

QIANHAI 前海

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*Qianhai Shenzhen – Hong Kong Modern
Service Industry Cooperation Zone*

「 Unique Zone in Shenzhen 」



Introduction

“Qianhai – “Special of the Special””: She is granted the right to implement pilot policies which extend beyond the reach of the policies adopted in the Shenzhen Special Economic Zone.

Qianhai – “the Chinese Manhattan”: She is positioned to be the hub of innovative finance, modern logistics, information, technology as well as other professional services.

“Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone” is well known as a new platform for Hong Kong and Mainland co-operation after officially visited by President Xi Jinping and the ex-Premier Wen Jiabao. Its development plan was honorably included in the national 12th Five-year Plan in March, 2012. She has come under the world’s spotlight ever since.



Compare with other demonstration zone, Qianhai, size like Lamma Island, is only about 15 square kilometers. However, she featured the closest to Hong Kong. She would be the step stone for Hong Kong to develop closer cooperation with mainland and also the hinterland for Hong Kong towards the rest of the world.

Reliable legal system, well developed communication and technology and excellence in professionalism have achieved Hong Kong great success whereas Qianhai would be able to integrate with this impressive strength.

From the legal aspect, Shenzhen International Arbitration Court will be set up in Qianhai while Hong Kong-based arbitration organizations will also be permitted to establish branches which would provide choices for anyone who faces with commercial disputes and seeks for settlement via the arbitration organizations from both sides.

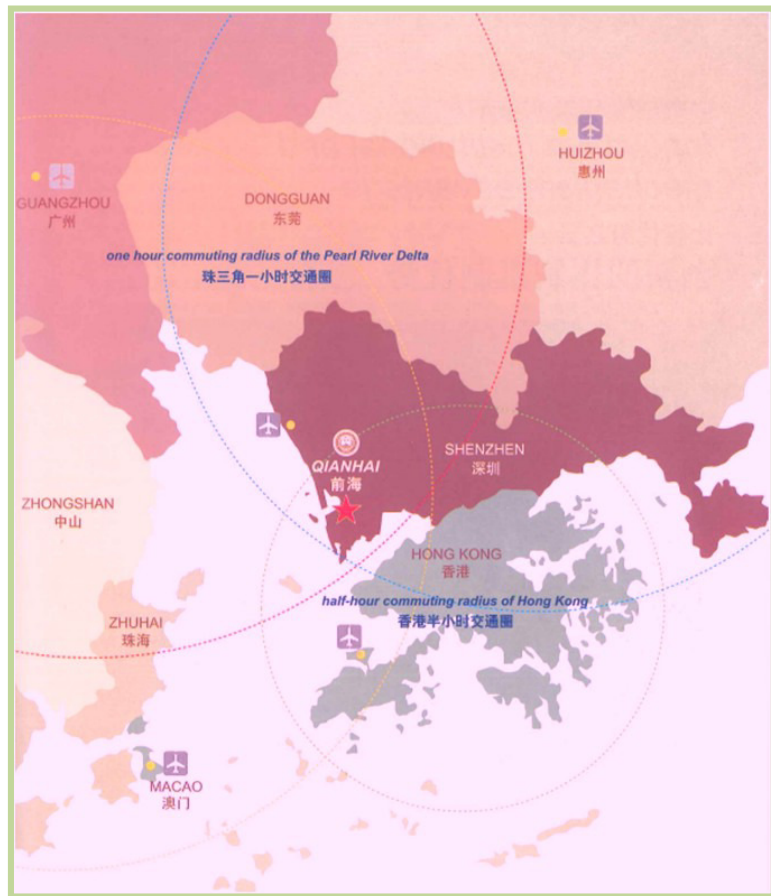
From the telecommunications aspect, telecommunications operators from Hong Kong are welcomed. Permission was granted to Qianhai as the first opened telecommunications market in China from the State Council. In other words, there is no difference to work in Qianhai or Hong Kong with the telecommunication support. And the telephone charges between Qianhai and Hong Kong will be counted as local calls.

CEPA in Hong Kong has been in place for many years, professionals such as qualified lawyers, doctors, accountants, surveyors, etc, yet still subject to certain constraints. However, it is presumed that Hong Kong qualified professionals would be able to provide professional services directly to Qianhai.

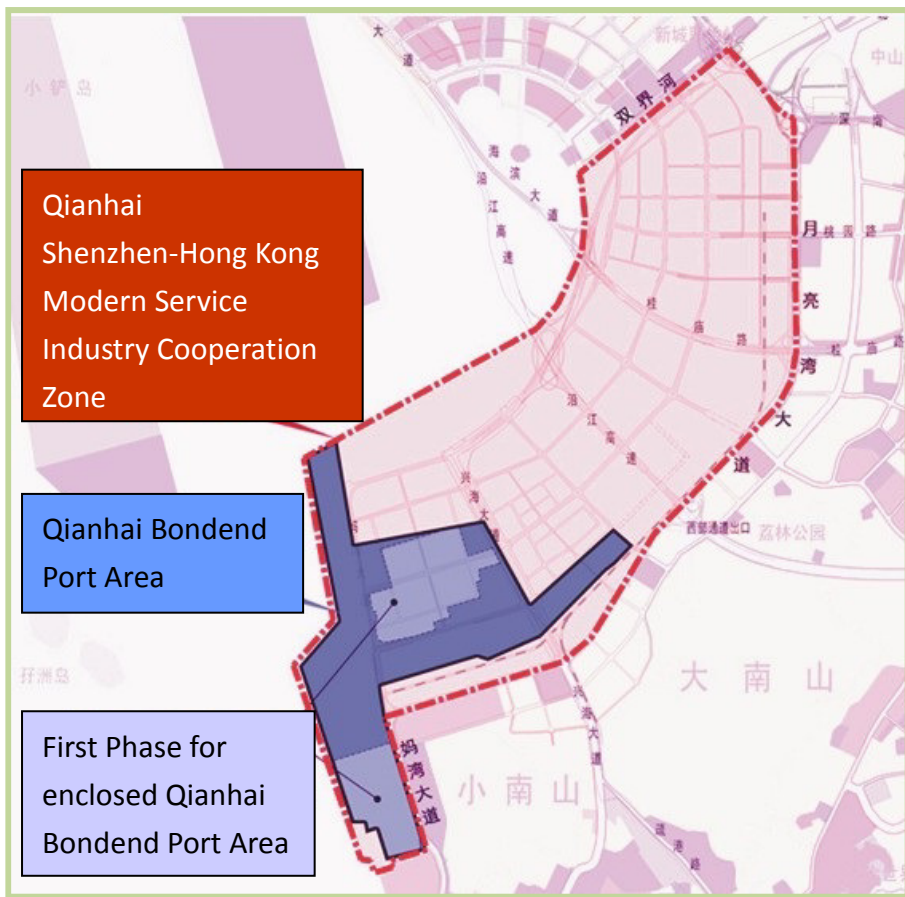
Qianhai cooperation zone is characterized by benefiting from combining of Shenzhen preferential policies with Hong Kong business model to create an integrated path.

1. Transportation Advantage

Qianhai is locationally close to Shenzhen and Hong Kong Airports. Its accessibility will be enhanced by the Shenzhen-Zhongshan Cross-river Corridor, Shenzhen Western Port Area, Shenzhen North Train Station and Guangzhou-Shenzhen Yanjiang Highway. It takes only 10 minutes from Qianhai to those airports and half an hour to Central of Hong Kong with the completed railways and highways circuits. The whole Pearl River Delta area will be well connected thereby.



2. City Plan



With planned land use area of about 15 sq.km. and a total construction area of 26 million sq.m., Qianhai is expected to create 800,000 jobs and provide shelter for 300,000 residents. It will be developed into 22 zones from which each comprises about 300,000 to 500,000 sq.m. with adequate facilities for office, commercial, residential, recreational and entertainment areas.

The concepts of “Three Areas and Two Belts” spectacular development pattern are introduced in Qianhai. “Three Areas” includes Guiwan District -- a central business area, Liwan District -- a comprehensive development area and Mawan District -- a bonded port area which forms the Bonded Port Zone to build up a regional production hub and manage international supply chain.

In the mean time, “Two Belts” is seen as an annular water corridor and an integrated development zone.

3. Policy Environment Advantage

Finance

1. Support the establishment of a new experimental cross-border RMB business innovation zone in Qianhai;
2. Set up the pilot scheme of cross-border loan;
3. Support the eligible enterprises and financial institutions registered in Qianhai to issue RMB bonds in Hong Kong; Support the establishment of Qianhai equity investment master fund;
4. Support foreign equity to invest in corporation registered in Qianhai;
5. Lower the requirements for Hong Kong financial institutions to set up offices in Qianhai;
6. Build innovative financial institutions and trading platforms;
Support inside and outside financial institutions to set up the national or international head office in Qianhai.

Taxation

1. Corporate income tax rate reduced by 15% to qualified enterprises;
2. Provide income tax benefit to high-level foreign professionals or shortage talents;
3. To provide business tax relief for specific qualified modern logistics enterprises in Qianhai.

Legal Affairs

1. Allow arbitration institution from Hong Kong to set up branch office in Qianhai;
2. Allow joint venture between mainland and Hong Kong legal firms as well as enhance the implementation of policy liberalization for Hong Kong under CEPA.

Human Resource

1. Provide convenience at employment, living conditions, custom and travelling for foreign professionals, foreign Chinese citizens and Chinese citizens who have studied abroad;
2. Include Qianhai into the approved Guangzhou mutual recognition of professional qualification pilot scheme;
3. Allow qualified professionals from Hong Kong to provide services to corporations and citizens in Qianhai;
4. Allow Hong Kong professionalism who is also qualified for the mainland accounting standard to joint in mainland accounting firm as partner.

Education and Medical Care

1. Allow Hong Kong service providers to set up solely-invested international schools in Qianhai for children of foreign Chinese citizens work in Qianhai and Chinese citizens who have studied broad;
2. Allow Hong Kong service providers to establish solely-invested hospitals in Qianhai.

Telecommunications

1. Allow Hong Kong and Macau telecom service providers to establish joint ventures in Qianhai;
2. Encourage the innovation in telecommunications management modes and allow local telecommunications for self-pricing based on situation in Qianhai;
3. Allow the establishment of a special international communication channel in order to meet the demand of Qianhai.

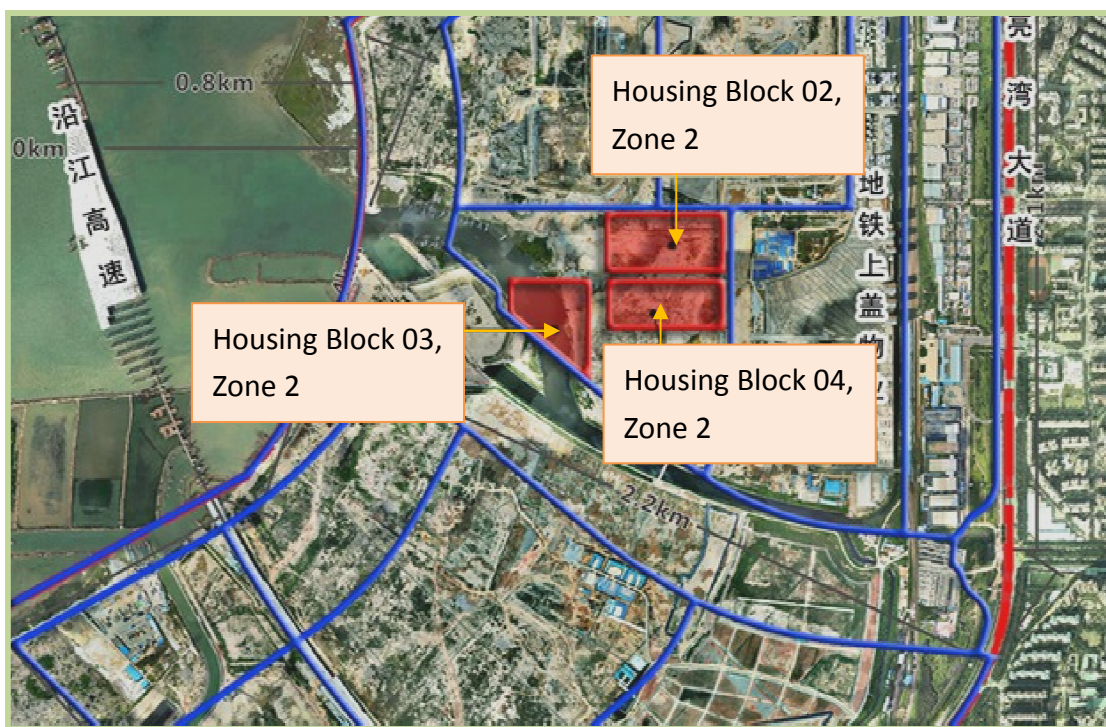
Land Affairs

Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Land Matter Trial Measures was introduced in June this year. This Measure is applicable to all plots granted under administrative allocation, private treaty, tender, public auction, capital injection or share acquisition and lease. Qianhai Management Authority announced to launch an auction for three land plots with a total site area of about 170,000 sq.m. for commercial use. The plot ratio is in between 6.5 and 8.1

The basic land sale information is tabulated below:

Plot No.	Location	Usage	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Lease Term (Year)	Bottom Price (RMB)
T201-0077	Housing Block 03, Zone 2, Guiwan Area	Commercial	49,152.18	320,400	40	3,500M
T201-0075	Housing Block 04, Zone 2, Guiwan Area	Commercial	57,481.45	450,200	40	4,700M
T201-0078	Housing Block 02, Zone 2, Guiwan Area	Commercial	61,831.29	503,000	40	6,720M

Bidders are qualified if they fulfill certain requirements according to the land sales particular. For Plot Nos. For T201-0077 and T201-0075, bidders must be the developers with mega size project development experience and the total assets and revenue not less than RMB 10 billion in year 2012. What we concern the most is for Plot No. T201-0078, potential bidders must fulfill 3 criterias: Listed company in Hong Kong with market value of over HK\$40 billion as at June 24 and revenue not less than RMB 20 billion in year 2012; and has cooperation with at least 3 of the top 500 enterprises in the world. Besides, succeed bidder would need to commit for an annual revenue for not less than RMB 10 billion by the year 2015.



Market anticipated that the blue chip developers in Hong Kong and only a few listed companies in the PRC would be the qualified bidders. Is Qianhai Authority setting up the demanding criteria? Answer will come out by observing the no. of qualified bidders and the bidding atmosphere on the bidding day.

4. Permitted Industry Catalogue

The permitted Industry Catalogue covers six industry sectors including financial service, modern logistic, information service, technology service, professional service as well as public service. It covers a total of 112 industrial segments and some of the details are tabulated below:

Industry	Sub-divided Sector
Financial Services	Banking financial institutions, non-banking financial institutions, securities, insurance, funds, production exchange market, financial lease, financing guarantees, offshore financial services and other innovative financial services.
Modern Logistics	Supply chain management, shipping transactions, freight brokerage and consultation services, logistics distribution and express delivery services for e-commerce, aircraft and repair parts transaction services, bonded logistics services (e.g. bonded exhibitions and bonded transactions) and other e-commerce related commercial services.
Information Services	Basic telecommunication services, value-added telecommunication services, electronic authentication services, e-commerce, digital content services, development and application of internet digital content, technology and the application of high trustworthy computing, intelligent networks, the internet and mobile internet.
Technology Services	Technology services sector includes seven segments covering domestic and overseas research institutions and their branches, international institutions of technological innovations, scientific research services, technological consultation services, transformation and application services of scientific and technological achievements, quality certification, testing and inspection services, information technology outsourcing, business process outsourcing and knowledge process outsourcing.
Professional Services	Accounting, valuation, legal services, consultation services, engineering services, cultural and creative services, exhibition, educational and medical services and intellectual property services.
Public Services	Urban public support facilities, technological development and application of environmental protection, resource recycling and energy-saving, leisure services including yachts and aviation, social work services, high-end property management and leasing services.

5. Conclusion

Since the financial crisis in 2008, Europe and United State's economies are in the doldrums, all the countries in EU are currently exhausted and trying to solve the debt crisis; but fortunately China's economy is under steady development, besides driven of the global economy, it is also considered to be an opportunity for the recovery of the Hong Kong sluggish economic prospects.

With the benefit of expansion of trading scale in China, together with the strengthen of China's economic and stabilization of Renminbi, Renminbi's overseas circulation is becoming much more active. At the moment, under the rapid development of overseas business, renminbi's business has become a new engine of the financial industry.

When the enterprises entered into the mainland market, Hong Kong's financial services will not only provide opportunities for Hong Kong enterprises, but also can enhance the level of Mainland's services in these sectors to further enhance the international competitiveness of the two places, which may results a mutual benefit.

As one of the core development zones in Pearl River Delta, Qianhai will continue to utilize the role which Shenzhen Special Economic Zone play as an experimental field and window in China's reform and opening-up, Under the framework of "one country two systems", Qianhai will further expand new models and new ways for the cooperation between Guangdong and its surrounding cities including Hong Kong and Shenzhen. While in order to ensuring Hong Kong's long-term prosperity and stability, Qianhai will expand the cooperation between Shenzhen and Hong Kong in the area of modern service industries. Meanwhile, with the unique advantages of being adjacent to Hong Kong, Qianhai will continue to utilize the demonstrative role of Shenzhen Special Economic Zone in China's opening-up, and play a leading role for the construction of a new pattern for China.

As investors, we should take this opportunity to for its advantage of low-cost funds in Hong Kong, and based on the preferential policies for development and investment, to maximize the efficiency of investments.



Reference Source:

1. Permitted Industry Catalogue and Preferential Catalogue for Qianhai;
2. Qianhai Shenzhen - Hong Kong Modern Service Industry Cooperation Zone Investment Guide;
3. Official Website of Authority of Qianhai SZ-HK Modern Service Industry Cooperation Zone of Shenzhen.
www.szqh.gov.cn



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