

28 September 2006



China Country Report : Guangxi Province

Map of China



Source: chinatoday.com/city/a.htm

1. GEOGRAPHY

- Total area: 236,700 km² (approx. 337 times that of Singapore's), accounting for about 2.5% of the total land area of China
- It is the 9th largest province in terms of land area
- Capital: Nanning
- Administratively, Guangxi is divided into 9 autonomous municipalities and 6 prefectures:

Autonomous Municipalities:

- * Nanning
- * Liuzhou
- * Guilin
- * Wuzhou
- * Beihai
- * Qinzhou
- * Fangchenggang
- * Guigang
- * Yuling

Prefectures:

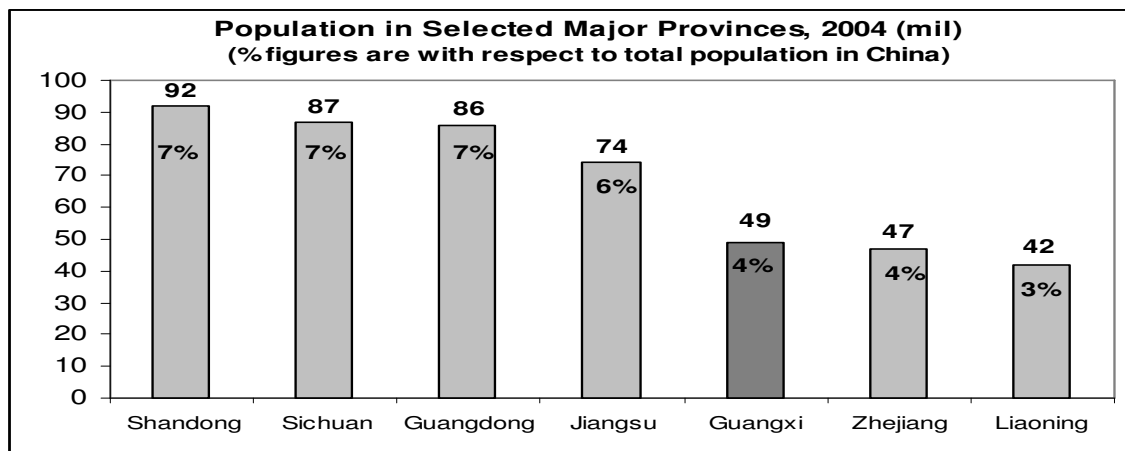
- * Nanning
- * Liuzhou
- * Guilin
- * Hezhou
- * Baise
- * Hechi



Source: www.chinahighlights.com

2. SOCIO-DEMOGRAPHY

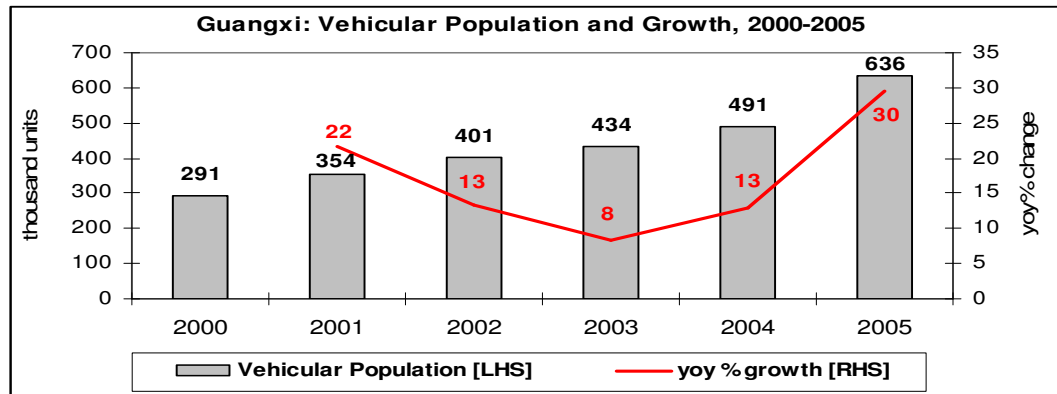
- Population: 49 million in year 2004 (approx. 13 times that of Singapore's) and accounting for about 4% of China's total population
- About 96% of Guangxi's population are native Chinese while the remaining 4% are overseas Chinese (from Hongkong and Macao) and expatriates
- Population growth was about 2% CAGR over the 5-year period (2000-2005)
- There are 12 main ethnic groups: Han (62% of total Guangxi's population), Zhuang (32%), Yao (3%), Miao (1%) and others (2%)



Source: CEIC

3. MOTOR VEHICULAR POPULATION AND GROWTH

- Guangxi ranked 22nd in 2004 in terms of vehicular population (490 000 units) among the 31 provinces and municipalities in China
- Vehicular population in 2005 was 636,000 units, rising by almost 30% yoy
- The 5-year CAGR from year 2000 to 2005 was almost 17%



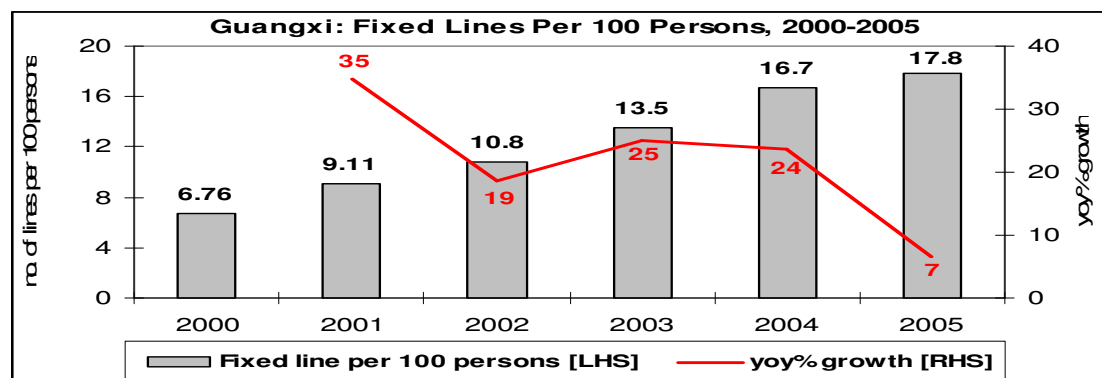
Source: CEIC

4. INTERNET PENETRATION

- Guangxi ranked 19th in 2005 among the 31 provinces and municipalities in China in terms of the number of internet users
- There were a total of 27,121 internet users (or roughly 0.9% of the total users in China) in Guangxi in 2005 compared to 506,087 users in the neighbouring province of Guangdong (ranked 1st)

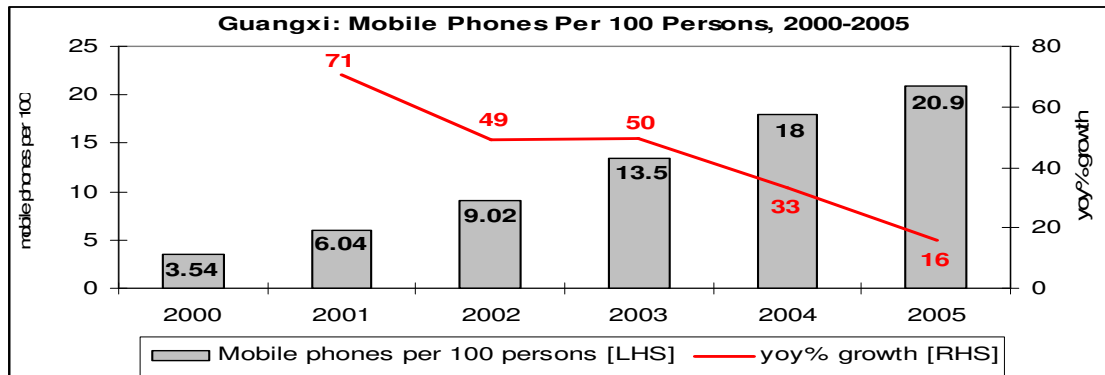
5. TELECOMMUNICATIONS

- Guangxi was ranked 28th (17.8 lines per 100) in terms of the number of fixed lines per 100 persons among the provinces in 2005 (Zhejiang has the highest penetration at 47.3 lines per 100 persons)
- Fixed lines per 100 persons mostly grew by double-digit in the last few years



Sources: CEIC

- Guangxi was ranked 22nd (20.9 phones per 100) in terms of the number of mobile phones per 100 persons among the provinces in 2005 (Guangdong has the highest penetration at 77.2 phones per 100 persons)
- Except for the year 2005, mobile phones per 100 persons grew by double-digit for most of the early part of this century

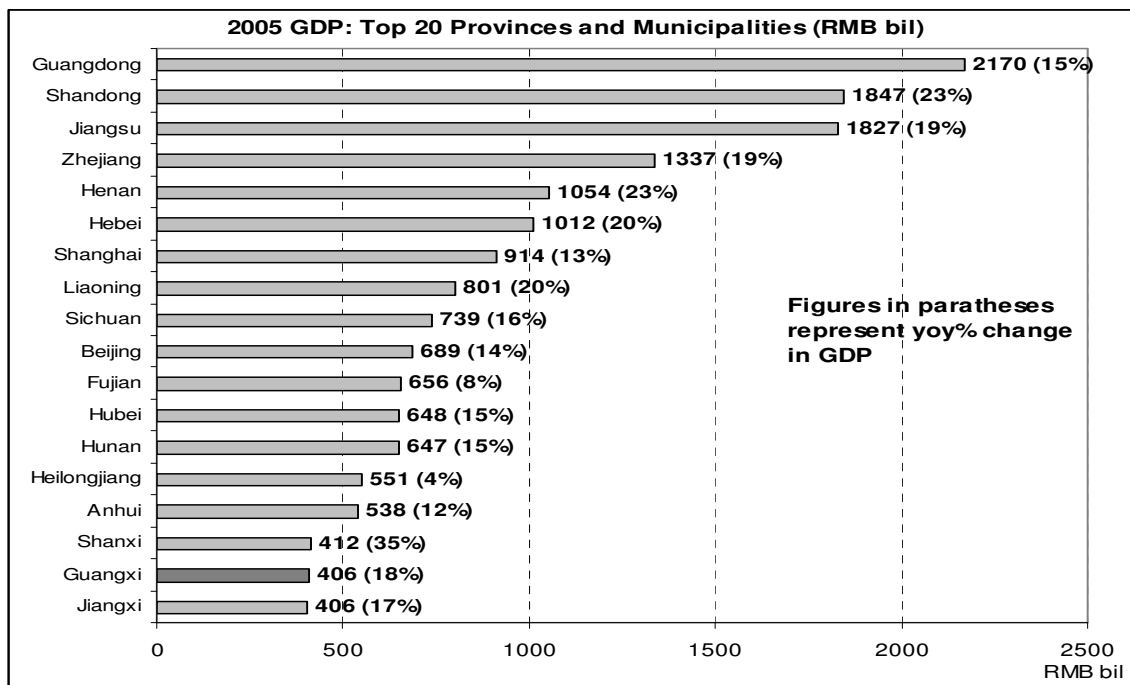


Source: CEIC

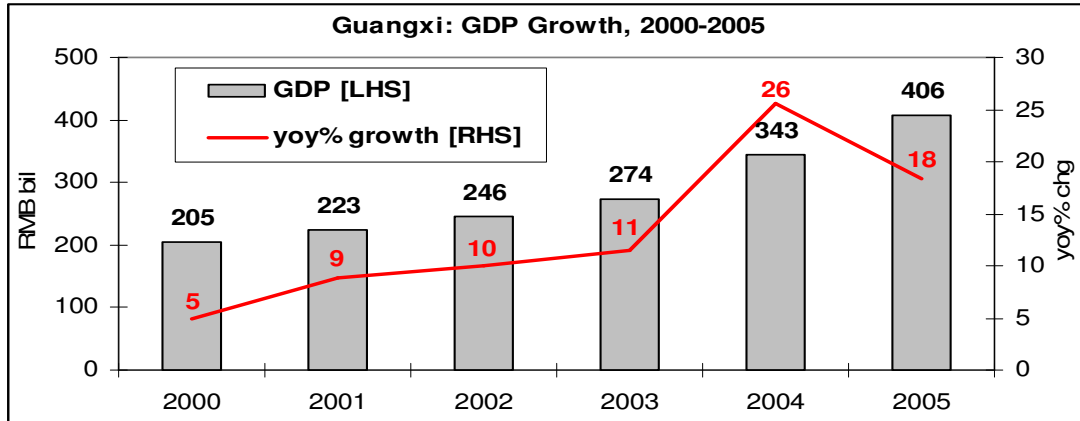
6. GUANGXI ECONOMY

A. GDP

- Guangxi ranked 19th in GDP among the provinces and municipalities in 2005
- Its GDP grew by 18% yoy to reach RMB 406 billion (equivalent to slightly more than 2% of the total GDP of China) in 2005



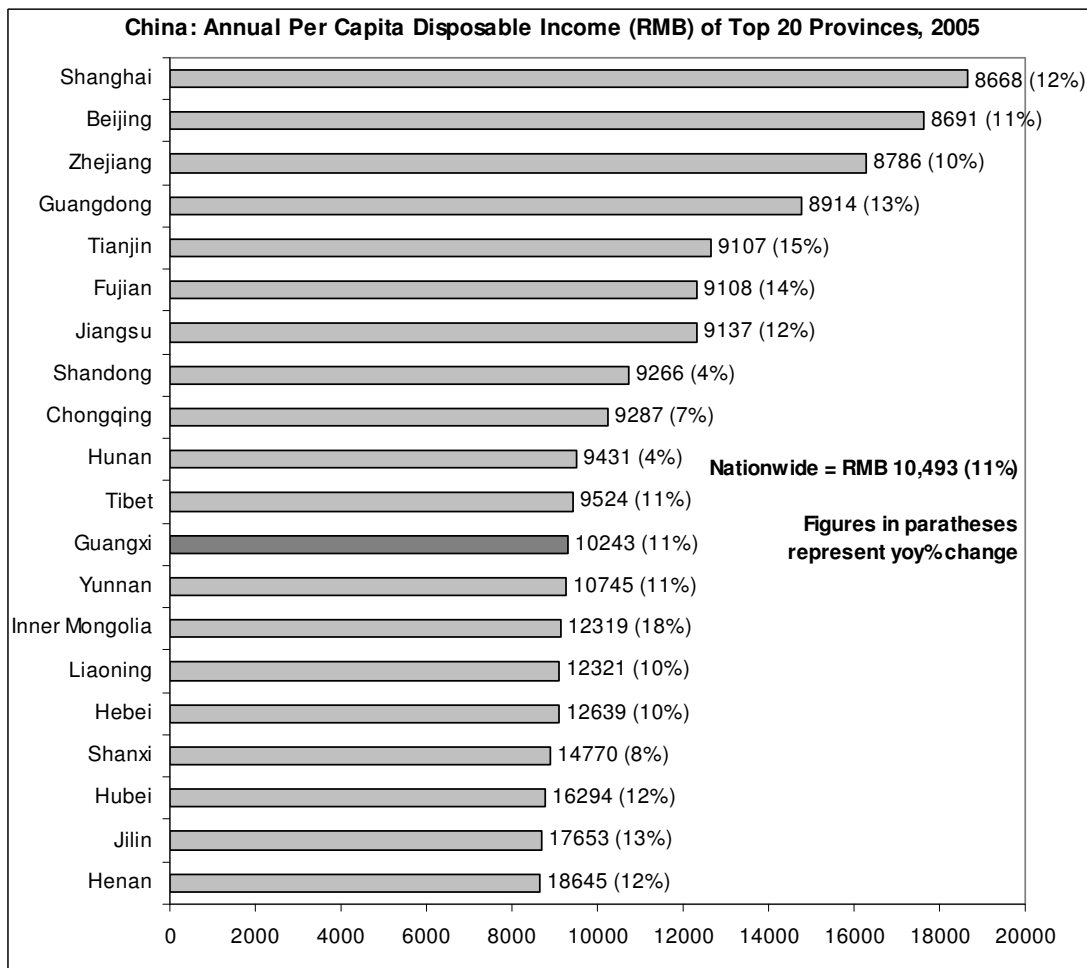
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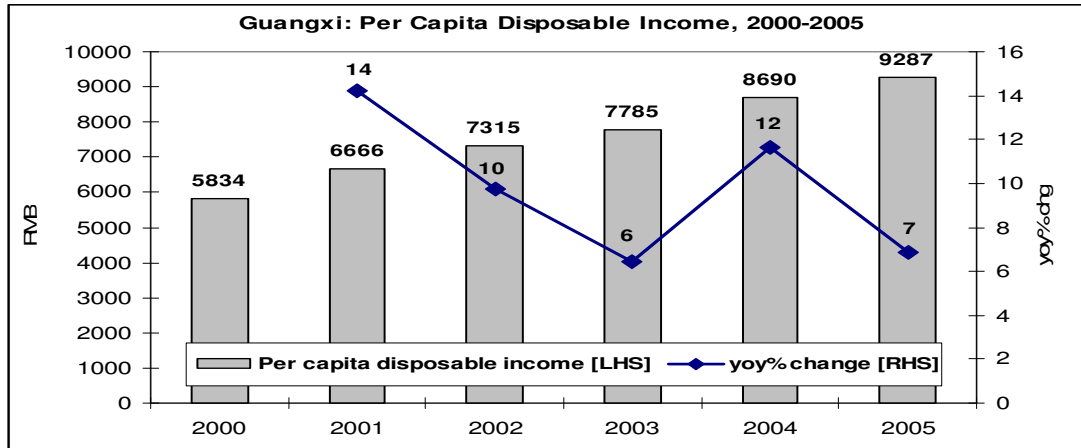
Source: CEIC

B. PER CAPITA DISPOSABLE INCOME

- Guangxi ranked 12th in terms of annual per capita disposable income in 2005
- Per capita disposable income has been growing strongly since 2000

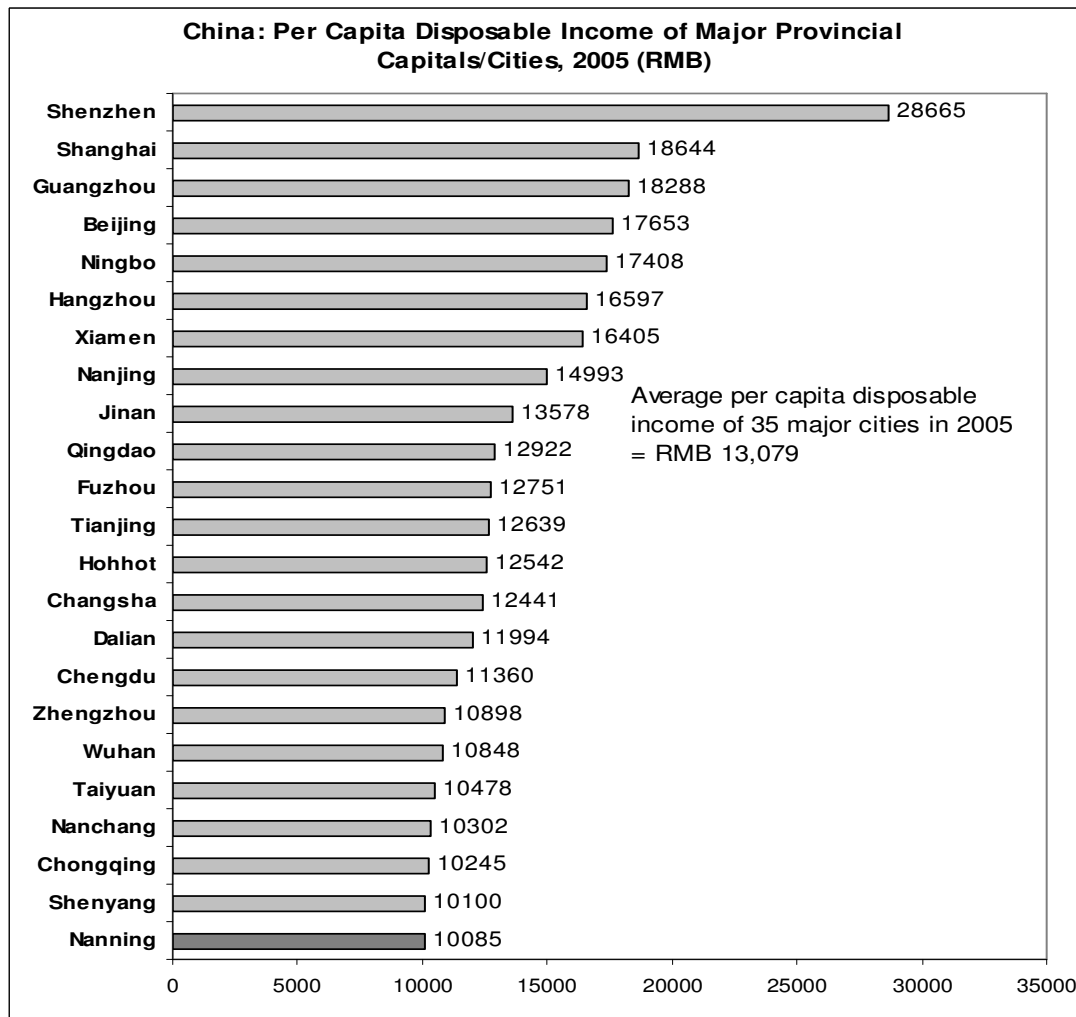


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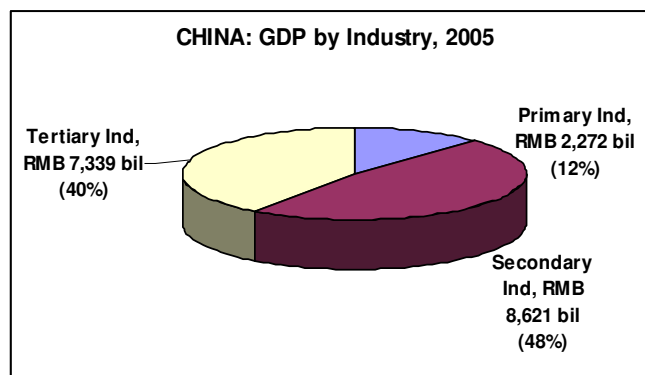
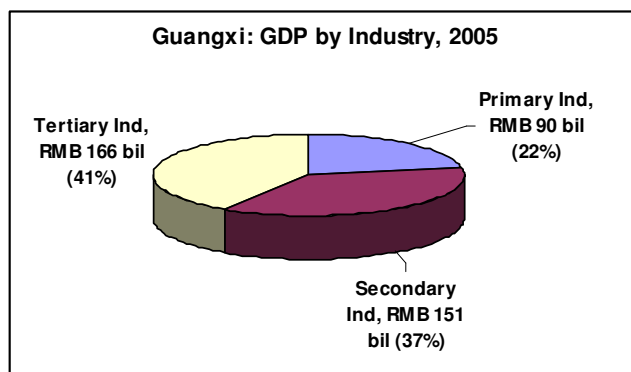
- Nanning, the capital of Guangxi, ranked 23rd in terms of per capita disposable income among the major provincial capitals and cities in China in 2005



Source: CEIC

C. GDP BY INDUSTRY TYPE

- The tertiary industry sector was the major contributor (41%) to Guangxi's economy, followed by the secondary industry sector (37%) and primary industry sector (22%)

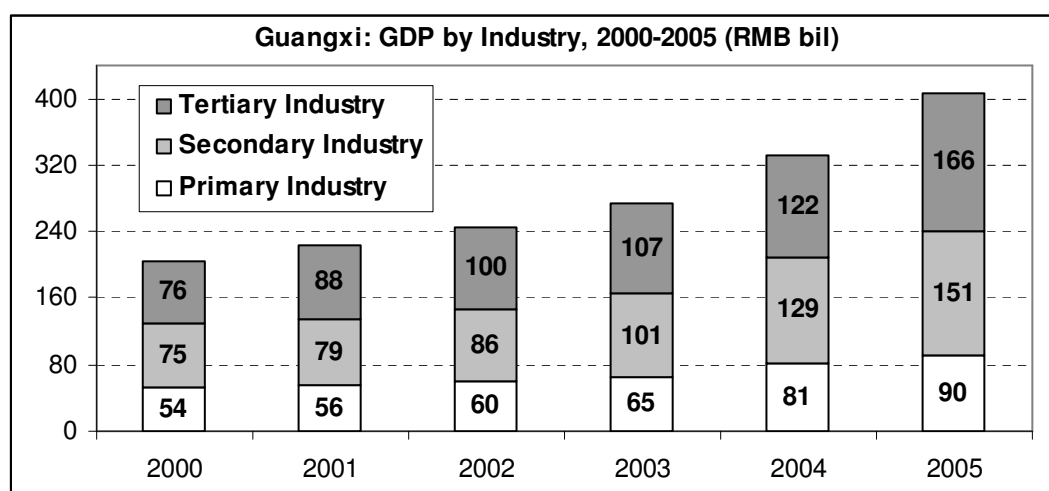


Source: CEIC

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)

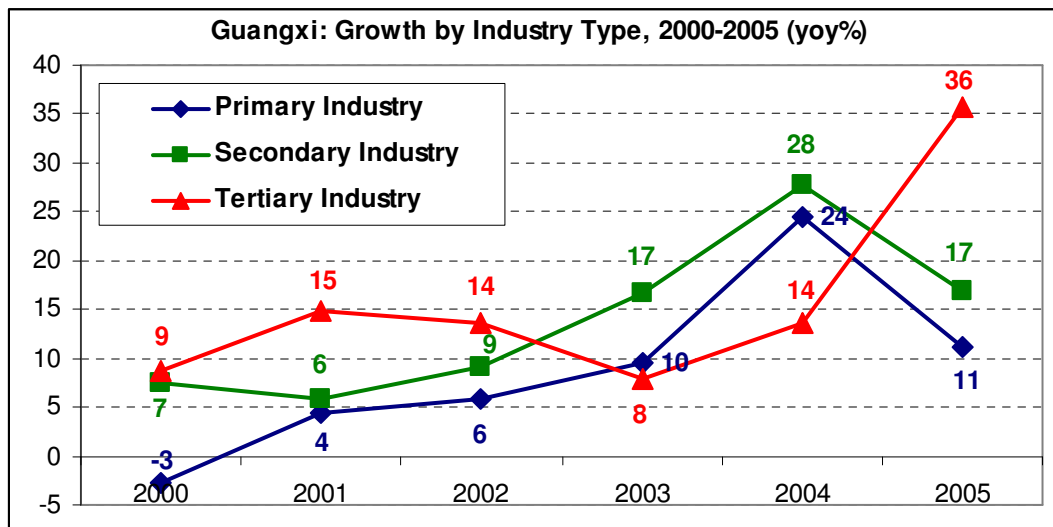
Industry	Guangxi (RMB bil)	as % of total GDP	China (RMB bil)	as % of total GDP	Guangxi's as a % of China's
Primary	90	22%	2,272	12%	4%
Secondary	151	37%	8,621	48%	2%
Tertiary	166	41%	7,339	40%	2%
TOTAL	407	100%	18,232	100%	2%

Source: CEIC



Source: CEIC

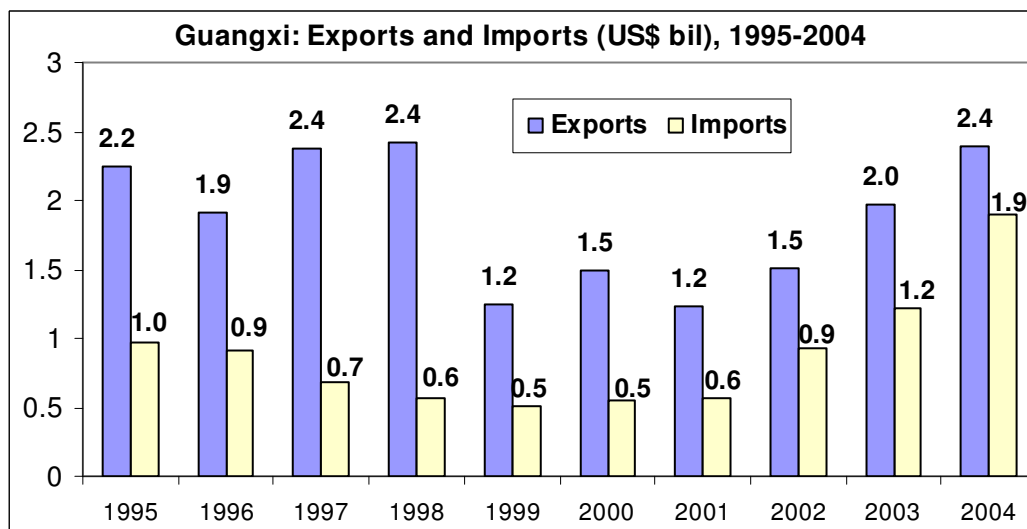
- Growth in the secondary industry sector was generally high and exceeded that of the other two industries between 2003 and 2004



Source: CEIC

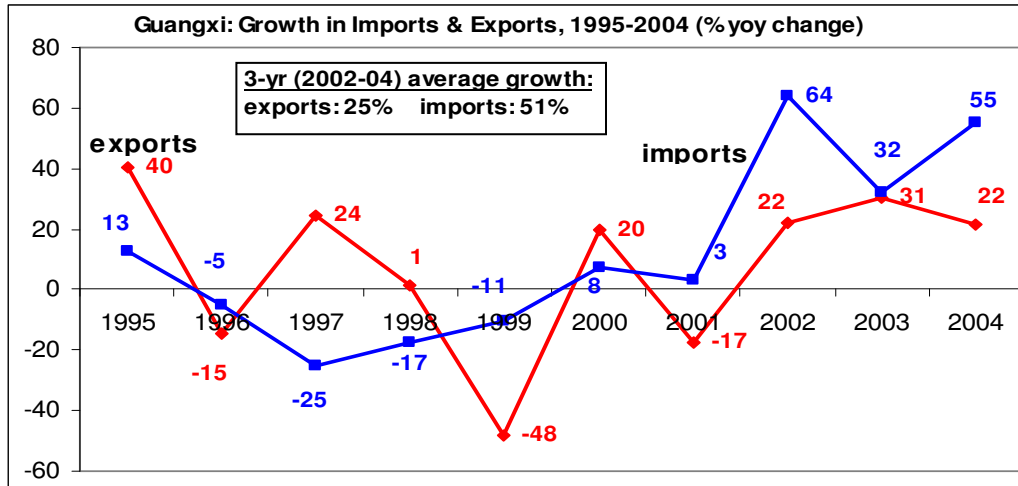
7. FOREIGN TRADE

- Guangxi is a net exporting country, posting an average trade surplus of US\$600 million between 2001 and 2004.



Source: CEIC

- Growth in exports averaged 25% in the last 3 years, while imports grew at a faster rate of 51%.



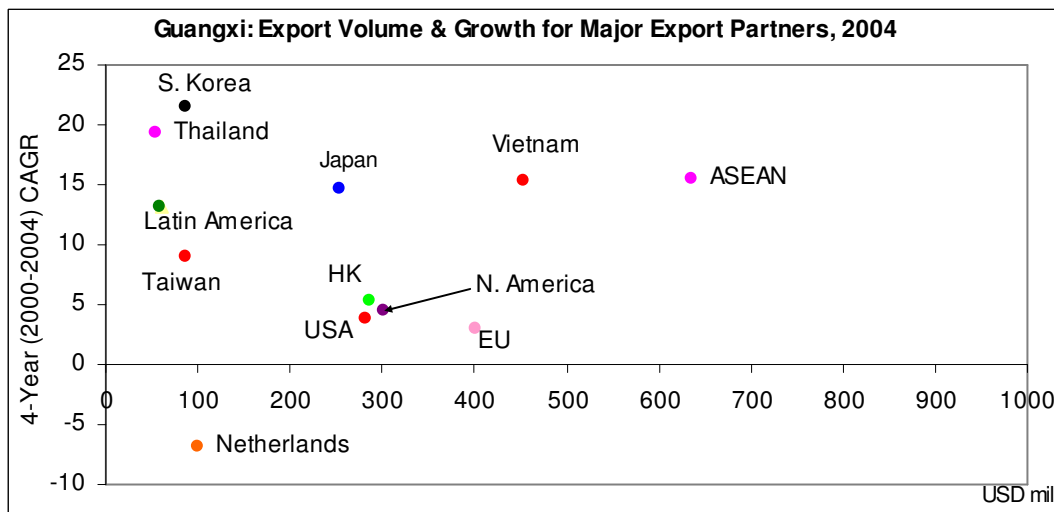
Source: CEIC

Major Trading Partners: By Countries (2004)

Exports to	US\$ mil	% of total	Imports from	US\$ mil	% of total
Vietnam	454	19	Vietnam	298	16
EU	400	17	USA	216	11
HongKong	286	12	Australia	188	10
USA	281	12	EU	181	10
Japan	254	11	India	124	7
Netherlands	99	4	Japan	107	6
Korea	87	4	Korea	99	5
Taiwan	86	4	Germany	91	5
Italy	61	3	Taiwan	66	3
Thailand	55	3	Canada	59	3

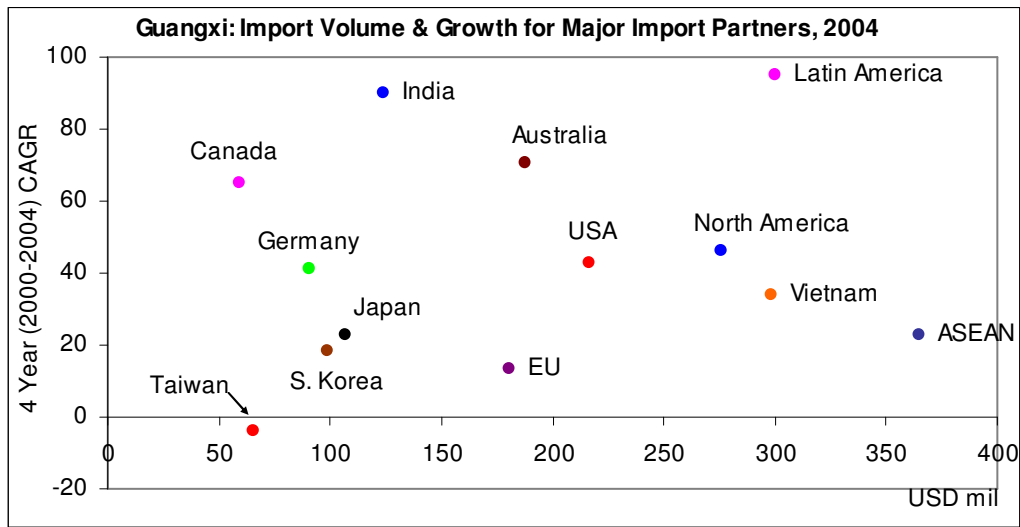
Source: Guangxi Statistical Yearbook, 2005

- Exports to South Korea, Thailand, Vietnam and Japan exhibited rapid growth between 2000 and 2004.



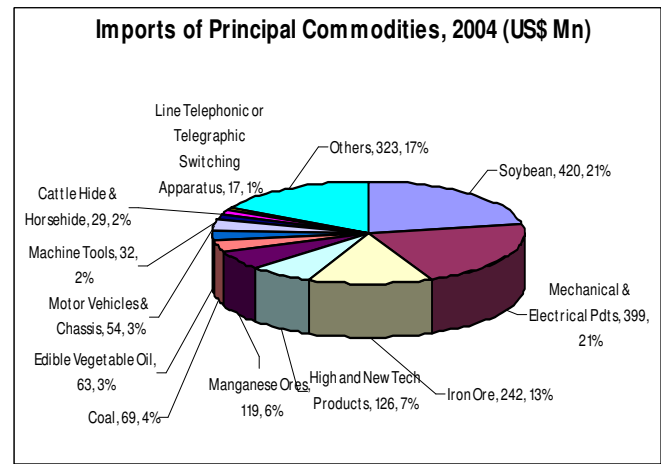
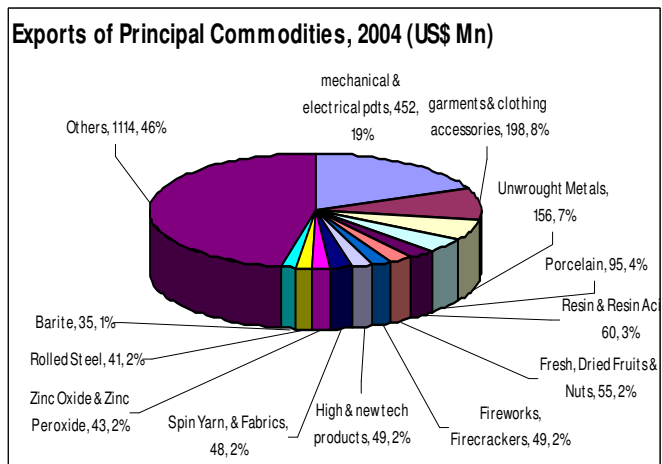
Source: Guangxi Statistical Yearbook, 2005

- Imports from India, Australia and Latin America exhibited fastest growth between 2000 and 2004.



Source: Guangxi Statistical Yearbook, 2005

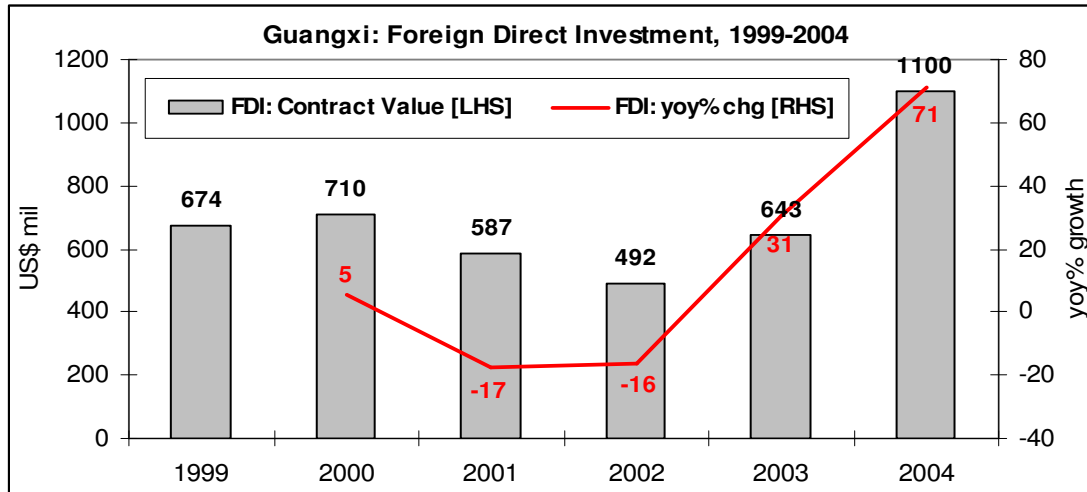
- Major exports: mechanical and electrical products (19% of total), garments (8%), unwrought metals (7%), porcelain (4%), resin and resin acids (3%)
- Major imports: soybean (21%), Mechanical and electrical products (21%), iron ore (13%), high and new tech products (7%)



Source: Guangxi Statistical Yearbook, 2005

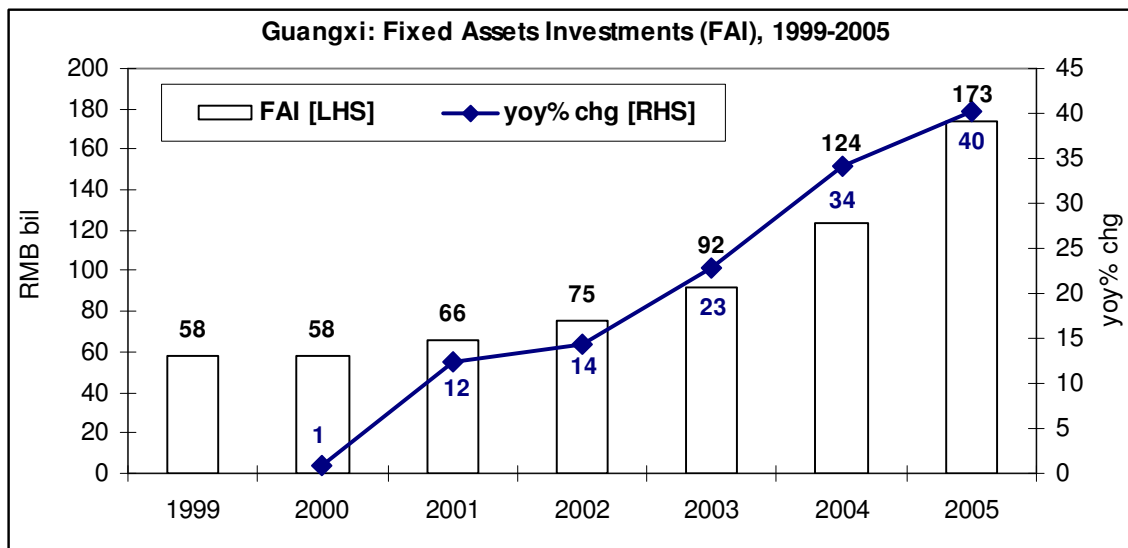
8. FOREIGN DIRECT INVESTMENTS (FDI)

- FDI in Guangxi grew by double digits between 2003 and 2004 to reach US\$ 1.1 billion in 2004



Source: CEIC

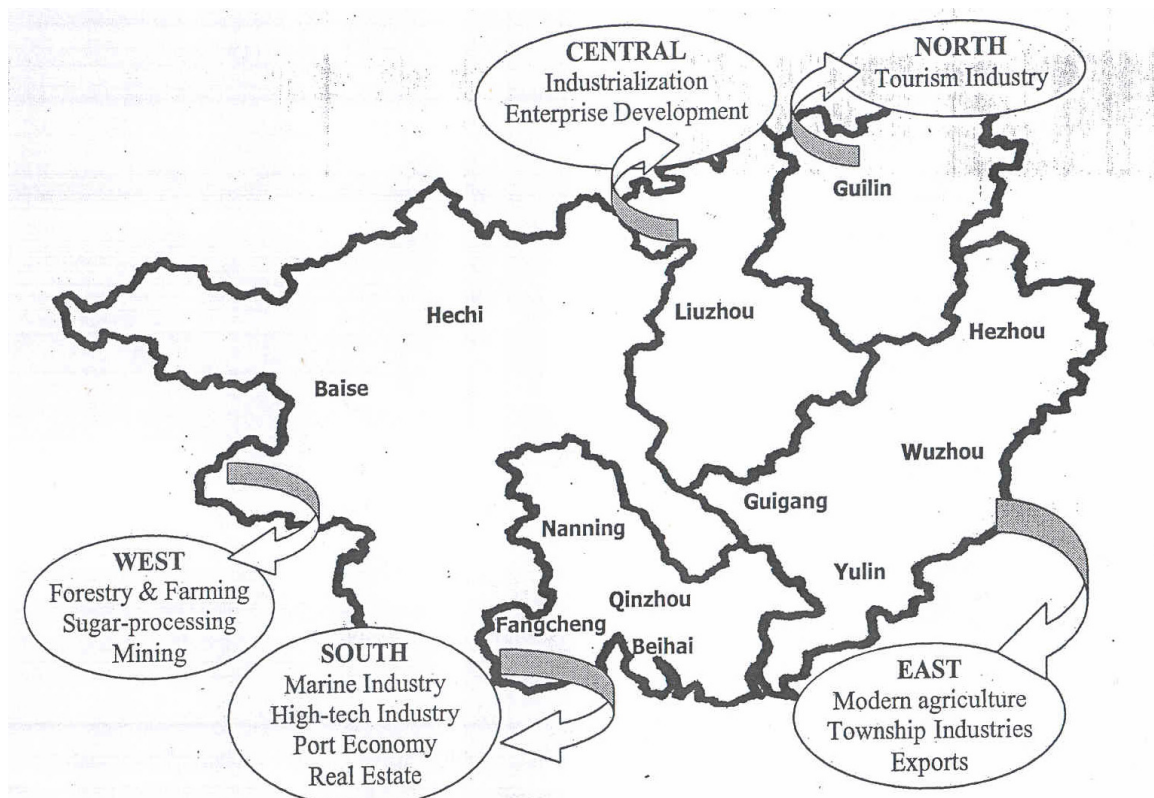
- Growth in investments in fixed assets in Guangxi mirrored that of FDI, particularly in the years 2003 and 2004



Source: CEIC

9. ECONOMIC POLICIES/ STRATEGIES

- The Guangxi government has embarked on developing five economic zones to exploit the locational and economic endowments in each zone to advance the province regionally and globally
- The five economic zones are:
 - **Southern Guangxi Coastal Economic Zone** which focuses on port development, marine and high-tech industries;
 - **Central Guangxi Economic Zone** which emphasizes industrial development;
 - **Northern Guangxi Economic Zone** which focuses on tourism, farming and forestry industries;
 - **Eastern Guangxi Economic Zone** which concentrates on modern agriculture, township enterprises and export-oriented industries and
 - **Western Guangxi Economic Zone** which centers on the agriculture and mining industries



- The main thrusts of the new economic strategies are to:
 - Harness the geographical advantages of the coastal and border cities to expand commerce and trade with other economies;

- Attract foreign investments, technology, personnel and management expertise and
- Develop export-oriented industries in the economic zones
- The coastal cities of Nanning, Beihai, Qinzhou and Fangchenggang will act as new industrial bases in southwestern China and serve as gateways to trade with the Southeast Asian markets
- The Guangxi government will undertake major projects covering agriculture, forestry, water conservancy, power generation, telecommunications, tourism, trade, urban development, environmental protection, and science and technology

10. KEY INDUSTRIAL DEVELOPMENT ZONES IN GUANGXI

A) Nanning High-Tech Industrial Development Zone (NHTIDZ)

- Set up in 1992 with the approval of the State Council, NHTIDZ is located in the urban centre of Nanning city (3 km away from city centre) and occupies a planned area of 18 km²
- The NHTIDZ is situated in the south-central part of the province and is well-served by major highways and transportation routes
- It also has good telecommunication facilities and is surrounded by universities and research institutes
- Main emphases of NHTIDZ are in bio-technology, electronics, optic-machinery, new/alternative energy sources and technological upgrading of traditional industries
- NHTIDZ can provide a comprehensive range of services covering industrial and commercial registration, tax and legal advisory, finance, customs, security, exhibition, conferencing and residential facilities and amenities

B) Guilin National New-Tech Industrial Development Zone (GNNIDZ)

- The GNNIDZ is located in the scenic tourist city of Guilin in the northeastern part of Guangxi
- Occupying an area of 22 km², the Zone is well supplied by energy from 3 power stations with a total capacity of 183,000 kW
- Major industries within the Zone focus on rubber, pharmacy, electronics, machinery, light industry, textile, food and art and handicrafts
- GNNIDZ is supported by 30,000 specialists and technicians and 23,000 students from 13 universities and colleges, 13 research institutes, 8 state-ministerial products inspection centers
- It also houses 9 international trade and exhibition centers

- As one of the pioneering state-approved industrial development zones, GNNIDZ qualifies for all preferential policies accorded by the central as well as local government

C) Liuzhou High-Tech Industrial Development Zone (LHIDZ)

- Located in Liuzhou city – Guangxi’s largest industrial city
- LHIDZ occupies an area of 16 km² and enjoys all preferential policies accorded by the Guangxi government and Liuzhou municipal authorities
- Liuzhou is regarded as a model economically reformed experimental city in China
- Main emphases of LHIDZ are mechanical, biological, chemical and electrical engineering, electronics, material science and energy

11. PILLAR INDUSTRIES

Overview:

- Rich in minerals and agricultural produce, Guangxi’s key industries include: sugar manufacturing and processing, smelting of ferrous/non-ferrous metals and manufacturing of the following products: machinery, automobiles, building materials, food and beverages and chemicals.

Industrial Output Category (2004)	RMB bil	% of total
Farm & Products Processing and Food & Beverage Production	34.1	14
Transport Equipment Manufacturing	30.3	13
Automobile Manufacturing	29.1	12
Smelting & Pressing of Ferrous Metals	21.1	9
Smelting & Pressing of Non ferrous Metals	13.8	6
Raw Chemical Materials & Chemical Products	13.0	5
Production & Supply of Electric Power & Steam	12.2	5
Nonmetal Mineral Products	9.9	4
Electric Power Production	7.4	3
Special Purposes Equipment Manufacturing	6.9	3
Medical & Pharmaceutical Products	5.8	2

Source: Guangxi Statistical Yearbook, 2005

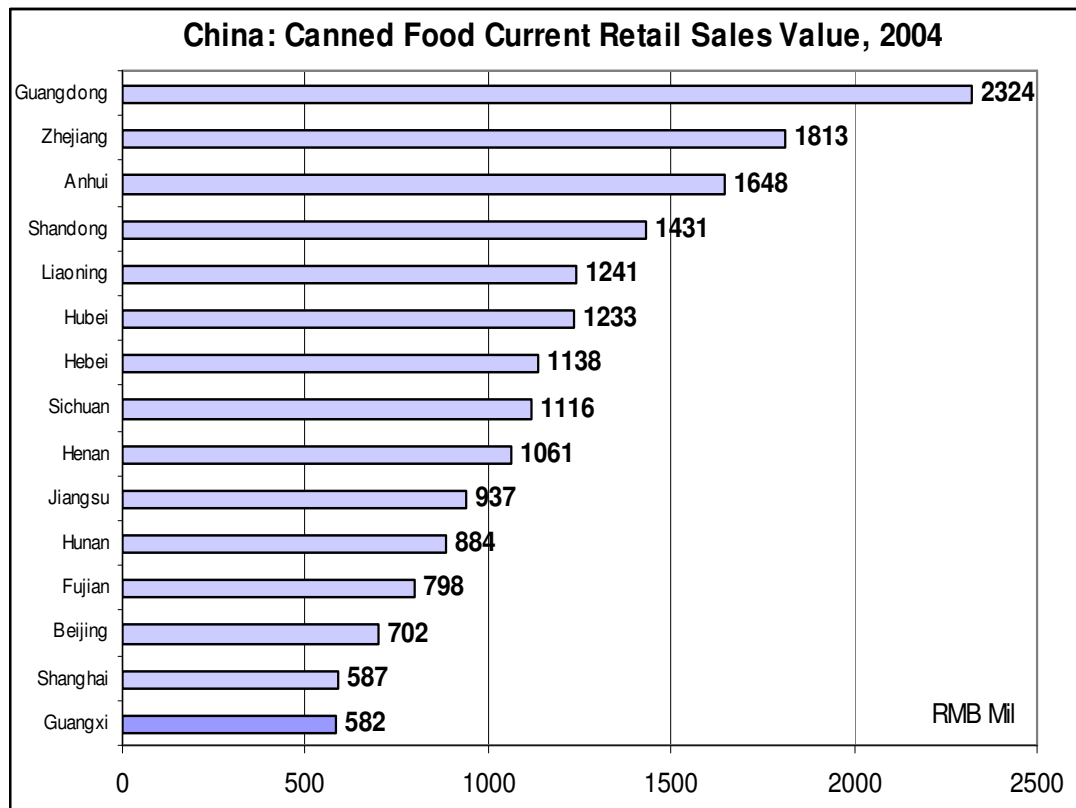
A) Food and Beverage Production

i) Canned Foods

Overall market

- Total sales of canned foods in China rose by 84% to RMB 22.17 bil in 2004 from 1998
- The rise in demand for convenience foods spurred the demand for packaged foods, including ready-to-go meals and soups in cans. Growth in recent years has been robust, averaging 21% between 2002 and 2004
- Guangxi has a market share of about 3% and ranks 15th in terms of retail sales value of canned foods in China in 2004
- Annual growth between 1999 and 2004 was 84%, faster than Guangdong, Zhejiang and Anhui and comparable to the national average of 85%

Value of Retail Sales of Canned Foods in China (RMB mil)



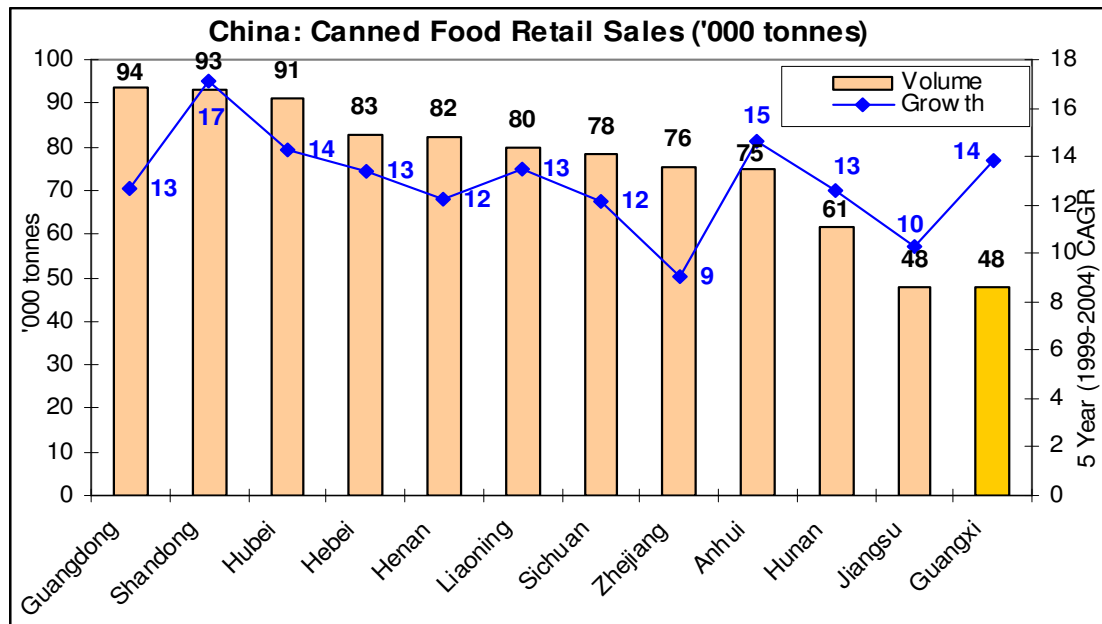
Source: Access Asia Limited, 2006

Market Share & Retail Sales Growth of Canned Foods in Major Provinces

Province	2004 Market Share	1998-2004 (Annual Growth)
Guangdong	11%	81%
Zhejiang	8	82
Anhui	7	75
Shandong	6	115
Liaoning	6	89
Hubei	6	98
Hebei	5	80
Sichuan	5	85
Henan	5	84
Jiangsu	4	71
Hunan	4	90
Fujian	4	94
Beijing	3	86
Shanghai	3	60
Guangxi	3	84
Others	20	-
TOTAL	100	85

Source: Access Asia Limited, 2006

- In volume terms, Guangxi ranks 12th in the sales of canned foods. Its 5-year (1999-2004) CAGR of 14% is comparable to growth in other leading provinces and in line with average national growth of 13%.



Source: Access Asia Limited, 2006

Key market players: Lipu Dafa Food and Beverage Co Ltd, Guangxi Meilong Food Co Ltd, Guangxi Halve Food Co Ltd

ii) Canned Fruits

- Canned fruits are manufactured in 21 out of China's 31 provinces and municipalities. Based on industry revenue, Zhejiang, Shandong, Guangxi and Hunan are the most important production bases in China.

Revenue and Profits of Leading Canned Fruit Producers in China, 2002

Province	No. of Companies	Total no. of Employees	Total Revenue (Rmb mil)	Total Profit (RMB mil)
Zhejiang	30	17,010	1,233	137
Shandong	21	6,111	483	-2
Guangxi	21	4,074	229	4
Hunan	11	4,719	216	7
Hubei	9	3,735	189	3
Hebei	7	2,065	186	4
Liaoning	7	1,099	110	3
Guangdong	7	777	59	2
Anhui	4	1,144	34	-1
Henan	4	340	32	3
CHINA	141	43,786	20,207	158

Source: Access Asia Limited, 2006

Key market players: Lipu Dafa Food and Beverage Co Ltd, Guangxi Meilong Food Co Ltd, Nanning Canned Food Co

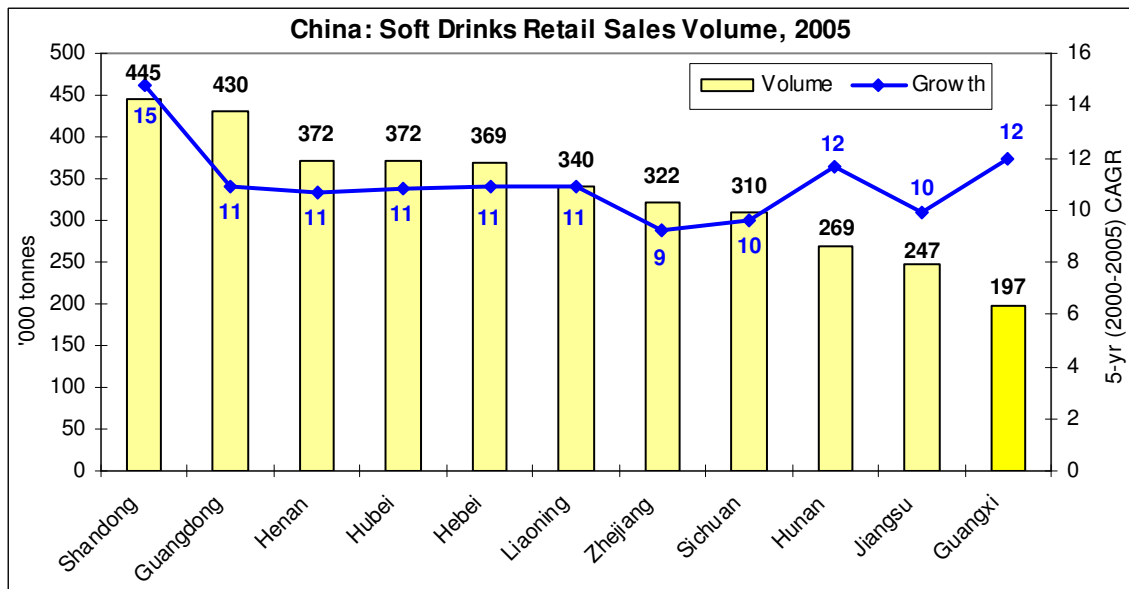
iii) Soft Drinks

- Guangxi is a major sugar processing province in China.
- Most sugar is not consumed on its own; the main uses of sugar are in the food processing industry due to strong demand for soft drinks, confectionary, sweetened fast foods etc. Sugar consumption in China grew by 40% between 1999 and 2005.
- Retail sales of soft drinks vary by region. East and South of China, such as Beijing, Tianjin and especially Guangdong and Shandong, is where the soft drinks market is most highly developed.
- With a 3% market share in terms of retail sales value, Guangxi is the 14th largest soft drinks retail market in China.



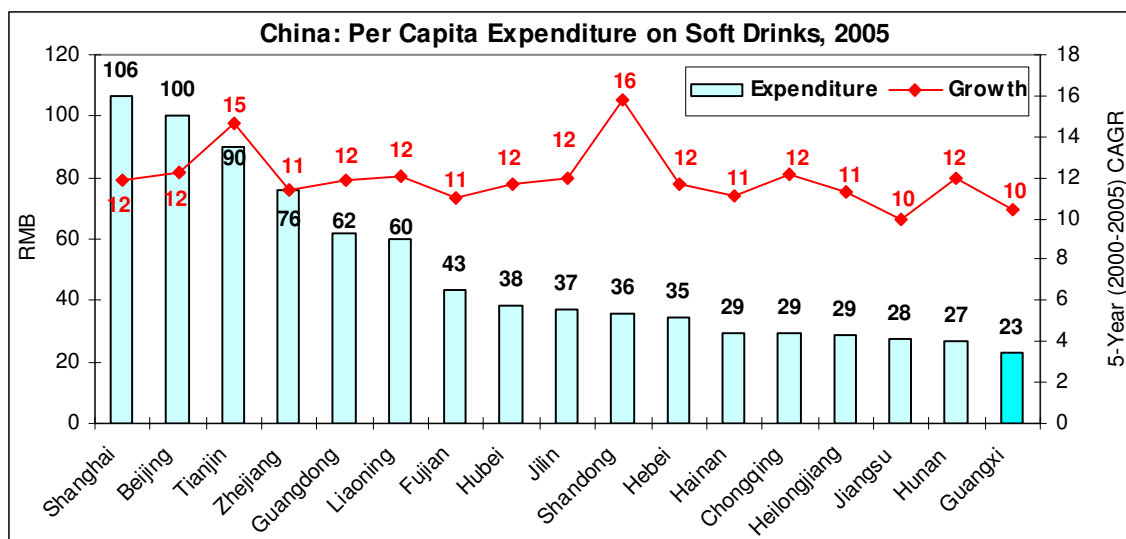
Source: Access Asia Limited, 2006

- In volume terms, Guangxi is the 11th largest consumer of soft drinks with a 4% market share. Guangxi's 5-year (2000-2005) CAGR of 12% was slightly higher than the national average of 11%.



Source: Access Asia Limited, 2006

- Guangxi's RMB per capita expenditure on soft drinks grew by 10% per annum from RMB 14 to RMB 23 between 2000 and 2005



Source: Access Asia Limited, 2006

B) Sugar Processing/Refining

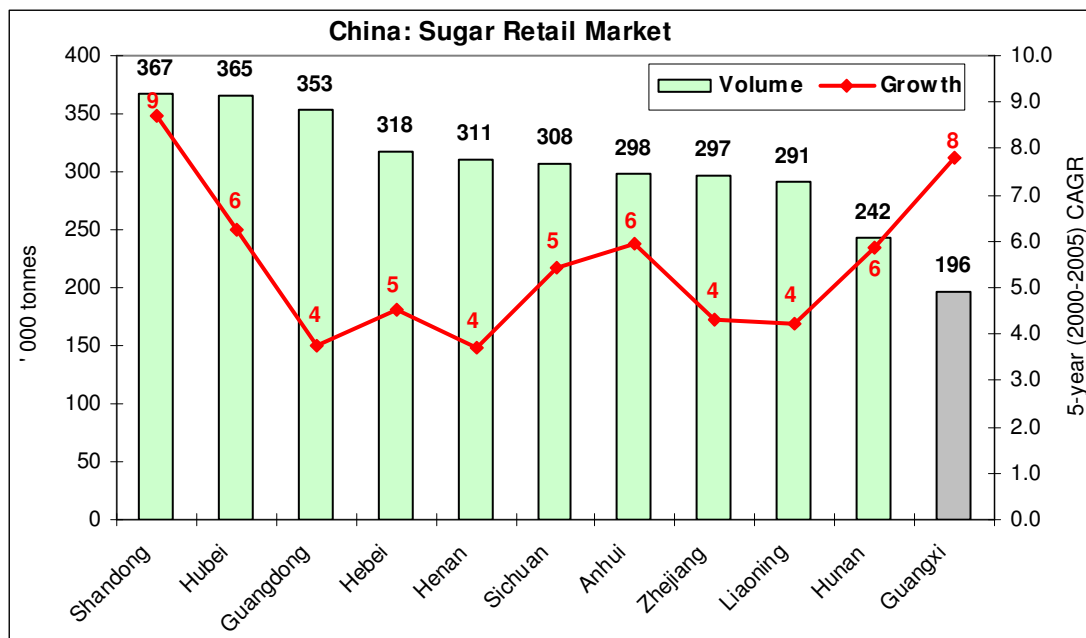
- **Production:** Guangxi is a leading province for sugar processing, accounting for nearly 40% of China's sugar production in 2003
- **Revenue:** Guangxi accounted for 47% of China's sugar production revenue in 2003

Leading Sugar-Producing Cities in China, 2003

City	Province	% of total production
Chongzuo	Guangxi	11
Nanning	Guangxi	2
Laibin	Guangxi	7
Zhanjiang	Guangdong	7
Liuzhou	Guangxi	6
Dehong	Yunnan	4
Baise	Guangxi	3
Lincang	Yunnan	3
Dongguan	Guangdong	3
Foshan	Guangdong	2
Others	-	52
TOTAL		100

Source: Access Asia Limited, 2006

- **Retail Market:** Guangxi has a market share of about 4% in China's sugar retail market. It is one of the fastest growing province with a 5-year (2000-2005) CAGR of 8%, higher than the national average of 5%.



Source: Access Asia Limited, 2006

Leading Sugar-consuming Provinces in China (kg/capita)

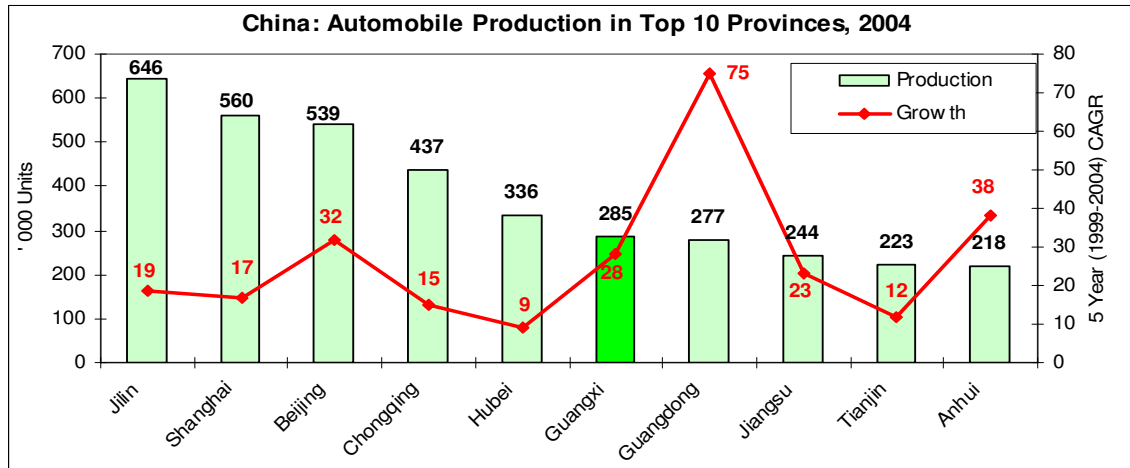
Provinces	1999	2005	1999-2005 Annual Growth
Liaoning	6.5	6.8	- 3.1%
Zhejiang	6.5	6.0	+ 0.6
Hubei	4.9	5.9	+ 25.9
Beijing	6.0	5.6	+ 0.6
Hainan	4.0	5.4	+ 42.7
Hebei	4.1	4.6	+ 14.1
Anhui	3.8	4.6	+ 35.8
Fujian	4.1	4.5	+ 20.1
Shanghai	5.1	4.4	- 19.9
Tianjin	5.5	4.4	- 15.8
Guangdong	4.1	4.4	+ 7.0
Jilin	4.3	4.2	+ 6.7
Guangxi	3.3	4.0	+33.2

Source: Access Asia Limited, 2006

- Although Guangxi currently ranks 13th in terms of per capita consumption of sugar, it is ranked 3rd in terms of consumption growth from 1999 to 2005
- In 2003, the total share of the revenue and profit of the top 3 sugar manufacturers in China were 10% and 37% respectively
- **Leading sugar manufacturers in Guangxi:** Nanning Sugar Company (6% of total industry revenue), Guangxi Fengtang Biochemistry Co Ltd (2%), Guangxi Funan East Asia Sugar Co Ltd (2%), Guangxi Laibin Qianjiang Sugar Industry Group Co Ltd (2%).

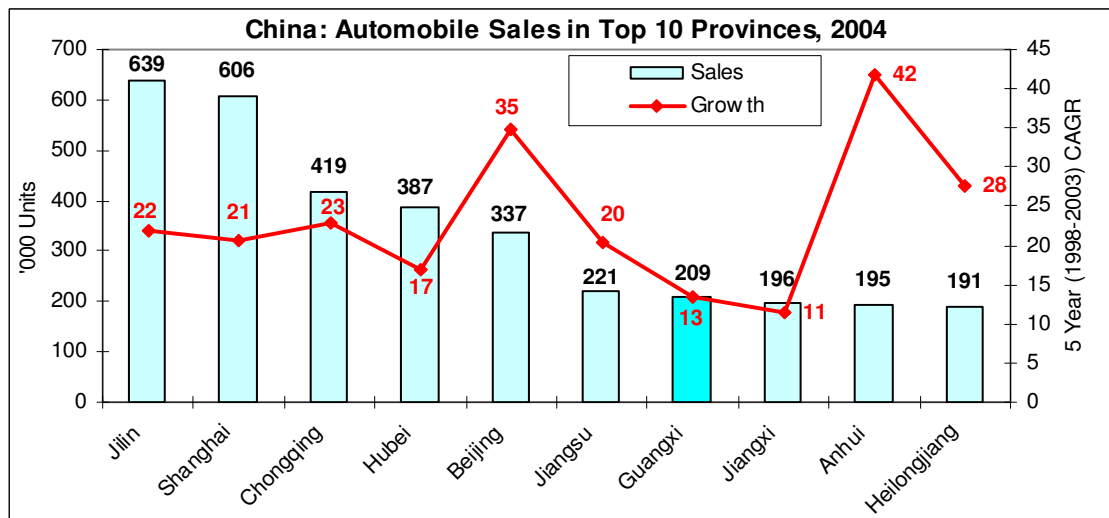
C) Automobiles

- Guangxi was the 6th largest producer of automobiles in China in 2004. With a 5-Year (1999-2004) CAGR of 28%, it is the 3rd fastest growing automobile manufacturing province. Growth was also faster than the national average of 22%.



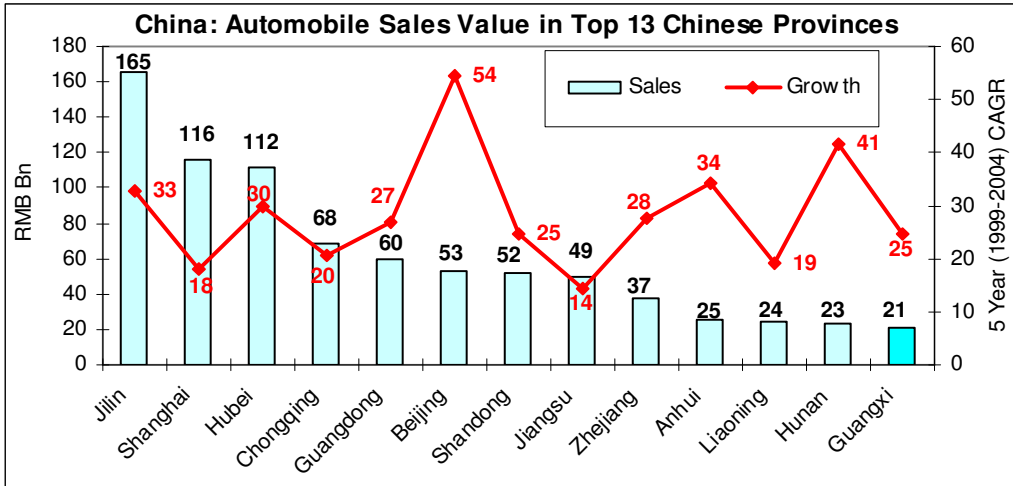
Source: CEIC

- Guangxi is the 7th largest market for automobile sales in China, growing by 13% between 1998 and 2003. However, growth in retail sales was less than the national average of 22% in the same period



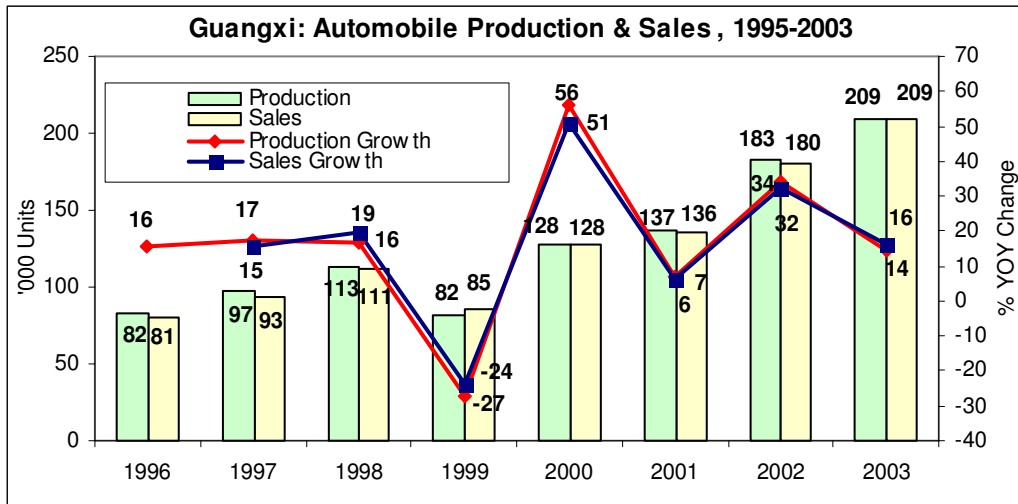
Source: CEIC

- In terms of sales value, Guangxi ranks 13th presumably due to the lower average selling prices of cars as compared to the other provinces



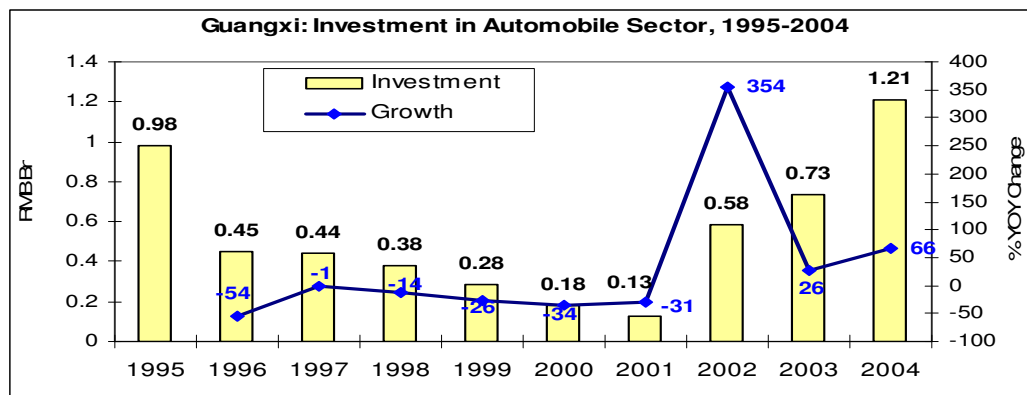
Source: CEIC

- The province is largely self-sufficient, producing enough automobiles for domestic consumption and exports. Sales growth has picked up in recent years, averaging 26% between 2000 and 2003 as compared to the 4% growth between 1997 and 1999



Source: CEIC

- Investment in Guangxi's automobile sector decreased substantially from the previous high of RMB 980 mil in 1995 to RMB 130 mil in 2001. It picked up subsequently in the last few years to reach RMB 1.21 bil in 2004.



Source: CEIC

D) Machinery and Heavy Equipment

- Guangxi specializes in the manufacture of transport machinery, special purposes equipment, electric equipment and general purpose equipment.
- Between 2000 and 2004, manufacture of special purposes equipment registered the highest growth of 43%, followed by transport equipment manufacturing (34%).

Gross Industrial Output of Machinery Sector, current prices (RMB billion)

Category	2004	2000	4-yr CAGR (2000-2004)
Transport Equipment Manufacturing	30.3	9.4	34
Special Purposes Equipment Manufacturing	6.9	1.6	43
Electric Equipment & Machinery	4.3	2.8	11
General Equipment Manufacturing	4.2	4.8	-3

Source: Guangxi Statistical Yearbook, 2005

- Key Players: Yuchai Machinery Group Co, Liuzhou Engineering Machinery Ltd

E) Ferrous and Non-Ferrous Metals

- Guangxi is well known as the base of non-ferrous metals in China. The province ranks first in the production of 14 varieties of metals: Manganese, indium, hafnium, tin, antimony, scandium etc
- The province ranks 2nd -6th in China for the following metals: aluminium, zinc, talcum, barite, silver etc
- During the 10th 5-Year plan, annual production of non ferrous metals in Guangxi will be increased to 1.5 million tons.
- Smelting of non-ferrous metals grew by 14% on a 4-year (2000-2004) CAGR basis from RMB 8.2 billion in 2000 to RMB 13.8 billion in 2004.
- Smelting of ferrous metals grew by 50% on a 4-year (2000-2004) CAGR basis from RMB 4 billion in 2000 to RMB 21 billion in 2004.
- Leading player: Pingguo Aluminium Industry Group

X. KEY PREFERENTIAL POLICIES ACCORDED TO FOREIGN ENTERPRISES IN GUANGXI*

- Foreign enterprises of a productive nature operating in Beihai, Nanning (excluding Wuming and Yongning), Fangchenggang, Wuzhou, Yulin, Qinzhou (excluding Pubei, Lingshan), Changwu, Hepu, Pingxiang and Dongxing, shall be levied a reduced income tax rate of 24%.
- Foreign enterprises that provide FDIs in energy, communications, port or dock, or in projects that are technology-intensive or knowledge-intensive, or for which the amount of FDI is US\$30,000,000 or more, shall be levied a reduced income tax rate of 15%, subject to the approval by the authority.
- Dividend, interest, rent, fee or other proceeds originating from operations in Beihai, Nanning, Fangchenggang and received by the foreign businessmen who have not established office in China will be allowed a reduction of income tax by 10%. Additional reduction or exemption may be granted to foreign investors who provide capital, equipment, or transfer advanced technology, by the municipal government.
- Enterprises of a productive nature established in frontier economic cooperative zone and engaged in export-oriented businesses shall enjoy a reduced income tax rate of 24%.
- High-tech enterprises established in high-tech development areas in Nanning and Guilin shall be levied a reduced income tax rate of 15%. If the annual output value of exported products of these enterprises makes up 70% or more of the annual output value, these enterprises shall be exempted income tax for two years, upon the approval of the company's application.
- Joint ventures newly established in these high-tech development areas with an operational term of ten years or more, upon approval of an application, shall be exempted from income tax for the first two profit-making years.
- Export produced by high-tech enterprises established in the high-tech development areas of Nanning and Guilin shall be exempted from export duties.
- Foreign enterprises established in the national tourist area of Beihai shall be levied a reduced income tax rate of 24%, if they are engaged in vacation and travel services

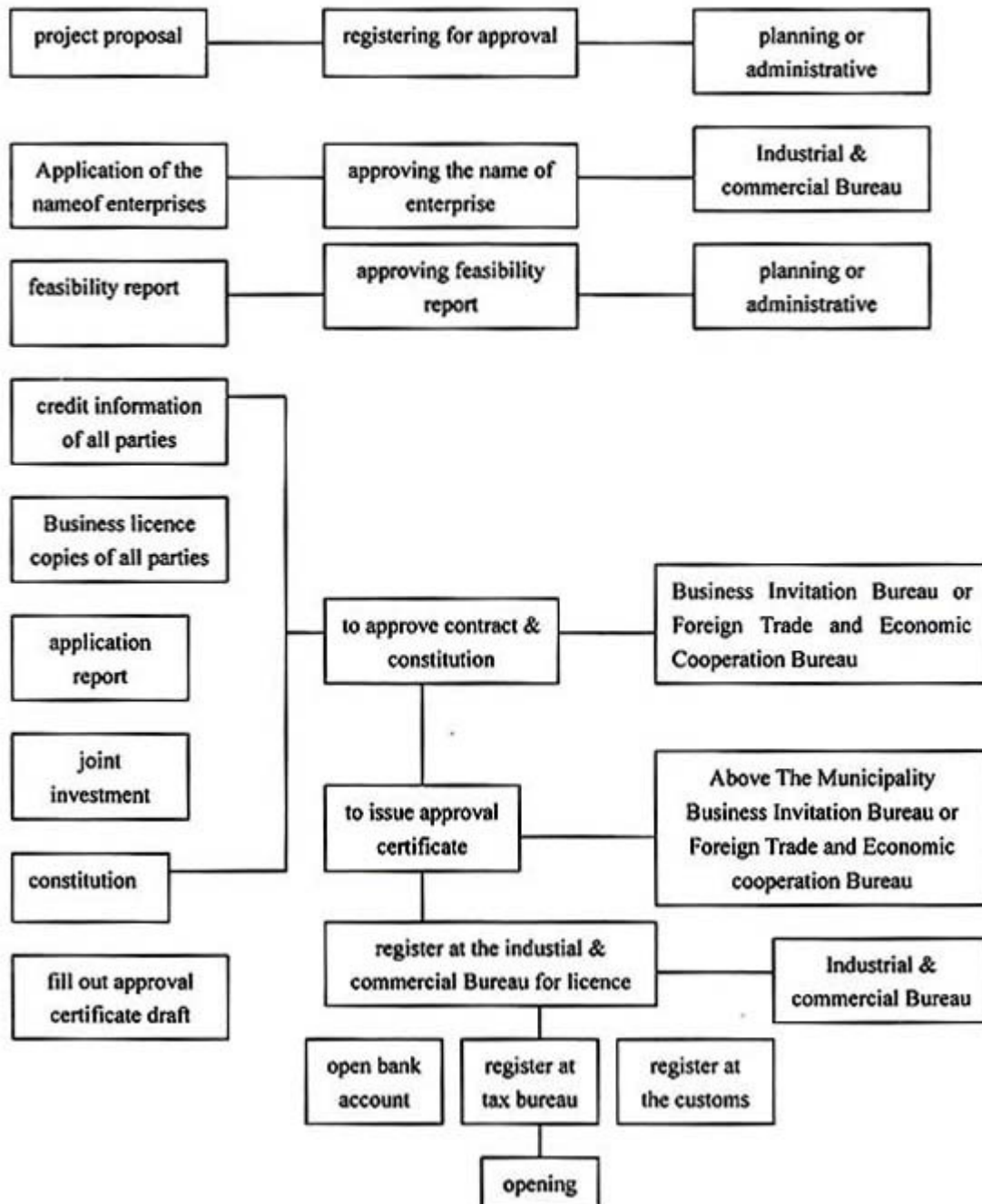
* for a complete listing of Preferential Policies in Guangxi, please refer to the Guangxi People's Government website at www.gxi.gov.cn

Application Procedures For Foreign Investment Projects

Application procedures for foreign investment projects

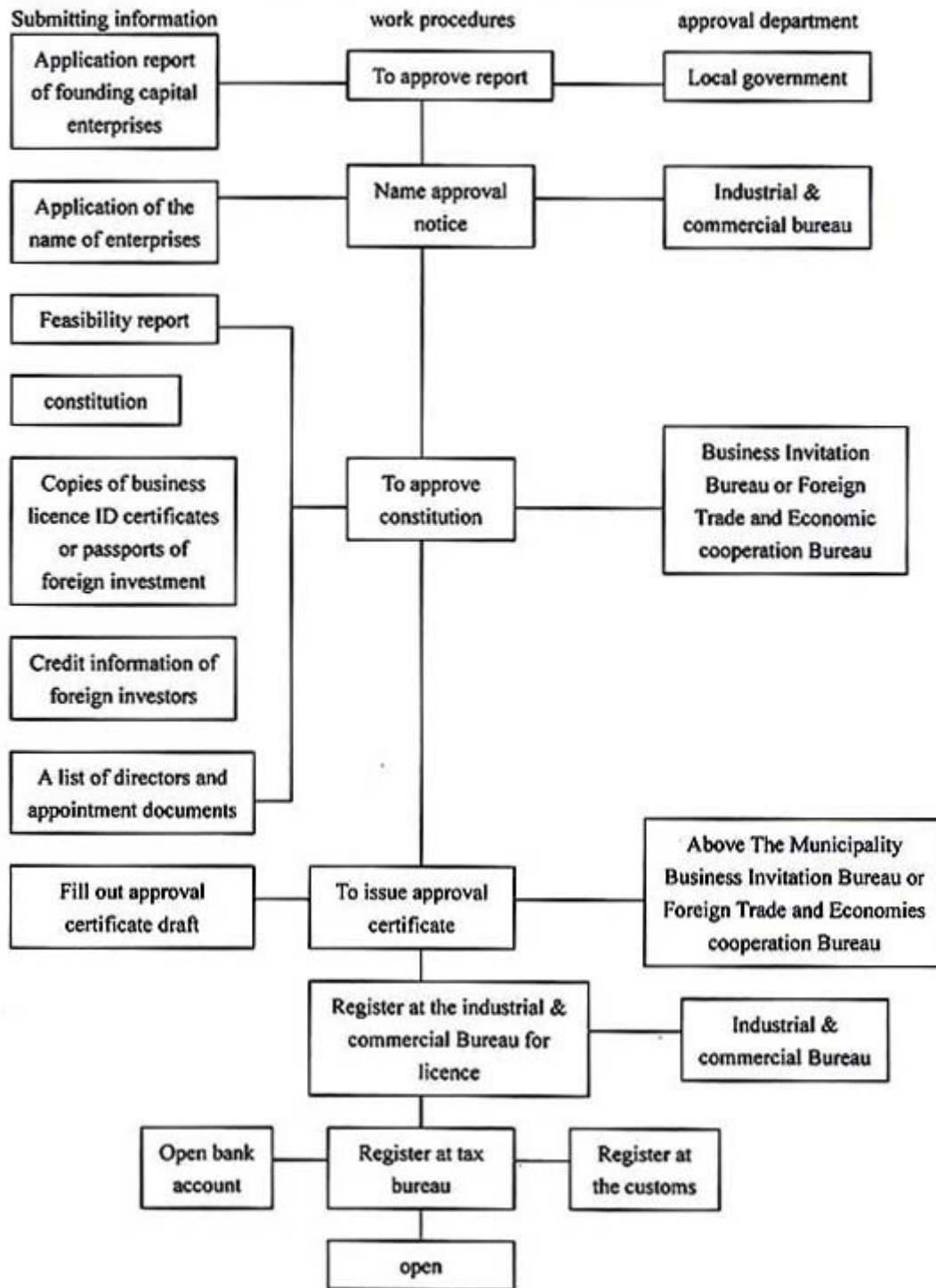
(1) Application procedures for sino-foreign joint venture

Submitting information



Source: Guangxi People's Government, www.gxi.gov.cn

Approving and Examination Procedures for Wholly Foreign –owned Enterprises



Source: Guangxi People's Government, www.gxi.gov.cn

Contact Details of Selected Official Agencies:

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Tel: 86 771 280 3666

Fax: 86 771 2800166

Web: www.gxjm.gov.cn

2) Foreign Trade and Economic Co-operation Department of Guangxi Zhuang Autonomous Region

Address: No. 137 Qixing Rd, Nanning, Guangxi, China 530022

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4) The Industrial and Commercial Administration Bureau of Guangxi Zhuang Autonomous Region

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SOURCES:

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