONG

APPENDIX C

The cost of setting up an industrial base and operating the factory or service office varies from city to city, depending on whether the factory is sited in the industrial development zone, Free Trade or Bonded Zones, Special Economic Zone or industrial parks, the. **The income tax rate and tax holidays are about the same for all the state-level industrial development zones in the Pearl River Delta.**

1. Registration Fees

Table I compares the cost in registering a joint venture or wholly owned foreign enterprise in different regions in Guangdong province.

Registration Fees & Set-up Charges	COST COMPARISON BY LOCATION (RMB)							
	Shenzhen	Dongguan	Huizhou	Guangzhou	Foshan	Jiangmen	Zhongshan	Zhuhai
Joint Registration								
- Organization Code	53	58	148	n/a	58	148	58	53
- Official Stamp Engraving	120	n/a	100	100-300	120	70	120	145
- National Tax Bureau Registration	35	35	35	n/a	35	30	35	35
- Local Tax Bureau Registration	35	35	15	n/a	35	30	35	35
- Financial Bureau Registration	50	n/a	n/a	n/a	n/a	n/a	n/a	n/a
- Statistical Bureau Registration	50	85	n/a	n/a	85	n/a	85	n/a
- Opening of a Bank Account	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Industrial & Commercial Registration								
- Business Commencement Registration	0.08%<10M RMB 0.04%>10 RMB	0.08%<10M RMB 0.04%>10 RMB	0.08%<10M RMB 0.04%>10 RMB	0.08%<10M RMB 0.04%>10 RMB	0.08%<10M RMB 0.04%>10 RMB	0.08%<10M RMB 0.04%>10 RMB	0.08%<10M RMB 0.04%>10 RMB	0.08%<10M RMB 0.04%>10 RMB
- Announcement in Public Gazette	n/a	n/a	n/a	n/a	n/a	n/a	400	400
- Overheads	10	40	30	n/a	n/a	100	40	40
- Contract Handling Charges	n/a	n/a	n/a	n/a	-	n/a	6500	1% of Registered Capital

Source: Consulate-General of the Kingdom of the Netherlands, Guangdong

The trend is that the registration fees are decreasing, in response to the government's order.

2. Set-up and Operating Costs

Once the rental contract has been signed, several set-up cost factors must be considered. Deposits and registration fees are required for connection to the electrical and water supply systems. If the existing transformer capacity is inadequate, new transformers are required and to be paid for by the enterprise. Wastewater and solid waste charges are levied depending on the industrial zone.

TABLE 2	COST COMPARISON BY LOCATION (RMB)							
	Shenzhen	Dongguan	Huizhou	Guangzhou	Foshan	Jiangmen	Zhongshan	Zhuhai
Right-of-use for land, 50-year lease (RMB/sq m)	130-2,800	US\$ 18-36	100-200	n/a	93-270	100-130	17-148	exempted
Monthly rental of factory building (RMB/sq m)	8-60	US\$ 0.97-1.2	5-10	16-30	5-15	6-8	6-10	6-16
Utilities & Local Charges								
- Electricity Costs (RMB/ kWhr)	0.6-0.7	US\$ 0.09-0.11	0.71	0.728	0.603	0.686	0.738-0.758	0.71-0.73
- Water Fee (RMB/ cu m)	1.9	US\$ 0.13-0.18	1.81	1.25	1.471	1.25	1.30	1.18
- Waste Discharge Fee (RMB/ cu m)	0.6	US\$ 0.04	0.27	0.7		exempted	0.54	0.5*

Source: Consulate-General of the Kingdom of the Netherlands, Guangdong

* RMB/ ton

3. Labor Costs

Labor costs vary according to the location. **Workers in Shenzhen, Dongguan and Guangzhou are paid the highest salaries.** Social charges, on the other hand, vary from location to location and are negotiable even though there are labor regulations specifying the minimum social charge rates. Particular attention should be given to medical and maternity insurance as they can be rather high.

TABLE 3	COMPARISON TABLE OF COSTS BY LOCATION							
Monthly Personnel Costs	Shenzhen	Dongguan	Huizhou	Guangzhou	Foshan	Jiangmen	Zhongshan	Zhuhai
Salaries & Wages (RMB)								
- Middle Manager	2110-2500	3000-5000	2000-3000	3000-5000	3000-5000	3000-5000	3000-5000	3000-5000
- Supervisor/Foreman	2000-3000	2000-3000	1500-2000	1500-2000	1500-2000	1500-2000	1500-2000	1500-2000
- Skilled labor	1500-2000	800-1500	1000-5000	1000-1400	800-1200	1000-1500	1000-1500	800-1500
- Unskilled Labor	800-900	500-800	500-700	600-800	400-800	600-800	600-800	400-600
Social Charges by Enterprise								
- Pension Insurance	9%	11%	10%	20%	11%	20%	8%	10%
- Unemployment Insurance	9.41RMB/person .month	1.5%	2.0%	2.0%	2.0%	2.0%	1.0%	2%
- Employment Injury Insurance	5% - 15%	0.5% - 1.5%	0.8% - 1.5%	0.5% - 1.5%	1.0%	1.0%	1.0%	0.5%-1.5%
- Medical Insurance	6.5-7%	2%	6.50%	8%	7%	6.5%	35.5 RMB/person.mth	6%
- Maternity Insurance	n/a	0.5%	0.8%	0.7%	0.5%	1.5%	16 RMB/person.mth	0.5%

Source: Consulate-General of the Kingdom of the Netherlands, Guangdong

Foreign Invested Enterprises (FIE) determine the forms of labor as well as labor plans, and distribution of salary system and report to the local labor administration department for record upon approval. Upon approval from the local labor administration department, the FIE must recruit employees inside the zone, town and city within the province **first**, after which outside the zone, city and province.

4. Taxation

The income tax rate varies according to the location and status of the industrial zones. **The standard income tax rate for the country is 30% plus a local income tax rate of 3%, giving a total of 33%.** The entire Guangdong Province enjoys the preferential tax policy as coastal cities, which allows a reduced national income tax rate of 24%, applicable to the manufacturing-based FIEs. FIEs in national industrial parks designated as new- & high-tech enterprises and the Special Economic Zones (SEZ) carry a reduced income tax rate of 15%. The manufacturing FIEs in the economic and technological development zones, and the manufacturing FIEs engaged in processing and exporting in bonded zones also enjoy a reduced income tax rate of 15%. Nearly all such SEZs and national industrial development zones and its associated parks offer a two-year tax exemption for the first two years of profit making and half rate for the following three years. Most local governments exempt the local income tax on a temporary or permanent basis. FIEs with a share participation of less than 25% are not entitled to the preferential tax policies. There are several minor local taxes, charges and levies, which are not covered in detailed, because it all depends on the policy of the local government. These charges are negotiable.

TABLE 4		COMPARISON TABLE OF COSTS BY LOCATION						
Taxation	Shenzhen	Dongguan	Huizhou	Guangzhou	Foshan	Jiangmen	Zhongshan	Zhuhai
- Maximum Corporate Income Tax	15%	30% National+3% Local	30% National+3% Local	30% National+3% Local	24%	24%	24%	15%
- City Construction Tax	Exempted	Exempted	Exempted	Exempted	Exempted	Exempted	Exempted	Exempted
- Education Tax	Exempted	Exempted	Exempted	Exempted	Exempted	Exempted	Exempted	Exempted
- VAT	17% Max.	17% Max.	17% Max.	17% Max.	17% Max.	17% Max.	17% Max.	17% Max.
- Commodity Inspection Tax	Good Value*0.25%*70%	Good Value*0.25%*70%	Good Value*0.25%*70%	Good Value*0.25%*70%	Good Value*0.25%*70%	Good Value*0.25%*70%	Good Value*0.25%*70%	Good Value*0.25%*70%
- Quarantine Inspection Fee	Bulk Goods, 0.5-1 RMB/T	Bulk Goods, 0.5-1 RMB/T	Bulk Goods, 0.5-1 RMB/T	Bulk Goods, 0.5-1 RMB/T	Bulk Goods, 0.5-1 RMB/T	Bulk Goods, 0.5-1 RMB/T	Bulk Goods, 0.5-1 RMB/T	Bulk Goods, 0.5-1 RMB/T
- Real Estate Tax	Value*(1-30%)*1.2%	Value*(1-30%)*1.2%	Value*(1-30%)*1.2%	Value*(1-30%)*1.2%	Value*(1-30%)*1.2%	Value*(1-30%)*1.2%	Value*(1-30%)*1.2%	Value*(1-30%)*1.2%
- Individual Income Tax (progressive)	5%- 45% Max.	5%- 45% Max.	5%- 45% Max.	5%- 45% Max.	5%- 45% Max.	5%- 45% Max.	5%- 45% Max.	5%- 45% Max.

Source: Consulate-General of the Kingdom of the Netherlands, Guangdong

GUANGDONG PROVINCE GOVERNMENT DEPARTMENTS APPENDIX D

Name of Department	Telephone, Fax Number and Address
Guangdong Department of Foreign Trade & Economic Cooperation	Tel: +86-20-38819814, Fax: 38802219 Add: No.351, Tianhelu, Tianhe District, Guangzhou, 510620, P. R. China
Guangdong Commission of Development & Planning	Tel: +86-20-83133010 Add: No.305, Dongfengzhonglu Rd., Guangzhou, 510030, P. R. China
Guangdong Administration of Industrial and Commercial Registration	Tel: +86-20-85576566, Fax: 85587299 Add: No. 57, Tiyuxilu, Tianhe District, Guangzhou, 510628, P. R. China
Guangdong Bureau of Environmental Protection	Tel: +86-20-81913005, Fax: 83134669 Add: No. 335, Dongfengzhonglu, Guangzhou, 510045, P. R. China
Guangdong Department of Public Health	Tel: +86-20-83828646, Fax: 83816077 Add: No, 17, Xianlienlan Rd., Guangzhou, 510060, P. R. China
Guangdong Department of Public Security	Tel: +86-20-83832980 Add: No, 97, Huanghualu Rd., Guangzhou, 510050, P. R. China
Guangdong Department of Labor & Social Security	Tel: +86-20-83332026 Add: No. 88, Tiyuxilu, Rd., Guangzhou, 510030, P. R. China
Guangdong Branch of the General Customs Administration	Tel: +86-20-81102000, Fax: 81102000 Add: No. 2, Street No 5, Shamian, Guangzhou, 510310, P. R. China
Guangdong State Taxation Bureau	Tel: +86-20-87784232 Add: No. 701-1, Dongfengdonglu Rd., Guangzhou, 510080, P. R. China
Guangdong Local Taxation Bureau	Tel: +86-20-85299032, Fax: 85299032 Add: No. 600, Tianhebeilu Rd., Guangzhou, 510630, P. R. China
State Administration of Foreign Exchange Guangdong Branch	Tel: +86-20-83288685, Fax: 83838000 Add: No. 298, Yanjiangzhonglu Rd., Guangzhou, 510100, P. R. China
Guangdong Province Administration of Entry and Exit Quarantine and Inspection	Tel: +86-20-38290073 Add: No. 66, Huachengdadao Rd., Zhujiangxincheng, Guangzhou, 510623, P. R. China
Guangdong Foreign Affairs Office	Tel: +86-20-81218888 Add: No. 45, Shamiandajie St., Shamian, Guangzhou, 510130,

INSTITUTIONS OF FOREIGN TRADE AND ECONOMIC CO-OPERATION IN GUANGDONG

Name	Address	Telephone	Fax	Post Code
Department of Foreign Trade and Economic Cooperation of Guangdong Province	6-12/F, Guangdong Foreign Economic and Trade Building, 351, Tianhelu, Guangzhou	020-38819814	38802219	510620
Bureau of Foreign Trade & Economic Cooperation of Guangzhou City	158, Dongfengxilu, Guangzhou	020-81096926	81087879	510170
Bureau of Foreign Trade & Economic Cooperation of Shaoguan City	7/F, City Government Building, 125, Fengdubeilu, Shaoguan	0751-8883451	8876021	512002
Bureau of Foreign Trade & Economic Cooperation of Shenzhen City	No. 1023, Shangbuzhonglu, Shenzhen	0755-82104118	82099760	518006
Bureau of Foreign Trade & Economic Cooperation of Zhuhai City	No. 19, Renmindonglu, Zhuhai City	0756-2258680	2228640	519000
Bureau of Foreign Trade & Economic Cooperation of Shantou City	47 Dongqu, Jintaozhuang, Shantou City	0754-8931866	8931800	515031
Bureau of Foreign Trade & Economic Cooperation of Foshan City	76, Fenjiangnanlu, Foshan City	0757-3355734	3355369	528000
Bureau of Foreign Trade & Economic Cooperation of Jiangmen City	No. 9 Xiqudadao, Jiangmen City	0750-3501833	3501831	529051
Bureau of Foreign Trade & Economic Cooperation of Zhanjiang City	West Gate, 31, Nanfanglu, Chikan District, Zhanjiang City	0759-3314774	3337601	524038
Bureau of Foreign Trade & Economic Cooperation of Maoming City	10, Guanghuabeilu, Maoming City	0668-2289288	2285353	525000
Bureau of Foreign Trade & Economic Cooperation of Zhaoqing City	18, Binjianxilu, Zhaoqing City	0758-2836021	2837791	526020
Bureau of Foreign Trade & Economic Cooperation of Huizhou City	2/F, Administration Center, Huizhou City	0752-2231640	2808665	516003
Bureau of Foreign Trade & Economic Cooperation of Meizhou City	99-1, Jiannanlu, Meizhou City	0753-2256283	2258209	514021
Bureau of Foreign Trade & Economic Cooperation of Shanwei City	Xiangchenglu Zhongduan, Shanwei City	0660-3362621	3362242	516600
Bureau of Foreign Trade & Economic Cooperation of Heyuan City	1, Kaifenglu, New Urban District, Heyuan City	0762-3321760	3321720	517000
Bureau of Foreign Trade & Economic Cooperation of Yangjiang City	22, Shangkenglu, Yangjiang City	0662-3226987	3230179	529500
Bureau of Foreign Trade & Economic Cooperation of Qingyuan City	Beijiang Sanlu, Xiaoshi, Qingyuan City	0763-3363852	3362854	511515
Bureau of Foreign Trade & Economic Cooperation of Dongguan City	No.33, Guantaidadao, Dongguan City	0769-2817612	2819721	511700
Bureau of Foreign Trade & Economic Cooperation of Zhongshan City	57, Zhongshanerlu, Shiqi Town, Zhongshan City	0760-8821197	8843658	528400
Bureau of Foreign Trade & Economic Cooperation of Chaozhou City	Waijingmaodalou, Chaozhoudadao Nanduan, Chaozhou City	0768-2398236	2398777	521011
Bureau of Foreign Trade & Economic Cooperation of Jieyang City	1/F, Government Building, Yanjianglu, Jieyang City	0663-8768009	8768016	522000
Bureau of Foreign Trade & Economic Cooperation of Yunfu City	3/F, Jinshandasha Building, Yuhuanlu, Yunfu City	0766-8822216, 8822305	8828535	527300

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