



*cutting through complexity*

# Hangzhou: A biochemical industry base driven by innovation

Invest in Hangzhou:  
Biochemical industry

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# Introduction

This report aims to provide an overview of the investment climate in Hangzhou, Zhejiang province, for investors in the biochemical industry interested in China.

Hangzhou, the capital city of Zhejiang province, was once regarded as the “Best Zhou (an ancient Chinese administrative unit) in southeast China”. As a pivotal city in the Yangtze River Delta, Hangzhou contributes towards the rapid growth of the economy. From 2008 to 2012, Hangzhou's gross domestic product (“GDP”) surged from CNY 410.4 billion to CNY 780.4 billion, representing a compound annual growth rate (“CAGR”) of 13.7 percent. The proportion of the tertiary industry has climbed to 50 percent over the period.

As one of China's seven strategic development industries, the biochemical industry has been Hangzhou's focus for some time now. In March 2003, Hangzhou was proclaimed a *National Bio-Industry High-tech Industry Base* by the National Development and Reform Commission (NDRC). The added value of Hangzhou's 2012 biochemical industry totalled around CNY 16 billion, a 18.8 percent increase from 2011 and is targeted to increase to CNY 32 billion in 2015.

In a fast-changing market like China, various enterprises and industries may find themselves in different situations. It is recommended that investors who are operating or planning to operate in China should seek the latest information and specific advice from experienced professional consultants, and conduct due diligence when appropriate.

This report aims to provide information about the investment climate in Hangzhou through our independent analysis of publicly available information. It should not be used as a substitute for adequate due diligence before any investment.

Sources of information are indicated in the report. We would like to thank the Hangzhou Municipal Foreign Trade and Economic Cooperation Bureau for its kind assistance. This report adopts an exchange rate of USD 1 = CNY 6.2548 (based on the Bank of China's benchmark rate on 10 April 2013), and includes data up to December 31 of 2012.

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years zhejiang zhou

Sources: Hangzhou Economic and Social Development Report 2012; Hangzhou Bureau of Statistics Website; Bank of China website; Chinese Healthcare Industry Information Centre website; Hangzhou Government website

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- **Industry overview**
  - **Major industry segments**
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  - **About Hangzhou**

## Industry overview

- Biochemical industry in Hangzhou
- Active foreign investment
- Driving future growth

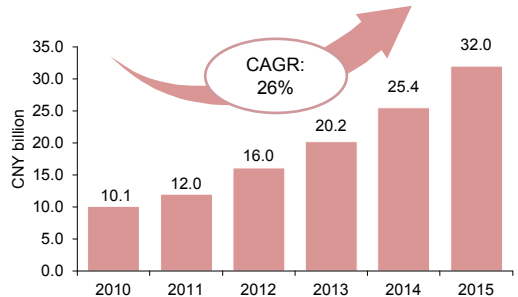
With large companies and advanced laboratories leading the way, the biochemical industry in Hangzhou is in a fast growing period, with the government expecting a CAGR of 26 percent from 2011-2015

# Biochemical industry in Hangzhou

**The biochemical industry in Hangzhou had a industry added value of about CNY 16 billion in 2012**

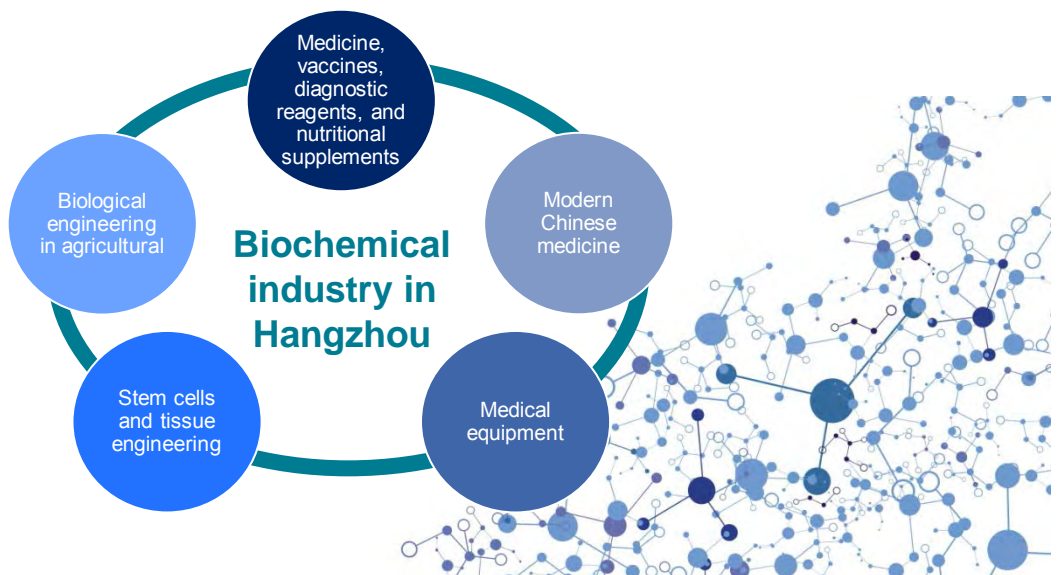
- There are more than 200 biochemical enterprises in Hangzhou and the city's total 2012 added value in this sector was over CNY 16 billion. It is expected to reach CNY 32 billion in 2015 (CAGR 26 percent)
- In 2012, Hangzhou accounted for 37 percent of Zhejiang's total output of CNY 135 billion in the biochemical industry
- Hangzhou has eight major development directions (regrouped as five below) in its "Development Plan for Hangzhou's Ten Key Industries (2011-2015)"

**Hangzhou's biochemical industry added value, 2011 to 2015**



*The biochemical industry in Hangzhou sales output is targeted to grow to CNY 100 billion in 2015*

## Major development directions for the biochemical industry in Hangzhou



Note: (a) The 2011-2014 figures are estimated based on 2010's figure and the projected increase rate

Sources: Research reports on the ten major industries of Hangzhou, 2011; Hexun News; Hangzhou Government website; Netease.com

## Active foreign investment

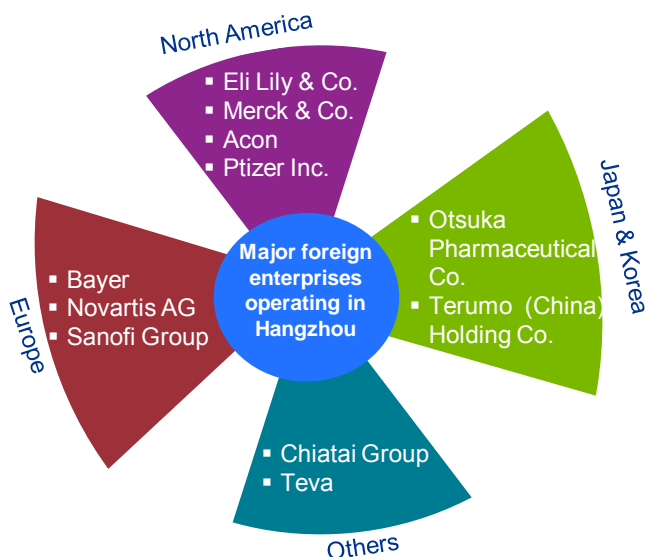
**Foreign invested companies eyeing on the China market are increasingly investing in Hangzhou, which accelerated the cluster to mature**

- In 2012, Hangzhou has attracted contractual foreign investment of USD 180 million in the biomedical manufacturing sector, an increase of 200 percent from last year
- M&A in Hangzhou has been increasing in recent years, particularly between international and domestic medical companies
  - Sanofi set up its second joint venture since 1995 with Hangzhou Minsheng Pharmaceutical Company in 2010
  - In 2011 Novartis AG completed its 85 percent equity buyout of one of China's largest privately run vaccine companies: Zhejiang Tianyuan Bio-Pharmaceutical Co.
  - In May 2012, Pfizer Inc. signed an agreement with Zhejiang Hisun Pharmaceutical to set up a joint venture in Hangzhou

“Hangzhou's attention is set on its biochemical industry and provides preferential policies for it, such as financial subsidies for technology innovation and restructuring, administrative procedures and industry forums”

- Management of Sanofi Group

### Major foreign biochemical companies investing in Hangzhou



Sources: Research reports on the ten major industries of Hangzhou, 2011; Hexun News; Netease; Sohu website; China Daily website; Hangzhou Economic and Information Technology Commission website

# Driving future growth

## Growing market demand

- China has a large demand for bio-chemicals which is helping to fuel Hangzhou's industry base. The industry value is expected to surpass CNY 3 trillion in 2015, from the CNY 1.5 trillion in 2011 (CAGR of 20 percent)
- The high proportion of elderly people (over the age of 60) of both Hangzhou and China and the increasing size of overall aging population are both driving the healthcare industry. In 2011, Hangzhou's proportion of elderly people out of its total citizen number reached 17 percent and the national proportion was about 7.6 percent. The total number of elderly people were over 100 million in 2011, and this number is expected to reach 250 million by 2020 and 400 million by 2050 respectively
- Growing annual medical expenses per capita: the 2011 expenses were estimated at CNY 706 per person and it is expected to reach an annual growth rate of over 20 percent

Robust market demand

## A scaled industry base in Hangzhou

- Hangzhou has abundant industrial parks providing fertile soil for the industry to grow, such as:
  - Hangzhou Economic and Technological Development Area- the New Medical Cluster
  - Fuyang Economic and Technological Development Zone (for modern Chinese medicine)
  - Yuhang Economic and Technological Development Zone (for Biological engineering in agriculture)
- Multinational companies are providing a strong foundation of R&D and market expertise in Hangzhou, including Bayer, Sanofi, and Pfizer
  - The government is helping to build information platforms and R&D facilities to help biochemical companies in Hangzhou collaborate and grow, such as shared testing centre, new reagent supporting centre, etc.

Developed industry base

## Strong government support in Hangzhou

- The biochemical industry is included as one of Hangzhou's ten major industries, and the government has also developed Hangzhou's *Development Plan for Biochemical for the industry in 2010-2015* to guide the industry's development
- To improve the investment environment of the biochemical industry, Hangzhou government has issued new policies in support of such things as start-up incubators, setting up industry service platforms, encouraging medical logistics, etc.
- The customs department in Hangzhou has set up specific mechanisms to support biochemical companies with custom issues. The customs department in Hangzhou has developed the one-on-one service system to have professionals providing tailored services according to an organisation's business

Strong support from Government


Skilled talent pool

## Hangzhou has resources to help develop and sustain its talent pool

- Hangzhou is the capital city of Zhejiang province with 38 higher education institutions
  - Hangzhou owns abundant resources for biochemical R&D. In this area, there are more than 20 related higher education institutions and 22 research laboratories, providing Hangzhou with advanced technology and qualified professionals
- Hangzhou has skilled personnel applying their academic knowledge into their fields, such as supporting areas in finance, engineering, marketing and human resources

Sources: Research reports on the ten major industries of Hangzhou, 2011; Hexun News; Netease; China Finance Information website; Bioonnews website; Hangzhou Online Health channel website

## Major industry segments

- 
- **Medicine, vaccines, diagnostic reagents, and nutritional supplements**
  - **Modern Chinese medicine**
  - **Medical equipment**
  - **Stem cells and tissue engineering**
  - **Biological engineering in agriculture**

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Hangzhou has specified eight major development directions within its biochemical industry (regrouped as five in the later pages), and the government policies and industry resources are providing Hangzhou with a strong foundation for further development

# Medicine, vaccines, diagnostic reagents, and nutritional supplements

## Hangzhou provides a foundation for companies working with medicine, vaccines, diagnostic reagents, and nutritional supplements

- Hangzhou was permitted to establish a National Bio-Industry Base in 2008, including industrial parks like the Hangzhou New Medical Base, Hangzhou Economic Development Area, and Jiangdong Industry Park and Singapore Technology Park (Hangzhou)
  - In these parks, Hangzhou has provided publicly available information platforms to help companies communicate and collaborate to enhance cooperation within the industry
- In 2012, the Hangzhou project Development of a Public Service Platform for New Medicine Development is approved as one of the National Programs for Key Medicine Development. The project is expected to invest a total amount of CNY 583 million to support 32 research topics

*China's first domestically produced and exported vaccine for hepatitis A was created in Hangzhou, along with the first domestically produced diagnostic reagent to pass FDA regulations*

China's medicine market is expected to grow at a CAGR of 14%-17% in the next two years, which is above the global average of 5%-8%

### Medicine

- In 2012, Hangzhou's medicine sector's output value was CNY 32.5 billion<sup>(a)</sup>, about 65 percent of Hangzhou's biochemical industry total

### Vaccines

- Hangzhou is one of the first region capable of expanding foreign market. It has started exporting firstly to India in 2006 and has now expanded to more than 20 countries such as Guatemala and Egypt

China's vaccine market size was around CNY 12 billion in 2012 and is expected to grow at a CAGR higher than 20% in the next three years

### Diagnostic reagents

- Hangzhou is a national pioneer in this sector. For example, Acon Bio Technology in Hangzhou became China's first diagnostic reagent company to receive an FDA certification

In 2012, the diagnostic reagents market size in China surpassed CNY 16 billion

### Nutritional supplements

- The Zhejiang Garden Biochemical High-tech Co, in Hangzhou has a VD3 production capacity of about 5,000 tons, which takes 45 percent of production capacity worldwide

China's market value of nutritional supplements reached CNY 150 billion, and it is expected to hit CNY 450 billion by 2020

Notes: (a) Based on 2012 total output value and the proportion

Sources: China Chemical Industry Daily website; Guosen Security; Zhejiang Private Enterprises website; Hangzhou Development Office of Ten Key Industries; Hangzhou Economic and Information Technology Commission website; Yaojia website; China Lianhe Market Research website; Daily Economic News; Zhejiang Online website; China Hightech website; Zheshang website; BIOONNEWS

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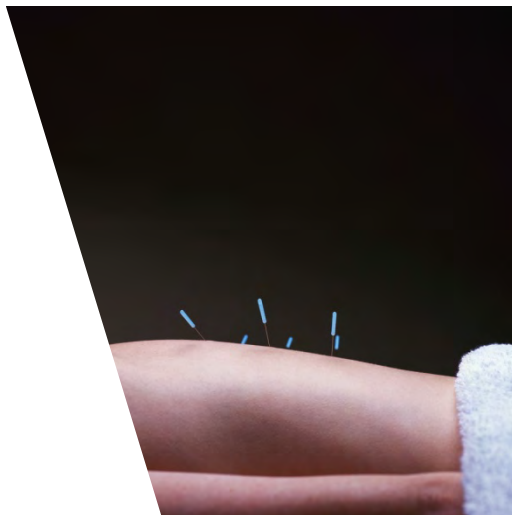
# Modern Chinese medicine

## Hangzhou aims to increase its presence and quality of the value chain in the modern Chinese medicine industry

- Hangzhou has been stressing development in the modern Chinese medicine industry by forming a more complete value chain and applying advanced technology to production
  - In order to industrialise the upstream value chain, Hangzhou has developed national *Good Agricultural Practice (GAP)* pilot programs that have been aimed at premium Chinese medicine plants. These programs are aimed at standardising the scale of cultivation as well as to develop a more environmentally friendly base for sustainable projects
  - Hangzhou has built six corporate-technology alliances between Chinese medicine companies and research institutions during 2011 to help increase yields and the scale of production
  - As part of “Zhejiang Modern TCM Technology Park”, a modern agricultural park was invested in 2012 by Modern United Corp. The park focuses on rear Chinese medicine cultivation and plans to leverage the local resources in the further development of TCM

By now China has educated more than 3,500 international professionals in traditional Chinese medicine and this number is expected to increase to around 70,000 in 2020

China is providing support to conduct scientific research on 300 ingredients used in TCM for Chinese exporters who face clinical trials in new markets



## Hangzhou has set the strategy for future development focus

- Leverage modern biology and medical technology and apply international standards on Chinese medicine design and manufacturing
- Improve the efficiency and quality control of traditional production process

## Traditional Chinese medicine and its techniques are being promoted around the world to increase growth of domestically produced inputs

- According to the *China Chamber of Commerce for Import and Export of Medicines and Health products*, over USD 2.33 billion was exported in 2011, and the actual weight of exports increased by 14 percent
- In recent years, China state level Ministry of Health had previously backed ambitions to connect private industry with research labs in universities in an alliance to promote traditional Chinese medicine

Sources: Bioonnews website; Xinhuanet website; China United Market Research Web; China Daily; Gannet Company, Inc.; the website of China.org.cn; Hangzhou Government website; Chiatai Qingchunbao official website; Putuo News; TopSage.com

## Medical equipment

### The medical equipment sector in Hangzhou is growing steadily

- The revenue of the medical equipment sector in Hangzhou reached an estimated CNY 2.5 billion<sup>(a)</sup> in 2012, up 26 percent from 2011
- Medical equipment development zones are being led by companies such as Terumo Holding Co. and Asahi Kasei Corp which are helping to provide synergy through imported technologies
- The fast developing financial service industry in Hangzhou also helps to drive the medical equipment sector. For example, Bank of Hangzhou launched a new product Medical Loan in 2012 and provides services to targeted companies in the medical equipment and medicine sectors

**CNY 2.5 billion<sup>(a)</sup>**  
Hangzhou's estimated 2012  
revenue in the medical  
equipment industry

### The medical equipment sector in Hangzhou is developing as a production hub for the industry to meet growing domestic demand

- Hangzhou is directing resources toward high value-added medical equipment, with a focus on digital and personalised devices. This strategy is looking to help Hangzhou capture a larger portion of the rising demand expected in China over the next three years (CNY 300 billion by 2015)

**CNY 300 billion**  
2015 projection for China's medical  
equipment

↓  
**26% CAGR**

- Hangzhou's expected growth through to 2015

- Sales volumes of medical devices are expected to largely increase based on ratios for medical devices sold in developed economies such as the USA and Japan

#### Sales volume ratios, medical devices : medicine

China	Developed economies
<b>1:10</b>	<b>1:1</b>



Notes: (a) The figure was estimated based on 2011 data

Sources: Official website of Ministry of Commerce of PRC; Hangzhou Economic and Information Technology Commission website; China Medicine Association website; China Pharmaceutical website

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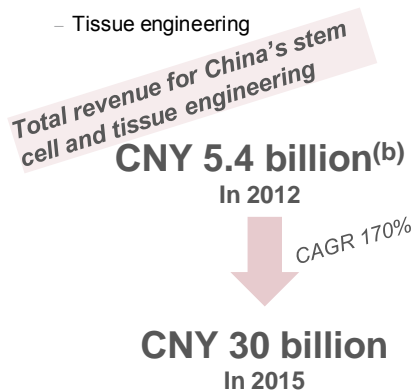
## Stem cells and tissue engineering

**Hangzhou is a pioneer in China for stem cells research and tissue engineering, holding annual forums and hosting companies who are developing leading edge technologies**

- Hangzhou has been hosting the Stem Cell Forum annually since 2008. The most recent one held in April 2012 witnessed 500 international and Chinese researchers and industry representatives attending the conference
- Hangzhou's stem cells companies are playing an important role in the global industry, developing and participating in key research activities, including:
  - Hangzhou's S-Evans Biosciences Co. Ltd. is involved in the national "863" project<sup>(a)</sup> for stem cells research and is an important partner in China for Cyro-Cell, a US listed company hosting one of the world's largest stem cell libraries

**Hangzhou is developing a long term vision for development to capture growth in China's stem cells and tissue engineering**

- By leveraging the advantages from abundant R&D resources, Hangzhou aims to apply advanced stem cell technology into the diagnostics research of major diseases such as in:
  - Coronary heart disease
  - Diabetes
  - Tissue engineering

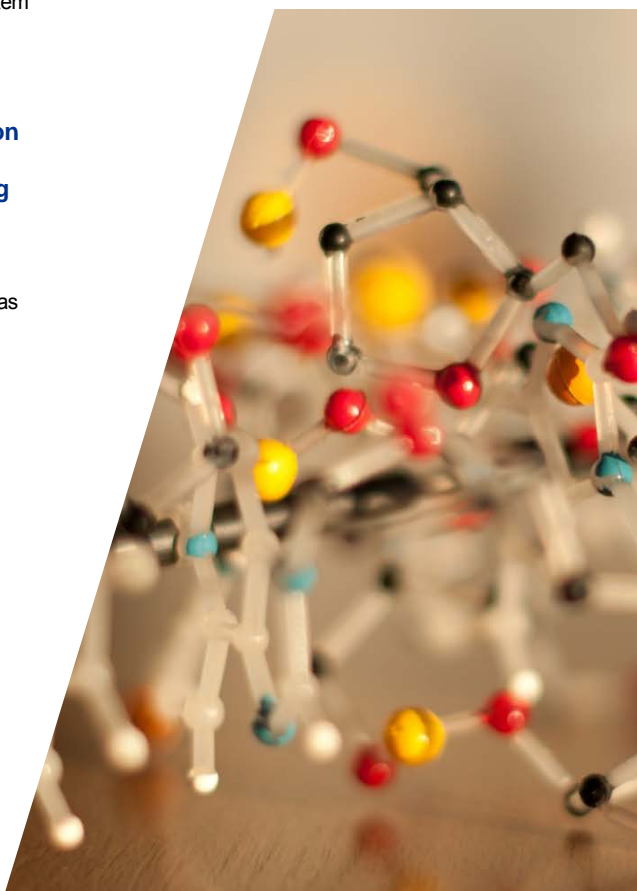


Notes: (a) The 863 program (or State High-Tech Development Plan) is a program funded and administered by the Chinese government to stimulate the development of advanced technologies in a wide range of fields

(b) This figure is calculated based on 2011 statistics

Sources: Tencent News; Bioon News website; Hangzhou government website

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# Biological engineering in agriculture

## Continued pressure on China to develop its bio-engineering in agriculture, and is increasing sales in Hangzhou in this space

- According to the 12th five-year plan, China is aiming to cultivate approximately 300 new varieties of GMO products and is developing highly standardised and mechanised seed production bases
- The 2010 total sales value of bioengineering in Hangzhou made up about 30 percent of the value of biochemical sales in Hangzhou

**30%**  
Share of total biochemical sales in Hangzhou are in agriculture

- Scientists in Hangzhou have developed the transgenic hybrid rice and the Monoculm 1 (MOC1) gene, as well as the "Chaoyou II", a transgenic rapeseed. MOC1 was selected as one of the top 10 national technology successes in China, and Chaoyou II, a transgenic rapeseed, has the world's highest oil content around world
- Industry hubs such as the Transfar Bio-agricultural Park provide companies with cooperation and technology development opportunities. In 2011, Infinity Holding Group from Israel signed a strategic agreement with the park for the development of the International Bio-agriculture Breeding Centre and Venture Capital Foundation

### Development directions for bio-engineering in Hangzhou

Breeding, microorganisms  
fermentation, large scale clean  
processing environments

New biochemical pesticides, as  
well as vitamins, feed proteins  
and nutritional supplements

## Investment environment

- Dedicated industrial parks
- Favourable investment policies
- Strengths of Hangzhou
- Case studies

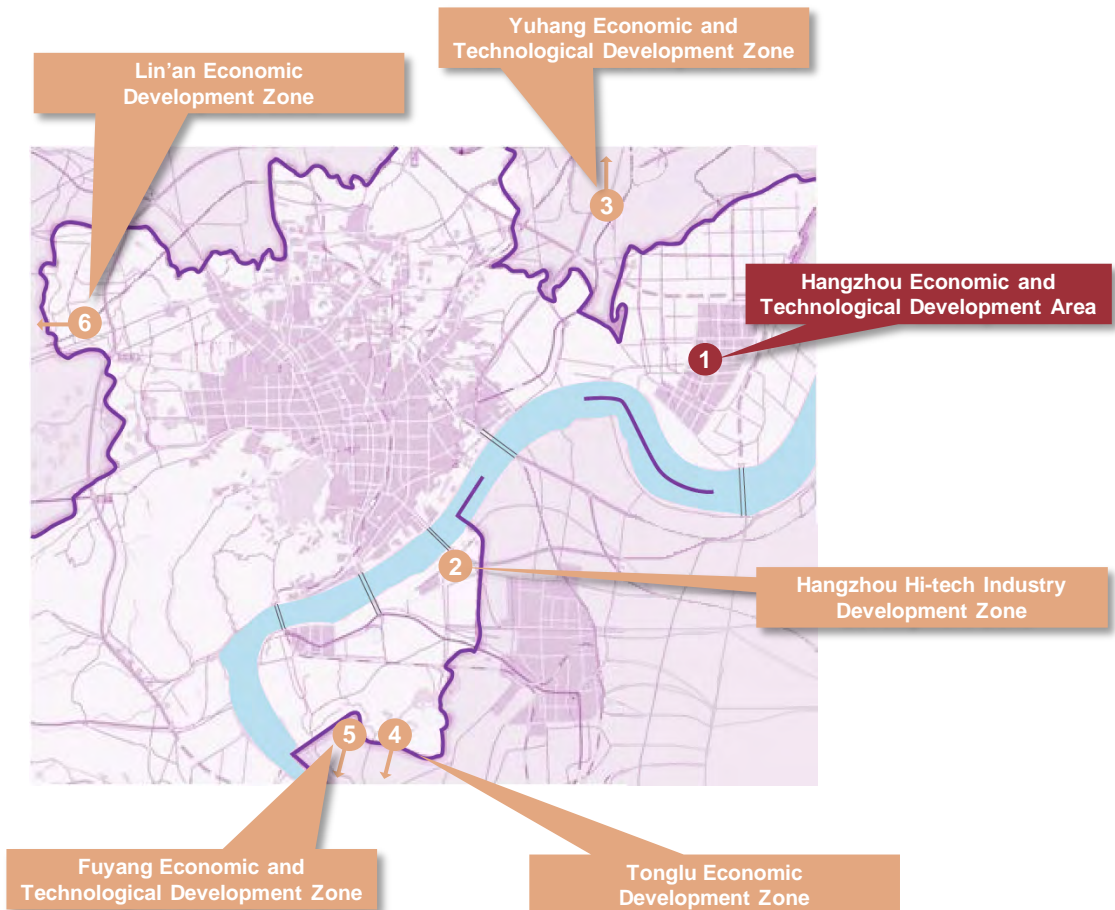
**Industrial parks in Hangzhou, strong R&D and the greater economic growth in the Yangtze Delta region are driving forward the biochemical industry, and providing a competitive and healthy environment for investment**

## Dedicated industrial parks

Distribution of major industrial parks for the biochemical industry are divided into one core area and five extension areas

**Core biochemical development region**

**Extension area for focused bio-chemicals**



Sources: Hangzhou Municipal Government website; Three Years' Development Plan for Hangzhou's Biomedical Industry (2013-2015)

## Investment policies

**Recent policies for the biochemical industry in Hangzhou are helping industry players attract talents from overseas markets and providing financing for high-tech clinics and to R&D facilities**

Year	Policies
2012	<p><i>Implementation Opinions on Supporting Hangzhou's Ten key Industries</i></p> <ul style="list-style-type: none"> <li>→ Policies such as tax incentives, financial subsidies for R&amp;D in industries such as biochemicals</li> </ul> <p><i>Managerial Measures (trial) on a Special Fund for Introducing R&amp;D Centres from Universities and Institutions</i></p> <ul style="list-style-type: none"> <li>→ Government grants up to CNY 30 million for each project to encourage the introduction of R&amp;D centres to Hangzhou's ten focus industries, inclusive of biochemicals</li> </ul>
2011	<p><i>Announcement on the Managerial Measures on Hangzhou's Biochemical Industry Development Fund</i></p> <ul style="list-style-type: none"> <li>→ Government grant up to CNY 500,000 for developing biochemical industry's R&amp;D and restructuring</li> </ul> <p><i>Opinions (trial) on Encouraging and Attracting Oversea Talents to Establish Business in Zhejiang Oversea Talents Entrepreneur Park</i></p> <ul style="list-style-type: none"> <li>→ Set the evaluation standards of oversea talents and supplements on finance and housing accordingly</li> </ul> <p><i>Managerial Measures on Hangzhou's Entrepreneurship Fund</i></p> <ul style="list-style-type: none"> <li>→ Government grants up to CNY 1 million for each project to support high-tech enterprise's technology innovation and application</li> </ul>
2010	<p><i>Supplementary Opinions of Trial Managerial Measures on Hangzhou's Technology Restructuring Project (Industrial Investment) Fund</i></p> <ul style="list-style-type: none"> <li>→ Preferential policies for financial subsidies and credit support for key industries including biochemical</li> </ul> <p><i>Managerial Measures on Zhejiang High-tech Corporation R&amp;D Centre</i></p> <ul style="list-style-type: none"> <li>→ Preferential measures for biochemical industry's technology development</li> </ul>
2009	<p><i>Temporary Measures on Attracting Oversea Talents</i></p> <ul style="list-style-type: none"> <li>→ Preferential policies to attract high-tech talent and evaluate standards accordingly</li> </ul> <p><i>Measures on the Recognition of High-tech Corporation</i></p> <ul style="list-style-type: none"> <li>→ Evaluate standards for the recognition of high-tech corporations, for the convenience of applying for related preferential policies</li> </ul>
2008	

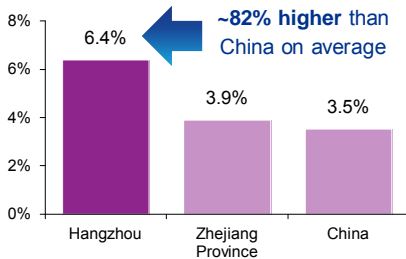
Sources: Hangzhou Development Office of Ten Key Industries

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## Strengths in Hangzhou

Hangzhou enjoys advantages over neighbouring cities due to its large economic base, as well as in technology innovation ability in the medical and pharmaceutical industries

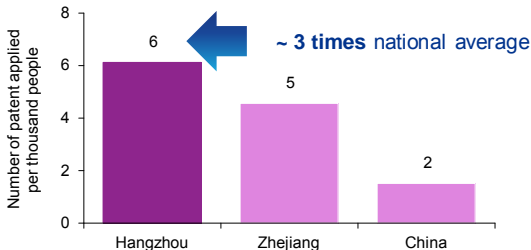
### Ratio of biochemical industrial output to GDP, 2012



“ Hangzhou puts major attention to its biochemical industry and provides preferential policies, e.g. financial subsidies for technology innovation and restructuring, administrative procedure convenience and industry forum ”

- Management of Sanofi Group

### Number of patent applied per thousand people, 2012



Hangzhou has continuously enhanced its investment environment and services to strengthen its competitiveness

#### Measures for strengthening Hangzhou's competitiveness

Major areas	Current situation	Measures for improvement and enhancement implemented by Hangzhou
Fostering and introducing talented people	There is a relatively strong demand for skilled people in the industry.	Various policies were implemented between 2008 and 2011 to encourage talented individuals to move to Hangzhou, as well as actively promote the provision of competitive services to them, such as professional training, scientific research funding, housing and children's education.
International services	Number of institutions specialising in serving foreigners is increasing	<ul style="list-style-type: none"> <li>• <b>Foreign teachers</b> at primary and secondary schools, as well as overseas educational institutes are being introduced to enhance the level of international schools for the children of foreigners.</li> <li>• <b>International medical professionals</b> are brought in to enhance the standard of medical and auxiliary services for the benefit of foreigners.</li> </ul>

Note: (a) Government budget on medical and healthcare for Nanjing is from 2012 projected financial budget

Sources: Hangzhou Bureau of Statistics; Zhejiang Bureau of Statistics; National Bureau of Statistics; China Economy website; Sanofi Management interview

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## Case Study I

### Sanofi Group

**Hangzhou's efforts in the biochemical industry and rich local talents have been supporting Sanofi's development**

“*Hangzhou has an ancient history surrounded by beautiful scenery and a pleasant atmosphere. It is a city of quality life*”

- Management of Sanofi Group



**The current revenue of the group's two companies in Hangzhou has exceeded CNY 5 billion**

“*Hangzhou's higher education provides us with a rich pool of talent*”

- Management of Sanofi Group

#### Company background

- Sanofi Group is a global and diversified healthcare company. Its business is now in 110 countries with over 105,000 employees
- Sanofi Group has set up two joint venture companies with Hangzhou Minsheng Pharmaceutical Company in 1995 and 2010, with one majors in the production and sales of prescription medicine and the other in consumer healthcare products
- Currently Sanofi Group has 11 offices in China, with more than 7,000 staff. About 900 of them are in Hangzhou

#### Since establishment, Sanofi Group is expanding quickly in Hangzhou

- As the business expands, the company is planning to move into two new factories with larger capacity in 2013
  - With a total investment of CNY 330 million, the factory in Binjiang district will focus on prescription medicine production with an annual capacity of 200 million packages
  - The total investment amount of Yuhang's new factory was CNY 350 million. The factory will be used for the production of consumer healthcare products, and will have a capacity of 3 billion pill capsules per year

## Case Study II

# Hangzhou Kingmed Diagnostics Co. , Ltd.

Hangzhou's market vitality and demand have been supporting Kingmed's rapid growth

**Revenue growth higher than 50% p.a. since investment**

“ Hangzhou has a developed economy, and its medical service providers have a strong sense of business, and thus higher acceptance of independent laboratory services ”

- Management of Kingmed



**The company's examination sample volume exceeds any other branch companies of Kingmed**

### Company background

- Hangzhou Kingmed Diagnostics Company (Kingmed) used to be named Hangzhou Friendship Diagnostics Centre. It was later acquired by Kingmed Diagnostics Group in 2010
- Kingmed Diagnostics Company was founded in 1994 headquartered in Guangzhou. It was one of China's earliest independent medical labs with related license. It now has diagnostics centres across 12 areas in China
- Kingmed's business mainly consists of medical diagnostics and pathological diagnostics, or regular examination and special examination, if divided by technology requirements. The company is capable to offer more than 1,000 types of examinations and exam more than 1 million specimens

### After the investment, Kingmed grew quickly in Hangzhou

- After the company's establishment in 2010, its business kept expanding. In 2011 and 2012, the revenue soared 50 percent annually and the employee number increased from about 110 to around 150
- The company's business currently focuses on regular examination, which makes up 90 percent of the total revenue. In future, it will strengthen the special examination service and increase its revenue contribution, by increasing relative equipment investment and professional training
- With its accredited services in the industry and by government, it was chosen as the public medical diagnostic service provider for Bingjiang District by the local government

sources: Kingmed Diagnostics official website; Interview with Hangzhou Kingmed Diagnostics Company management

## About Hangzhou



**2012 Population: 8,802,000**

**One of China's seven ancient capitals**

**Second in terms of economic prosperity in the Yangtze River Delta**

- Hangzhou: “City of quality life”
- Rapid economic development
- Progressive industry structure
- Strong education and a pleasant environment
- Contact list

# Hangzhou: “City of quality life”

## Hangzhou has been recognised for its high standards of living

- Hangzhou, the capital city of Zhejiang province, is located in the north of China's southeast coast.
- As one of the cradles of Chinese culture, Hangzhou was once referred to by Marco Polo as *“the most beautiful and elegant city in the world”*
- Transport hub of Southeast China, connecting major cities in Zhejiang, Anhui, Yunnan and Guangdong.

Hangzhou's total area: 16,596 km<sup>2</sup>

Major transport infrastructure links to national high-speed railway networks

International airport recorded 19,115,300 passengers in 2012

Hub of 11 national highways

• Beijing

Nanjing

Shanghai

Hangzhou

• Hong Kong

Note: Distances between locations are estimated distances only

Sources: Hangzhou Municipal Foreign Trade and Economic Cooperation Bureau; Hangzhou government website; Hangzhou Urban Planning Bureau website; Hangzhou Economic and Social Development Report 2012

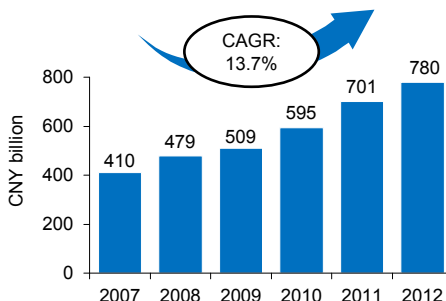
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## Rapid economic development

### Hangzhou is highly competitive and has rapid economic development

- In 2012, Hangzhou's GDP amounted to CNY 780 billion, up 11 percent year-on-year
  - The CAGR of Hangzhou's GDP from 2007 to 2012 was 13.7 percent
- Active private business is one of the characteristics of Hangzhou's economy. In 2012, production value from private companies stood for 59.7% of Hangzhou's total
  - Total sales value of private trade companies reached CNY 1,148 billion, a 73.3% of the city's total trade sales volume

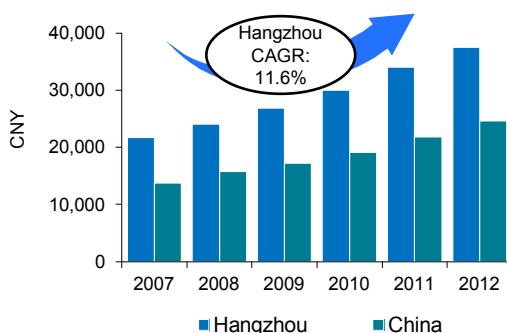
GDP of Hangzhou, 2007-2012



### Hangzhou offers a consumer market with above average disposable incomes

- In 2012, Hangzhou's per capita disposable income for urban residents reached CNY 37,511, up 10 percent year-on-year, and exceeded the national average by 53 percent
- Hangzhou's total retail sales of consumer goods increased year-on-year by 15.5 percent to CNY 295 billion

Hangzhou versus national per capita disposable income, 2007-2012



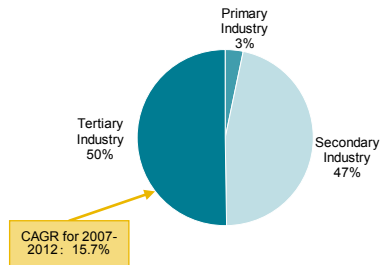
Sources: Hangzhou Economic and Social Development Report 2012; Hangzhou Statistics Yearbook 2012

# Progressive industry structure

## Evolution of Hangzhou's industry structure

- Hangzhou has focused on the secondary and tertiary industries and have accounted for more than 95 percent of Hangzhou's GDP for the last five years
- In 2012, the output value of the tertiary industry totaled approximately CNY 392 billion, and the CAGR of the tertiary industry's output value from 2007 to 2012 was 15.7 percent

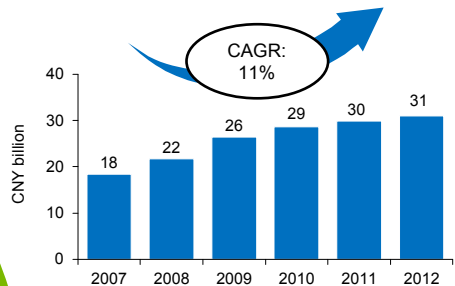
## Breakdown of Hangzhou's GDP in 2012



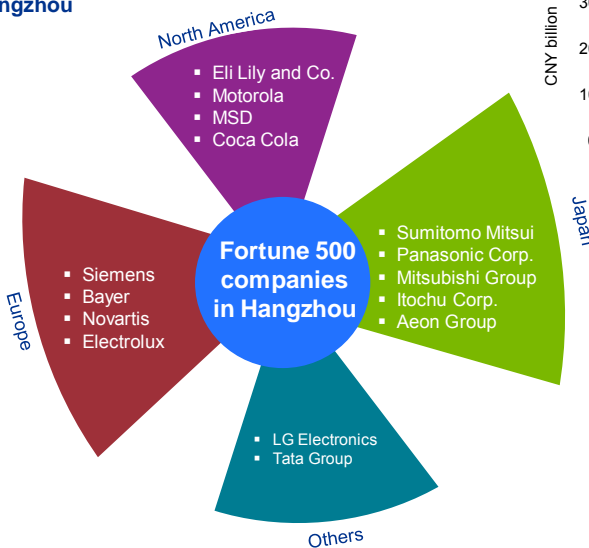
## Foreign direct investment (FDI) as the driving force of Hangzhou's economic growth

- In 2012, FDI in Hangzhou jumped by 3.7 percent year-on-year to CNY 31 billion (USD 5 billion) in total

## Foreign direct investment, 2007-2012



## Examples of Fortune 500 companies invested in Hangzhou



Sources: Hangzhou Municipal Foreign Trade and Economic Cooperation Bureau; Hangzhou Economic and Social Development Report 2012; Hangzhou Statistical Yearbook 2010; 2011 Hangzhou Gaining Momentum for Economic Transformation, Zhejiang Daily, January 2011

## Strong education and a pleasant environment

### High standard of education and continuously improving research and development capabilities

- Well enforced education system, backed by 38 colleges and universities, 314 senior and junior high schools and international schools
- Hangzhou encourages corporate investment in scientific research and the founding of research institutes. A total of 53,785 patent applications were submitted and 40,651 were authorised, representing an increase of 31.5% and 39.0% respectively
- Hangzhou International School is the first school in Zhejiang province that caters to the children of foreign nationals





**38 colleges and universities**

**About 120,000 graduates annually**

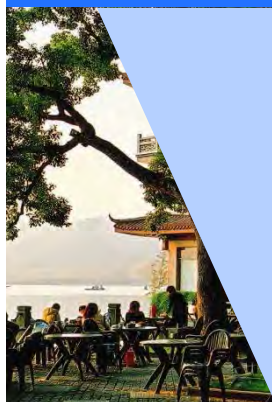
### Pleasant weather with four distinct seasons

- Hangzhou has a subtropical monsoon climate with an average annual temperature of 17.2°C and annual rainfall of 1,360 millimeters.
- As at the end of 2012, Hangzhou had a greenery coverage rate of 40 percent and urban per capita green space of 15.5 square metres

#### Hangzhou climate


Season	Temp. (Ave. low-high °C)	Typical weather
<b>Spring</b>	10.0 – 22.2	
<b>Summer</b>	24.9 – 30.2	
<b>Autumn</b>	15.9 – 24.5	
<b>Winter</b>	1.4 – 6.7	

### Hangzhou has been recognised for its high standards of living



- Hangzhou's quality of living is among the highest in the country, capturing awards such as:
  - China's "Happiest City"
  - "National Excellent City in Comprehensive Improvement of Urban Environment"
  - China Habitat Environment Prize
  - National Model City of Environmental Protection
  - China Outstanding Tourist City

Sources: Hangzhou Municipal Government website, Hangzhou National Economic and Social Development Report 2012; Zhejiang province National Economic and Social Development Report 2012



“ Hangzhou is a city of leisure.  
With its picturesque scenery,  
fascinating art shows, various  
expositions and colourful  
activities, Hangzhou is a city of  
joy for all. ”

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