

INTRODUCTION

Shanghai is the financial hub of Mainland China. It is estimated that over 30% of commercial activities in China go through Shanghai and its adjacent areas. As of January 2001, 256 of the Fortune 500 firms had set up representative offices there. It is the most populous area in China with the highest concentration of foreigners and foreign enterprises. In terms of regulation, it is the most flexible and open city, which allows more leeway for offshore business.

With more than 200 years' history for the financial industry, Shanghai was the biggest financial center in China and Far East's major commercial center in 1920s and 1930s. Since the last decade, Shanghai has regained much of its vitality and is gradually emerging as a financial center for the region once again.

Location

Surrounded by the Yangtze River in the north, the East China Sea in the east, the Hongchow Gulf in the south and Jiangsu and Zhejiang provinces in the west, Shanghai is the mid-point of China's coastal lines and boasts the occupation of a perfect natural port. The city has a total area of over 6,300 square kilometers and is divided into 19 districts and 1 county. The most notable new developing district is Pudong New Area.

Population

Shanghai has a population of over 13 million, representing 1% of China's total. In 2002, with a GDP per capita of USD4,900 Shanghai employed around 7.9 million people. The unemployment rate was 4.8%.

There are over 40 tertiary institutions and advanced vocational and technical colleges. Shanghai has a nine-year compulsory education system. The literacy rate is 93.8%. Most of the people speak Mandarin (the national language) and Shanghaiese. English is also spoken and used in business environment. In general, businessmen can find very good interpreters in various languages (including English, French, German) in Shanghai.

Economy

Shanghai's economy has witnessed fast and sustained growth in recent years. In 2000, the city's GDP reached USD49 billion. From 1992 to 2002, Shanghai had registered a double-digit annual GDP growth rate for nine consecutive years.

Shanghai has been adjusting and modifying its "ownership structure" so as to evolve into a market economy. The proportion of the state-owned sector in the city's GDP dropped from 82% in 1995 to 71.4% in 2001, giving way to the private sector.

The Chinese government is keen to restructure Shanghai's tertiary industry. Finance and insurance, commerce, transportation, telecommunications, real estate and information technology are the key sectors of development. In 2000, the five sectors made up for nearly 40% of the city's GDP. Among them, the finance and insurance sector had the fastest growth. With the internal structure of its tertiary industry further improved, Shanghai's role as an economic center in China will no doubt be strengthened.

Infrastructure and Investment Areas

Shanghai is a major land, sea and air transportation centre in China. It has established stable trading routes with over 1100 ports in over 200 countries and regions. The newly built Pudong International Airport has a capacity of 70 million passengers per year.

The city itself is divided into:

Central Business District

Lujiazui Finance & Trade Zone and the Bund financial trade zone make up the Central Business District in Shanghai. Over 100 domestic and foreign financial organizations have established in this district including the regional headquarters of many multi-national corporations, such as Siemens and Johnson & Johnson.

Free Trade (Tax Bound) Zone

Waigaoqiao Free Trade Zone is one of the biggest trade zones in China. It reported a turnover of USD6.5 billion in year 2000. The total amount of export and import was USD92 million; the goods throughput was 14,620,000 ton; the container throughput was 1,840,000 standard containers. Up to year 2000, more than 600 storage enterprises have set up in this Zone.

Pudong New Area

Pudong is designed to be built as a multi-functional and radiant modern city. From 1990 to present, the total investment of capital construction in Pudong New Area amounted to USD11 billions. The ten capital construction projects, represented by Pudong International Airport, Pudong Cyberport, Mass Transit (No. 2), Waigaoqiao Electricity Generation Plant, East China Sea Natural Gas have been completed.

Export Processing Zone

Jinqiao Export Processing Zone now has become one of the most important bases of high-tech industry in Shanghai. In 2000, the total production value of the Zone amounted to USD55 billions. The major high-technology products produced in this area are automobile parts, micro-electronics, computer accessories, telecommunication parts and accessories, bio-technology products and photo-electric products.

High-tech Park

Occupying an area of 100,000 square meters, there are 16 governmental research institutions and 70 civil institutions and enterprises established in the Park up to the end of year 2000.

Financial Industry in Shanghai

Shanghai is traditionally famous for its finance industry. It ranks top in the total number of licences granted to domestic and foreign financial institutions in China. As at the end of 2001 there were 17 local banks and 49 foreign banks establishing branches in Shanghai.

Law and Legal System

The legal system of China is similar to the European code law system. The National People's Congress (NPC) is the ultimate law making body, whose functions are mostly delegated to the standing committee of the NPC, which enacts laws in accordance with the Constitution.

State Council, together with its various administrative departments, are also authorised to adopt administrative regulations and measures. These administrative regulations and measures, as long as not contravening the relative laws, are important source of laws in China. The administrative bodies are the sole interpreter of the administrative regulations and measures. Their power to interpret the laws is only limited, or subject to the adjustments of its supervisory bodies and the court.

While doing business in China, it is very important to check up all current laws and regulations applicable to the invested industry. As a promise to the WTO, China's laws have been made more transparent. All laws and regulations applicable in Shanghai can be downloaded from government's official website.

The People's Courts are the judicial organs of the state, which are able to exercise independent power in accordance to the law. The People's Courts and their judges are appointed by the NPC and its Standing Committee.

When a person believes that his/her right has been infringed by any administrative body, he/she can normally complain to its supervisory body, or resort to a review by the court under the administration law.

Currency and Exchange Control

The official currency of China is Renminbi (RMB). The currency is a non-convertible currency and the exchange rate is officially fixed at RMB8.3 to USD1. Although exchange controls still exist on "capital account", which is used exclusively for the inward remittance of "capital items", exchange controls on "trade account" or "current account" have in effect stopped to exist. It is very easy to remit dividends (after tax profit) from China. There is virtually no control on remittance of trade-related items.

Professional support

Many leading international professional legal and accounting firms have set up offices in Shanghai. Up to present, foreign law and accounting firms established in Shanghai can only accept business in relations to foreign laws and foreign accounting services.

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