



Inside the Dragon: Outsourcing destinations in China

PERFORMANCE & TECHNOLOGY

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Foreword



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The Chinese term of "Crisis" is made up two words - danger and opportunity. As the global economic downturn hit China's manufacturing sector, the government increased its determination to transform a manufacturing-based industry into a service-based economy.

Since February 2009, China's State Council has approved the setting up of 21 cities as models of service outsourcing, which will receive special preferential policies in tax and subsidiary. These cities have also leveraged the opportunity to issue local policies in support of the development of the outsourcing industry. They have invested heavily in public infrastructure, industrial parks, education and training. Other cities around China are also stepping up their efforts to gain a foothold in the service outsourcing industry.

According to the Ministry of Commerce of China, 60,247 service outsourcing contracts were signed in 2009, a year-on-year increase of 142.6 percent. The contract value reached USD 20 billion, an increase of 185.6 percent, and the contract value of offshore outsourcing reached USD 14.8 billion, an increase of 153.9 percent.

Many of these cities not only serve as a destination for outsourcing and offshoring but they have also benefited from a strong domestic market because of the pace of economic development and active foreign investment. Many multinational corporations have already invested or are considering investing in China. Identifying a strategic location from the many destinations often presents a challenge to these companies looking to open up the China market.

The objective of this report is to provide reference materials to companies interested in the outsourcing industry in China.

We hope you find this report valuable.

We would like to thank the government departments which provided information to us.

Introduction



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We are pleased to present this report which takes a look at the many attributes of outsourcing destinations in China. The service outsourcing industry all over China is developing rapidly, but the level of development, focus and potential may vary from one city to another. In evaluating a destination for outsourcing and offshoring, some of the key indicators are as follows:

The focus of service outsourcing: each city has its own development focus. Knowing what area of business development the investors are focusing on is important.

International Certification of service outsourcing companies: the number and levels of certificates reflect the overall level of service outsourcing in a city.

Proportion and percentage of service outsourcing: the focus and development stage of a city's service outsourcing can be revealed by comparing the percentages of ITOs, BPOs, and KPOs

Foreign investment: the amount and growth rate of foreign investment reflect the degree of economic activity and attractiveness of a city to overseas investors. The more investment means a higher aggregation degree of enterprises and a greater availability of business opportunities.

Human Resources: the education level of staff and development status of service outsourcing training provides insight into the the adequacy of human resources to support outsourcing and offshoring business in a city. We also need to know the human cost in this city, which tends to be higher in tier 1 cities.

Industrial parks: the infrastructure of industrial parks is an important consideration for the daily operation of service outsourcing companies. In addition to understanding the preferential policies of the parks, investors should carry out on-site visits to get a first-hand experience of these industrial parks and learn of the potential business partners and customers in the area.



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China's service outsourcing industry - Selecting an optimum location for outsourcing

Selecting an optimum location for outsourcing is a critical issue for key stakeholders in outsourcing as it is an integral component to outsourcing strategy, model, and business case development. In selecting a location, it is important to first understand the choices available to an organisation. Such geographic positioning is often characterised by a rapidly changing landscape, as well as a quest to discover "untapped" areas where competitors have not yet ventured and where the labour market remains unexploited. Examples abound of cities that in a few short years have transformed from being virtually untapped to "saturated" as companies move to the area to benefit from an available and affordable workforce. As word of the city's success spreads, "crowding-out" sets in, with tightening labour markets, rapidly rising costs and straining infrastructure leading some firms to search elsewhere for new opportunities. In general, while companies in the outsourcing sector have high expectations for investment locations, they often underestimate the process needed to get the right result.

China has become an emerging location amid the development of the global outsourcing sector, and establishing a physical presence in China is now a necessary strategy for outsourcing enterprises. A wide range of enterprises have set up service outsourcing operation bases in various Chinese cities, including global outsourcing enterprises and relatively new domestic Chinese enterprises. Twenty-one Chinese cities have been identified as service outsourcing model cities, while other economically active cities are also striving to develop a service outsourcing industry. These cities are scattered throughout China. They are situated in vastly different locations with significant economic and social differences.

This report introduces these cities. When selecting an appropriate city to establish a business base, each enterprise has its own established methods and procedures. Common evaluation criteria used to select a city include costs, supply of labour, infrastructure development, techniques and skills available in a city. Enterprises will typically strike a balance between these criteria. In general, the cost of living is higher in cities with a sufficient supply of top talent, while cities with a lower cost of living often fail to attract top talent. An enterprise needs to precisely weigh various criteria in order to choose the most appropriate city for its development. As such, how a company best acquires and analyses the most up-to-date economic, social and cultural data in these major service outsourcing cities is the key for enterprises to successfully select a city for its outsourcing base.

In general, aside from the evaluation criteria noted earlier, an organisation should consider the following basic principles to increase its chances of finding the best outsourcing base.

Needs

A company should accurately define and articulate its requirements. What skills do we need? How can our requirements be measured to some degree of accuracy? Are we considering all the important aspects of our business? How can we choose location criteria that will take into account changing conditions in the investment environment and our own business?

Priorities

Defined needs should be weighed in relation to the specific preferences of the company. This requires a process that is methodologically sound and generates consensus from key stakeholders regarding project priorities. Simply ranking criteria on a scale of 1 to 10 or using "off-the-shelf" weighing that reflects the preferences of other companies does not adequately capture an individual project's specific situation and requirements.

Compromise

Expectations regarding project deliverables should be realistic. Companies tend to want the "perfect" location – skilled labour, low costs, state-of-the art infrastructure and an accommodating government and business environment. Unfortunately, the perfect location does not exist. There are always trade-offs and companies must be clear about how much of "factor A" (e.g. costs) they are willing to give up for a little more of "factor B" (e.g. ease of doing business). Expectations regarding timing should also be realistic.

Site visit

In the age of online databases, understanding the difficulty in obtaining reliable and accurate data is easy. Much of this information requires thorough research, including gathering data from people in the area who are familiar with the relevant investment conditions. Do not underestimate the value of site visits and conversations with experienced business people within that area, including those who work for local business groups, professional associations and chambers of commerce.

Location-specific data

Finally, the analysis should focus on cities and industrial parks, not just at the level of countries and Provinces. Although country-level information may be helpful with business regulations, tax and overall industry size, the factors affecting the ability to set up and operate a business often vary significantly at the city or park level.

Executive summary

The 21 cities introduced in this report were designated as service outsourcing model cities by China's State Council. The government has implemented a series of initiatives and support measures in these cities to expedite the development of China's outsourcing service industry. A few additional potential cities are also presented in this report.

Lower costs

All the listed cities offer a relative cost advantage compared to other developed outsourcing markets outside of China, but the size varies greatly. Typically, cities in China's hinterland (the midwest) offer a larger cost advantage, followed closely by the northern, southern and the eastern cities. It is important for organisations to have a Total Cost of Ownership concept and to acknowledge the differences in individual cost elements in a particular city. Below are examples of the various cost elements:

- Real estate cost – rental or purchase cost
- Labour cost
- Cost of living
- Utilities cost (electricity, telecommunications, broadband)
- Taxes (corporate and individual income tax)
- Logistics cost

Abundant workforce availability

The population varies significantly, with Daqing being the smallest among these cities (population of 2.8 million) and Chongqing the largest (population of 28.4 million). The workforce size available to the ITO-BPO industry also depends on a variety of factors, including:

- Employment opportunities
- Education system
- Population demographics and proportion of graduates
- Living standards
- Workforce transition between cities

Developed infrastructure

China has invested USD 586 billion¹ in ports, highways, airports and power plants, as well as a modernised telecommunications network with a high-speed broadband connection ensured in major service outsourcing cities.

Another major government initiative to support China's outsourcing business is the development of software parks. These parks keep expanding, and have been set up in Chinese big cities, attracting numerous companies.

Government support

The "1,000-100-10 Project", led by the Ministry of Commerce (MOFCOM), aims to establish 10 Chinese cities as outsourcing bases, attract 100 international corporate customers to offshore in these cities, and assist in the development of 1,000 large and medium-sized outsourcing vendors that can meet the demands of multinational customers. These cities enjoy support from China's central government in macroeconomic policies, planning, investment, coordination and other related aspects. In addition, special-purpose funds are earmarked by the government for the construction of public information platforms, the development of human resources, and the improvement of infrastructure and investment environments in these cities.

The cities in this report can be divided into four regions:

- Northern China around the Bohai area (including Beijing, Dalian, Daqing, Harbin, Jinan, Qingdao and Tianjin)

The Bohai economic zone, a key area for northern China's outsourcing industry, benefits from established software enterprises and a privileged supply of Japanese- and Korean-speaking professionals. The presence of heavy and light industries is relatively balanced. Japan and Korea are considered to be the focal physical markets for the development of onshore/offshore outsourcing business for northern China and the software-related industry has been identified as the primary sub-market for the development of the outsourcing business. Economies of scales of cities in the region vary greatly.

- Eastern China around the Yangtze River Delta (including Hangzhou, Hefei, Nanjing, Nanchang, Ningbo, Shanghai, Suzhou and Wuxi)

¹ National Development and Reform Commission

The Yangtze River Delta in eastern China leverages the development of Shanghai as an international financial and shipping centre, with developed finance, shipping and manufacturing industries already in the region. Infrastructure in the region is well-developed and the living standard is relatively high. Model cities in this region are strong overall.

- Southern China around the Pearl River Delta (including Fuzhou, Guangzhou, Shenzhen and Xiamen)

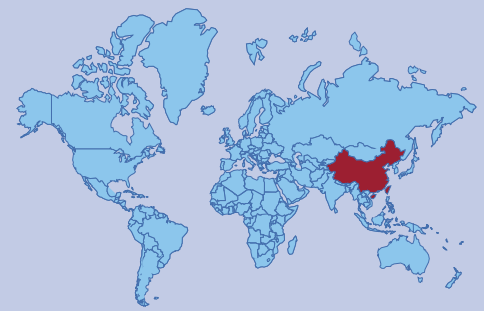
The Pearl River Delta in southern China leverages its geographical advantages of being close to Hong Kong, Macau and other Southeast Asian countries, with developed manufacturing and processing industries (e.g. electronics and clothing). The number of model cities in this region is small but the economy of scale is huge.

- Midwestern China (including Chengdu, Chongqing, Changsha, Wuhan and Xi'an)

Infrastructure in the region has significantly improved. There are a number of model cities scattering this region, with great potential for economic development.

As the 4 regions and the cities within them have varying levels of economic and social development, they each have distinct advantages and disadvantages and strategies for establishing their outsourcing capabilities.

China



Key macro-economic indices for 2009:

- GDP: USD 4.91 trillion
- Per capita GDP: USD 3,678
- CPI: -0.7 percent
- Unemployment rate: 4.3 percent
- Urban per capita disposable income: USD 2,515

Profile

Area	9,600,000 sq. km.
Population	1,335,000,000 (2009)
Capital	Beijing
Time zone	GMT+0800
Languages	Chinese and English
Currency	Renminbi
Annual average forex rate of RMB against USD	6.8 (2009)

Source: National Bureau of Statistics of China, World Bank

2009 ratings and forecasts for China

S&P's long-term sovereign credit rating	A+
S&P's long-term sovereign credit rating	A+
Ranking of the investment environment Year 2010	89
Rigidity of Employment Index	31

Source: World Bank, S&P

Administrative divisions

China is divided into 23 Provinces, five autonomous regions, four direct-controlled municipalities, and two special administrative regions. Locally-elected people's governments are under the Central People's Government. Local investment environments vary as a result of different government policy approaches. In general, the governments will make regional fiscal and tax preferential policies.

Business and investment environment

Foreign direct investment (FDI): In 2009, the number of newly-approved FDI entities in China totaled 23,435, down 14.8 percent over 2008. Its actually-utilised FDI capital reached USD 90 billion, down 2.5 percent.¹

GDP growth: In 2009, China achieved 8.7 percent GDP growth, and will grow at a rate of over 9 percent by 2010.¹

Inflation: In 2009, China's consumer price index (CPI) decreased 0.7 percent. By 2010, China will keep its inflation at a moderate level.¹

Present state of the service outsourcing sector

According to the Ministry of Commerce of China, 60,247 service outsourcing contracts were signed in 2009, a year-on-year increase of 142.6 percent. The contract value reached USD 20 billion, an increase of 185.6 percent, of which USD 13.84 billion was executed, and contract value of offshore outsourcing reached USD 14.77 billion, an increase of 153.9 percent, of which USD 10.1 billion was executed. ITO still took the main part, with the contract value reached USD 11.87 billion, accounting for 59.3 percent of the total value, of which USD 8.64 billion was executed. The outsourcing orders mainly came from US, Japan and Hong Kong.²

China's State Council has designated 21 "Service Outsourcing Model Cities" since 2009. These cities have adopted policy measures to promote the local service outsourcing development and will gradually become the country's major bases for global outsourcing activities. Their various key statistical indicators have accounted for over 75 percent of the national aggregate.

Government incentives

In 2009, various ministries and commissions in the Chinese central government introduced a series of policies to promote the development of the service outsourcing sector. Significant measures cover: 1) Tax concessions are offered to designated service outsourcing suppliers. 2) The financial sector provides these vendors with financial resources and outsources non-core back-office business to them. 3) The public and private sectors are encouraged to outsource non-confidential data-processing processes to professional outsourcing providers under service purchase arrangements.³

Use of the report

1. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.
2. The exchange rate used herein is the average rate for 2009:
USD 1 = RMB 6.8
3. The population figure refers to the city's current *de jure* population.

¹ www.stats.gov.cn

² www.mofcom.gov.cn

³ <http://chinasourcing.mofcom.gov.cn>

Northern China cities

Beijing

Dalian

Daqing

Harbin

Jinan

Qingdao

Tianjin



City profile

- Beijing is the capital of China, one of the four key municipalities directly under the Central Government, one of world-renowned historical and cultural centres and ancient capitals
- Beijing is China's political, economic, cultural, educational and international exchange centre, and an important air traffic, railway and highway hub.

Overview	
Geographical location	Located in the north of the Huabei Plain, bordered by Tianjin to the southeast and surrounded by Hebei Province in other directions
Climate	Warm and semi-humid continental monsoon climate Annual average temperature: 13.4°C Annual average precipitation: 626.3mm (2008)
Population	16,950,000 (2008)
Key industries	Finance, Electronics, Communication, Hi-tech, Education and Tourism

Source: www.bjstats.gov.cn

Main contributing factors for Beijing becoming a favoured service outsourcing destination

- Beijing is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- In 2008, the Beijing Municipal Government approved the Beijing Central Business District, Zhongguancun Science Park Haidian Park, Zhongguancun Science Park Daxing Bio-pharmaceutical Industry Park, Zhongguancun Life Science Park, Beijing Call Centre Industry Base and Beijing Economic Technology Development Zone to be Beijing's "pilot service outsourcing zones", which focus on international finance, cultural and media, software outsourcing, bio-pharmaceutical and call centre businesses.¹
- In 2008, Beijing saw 1,897 new foreign direct investment projects, with a realised foreign investment amount of USD 6.08 billion, of which information transmission, computer service and software businesses accounted for 17.3 percent, a year-on-year increase of 1.8 percent.
- As at December 2009, Beijing had designated 58 multinationals' regional headquarters, and 247 of the world's Top 500 companies had established presences in the city, which also had 325 foreign research and development (R&D) institutions, including Microsoft, Google and Nokia.¹

Service outsourcing

Key service outsourcing providers (outsourced services)	
Microsoft (IT services and shared service centre)	Oracle (Shared service centre)
ICSS (IT services)	Intel (Shared service centre)
Lenovo (Shared service centre)	StarSoft Comm (IT services)
Beyondsoft (IT and BPO services)	VancelInfo (ITO & BPO services)
Symbio (IT services)	UFIDA (IT services)

Source: www.chnvc.com, respective company websites

Present state of the service outsourcing sector

- Beijing's service outsourcing sector has gradually switched from information and software businesses to bio-pharmaceutical, financial, telecommunication and call centre business.
- In 2009, the executed contract value of Beijing's offshore outsourcing services reached USD 1.05 billion.¹
- Beijing is home to over 400 service outsourcing enterprises, with a total workforce of nearly 100,000. Among them, 24 enterprises undertook offshore business over USD 10 million. As at the end of 2008, 192 enterprises had achieved CMM/CMMI certification.¹
- Of Beijing's service outsourcing activities in 2009, 77.7 percent were ITO, 16.7 percent were BPO, and 5.6 percent were KPO.¹

Related incentives for service outsourcing

- Government policies: Beijing Municipal Government released *Opinions on Promoting Service Outsourcing Industry in Beijing* in June 2009, which included: 1) Applying favourable tax policies to advanced technology outsourcing companies. 2) Providing financial support for talent training. 3) Providing financial support to expand service outsourcing scope in the city. 4) Setting up a support fund for the service outsourcing industry in the city. 5) Further improving the foreign exchange management system and customs clearance model for service outsourcing enterprises.
- Industrial park policies: Zhongguancun Software Park provides financial support to new and advanced technology companies for developing special areas. The funding is adopted on a subsequent subsidy basis, with the cap not exceeding 40 percent of the total investment amount for each project, or USD 720,000.

Development targets for service outsourcing

- In May 2009, Beijing Municipal Government released *Service Outsourcing Development Plan of Beijing 2009-2013 (Draft)*, which predicted that by 2013, international service outsourcing would develop at an annual average growth rate of 20 percent, the turnover of offshore outsourcing would reach USD 1.5 billion, and that the outsourcing industry would cultivate and provide training to 50,000 personnel and attract 50,000 college graduates join this industry.¹

Infrastructure

- Office park: As at the end of 2008, Beijing had 19 development zones, with Zhongguancun Science Park as the core of Beijing's science parks. With a planned site area of 1.4 million square metres and a construction area of over 600,000 square metres respectively, Zhongguancun Software Park consisted of a business district and an R&D zone.²
- Domestic and international traffic: As at 2007, the total road length of Beijing was 25,765 kilometres, including Beijing-Harbin, Beijing-Shenyang and Beijing-Shijiazhuang Expressways running through the city. Beijing had a total of 962 kilometres of railways and was the terminal of major railways such as Beijing-Qinhuangdao, Beijing-Harbin, Beijing-Shanghai, Beijing-Kowloon and Beijing-Guangzhou lines. At present, the Capital International Airport operates over 200 international and domestic routes, and the city has 10 subway lines.
- Communication infrastructure: In 2008, there were 8.9 million fixed line users, 16.2 million mobile phone subscribers and 4.8 million internet users in Beijing.³

Human resources

- Education: In 2008, Beijing had 82 tertiary institutions with a student intake of 157,000, a student population of 576,000, and 149,000 graduates. There were also 169 postgraduate institutes with a student intake of 68,000, a student population of 196,000, and 56,000 graduates.
- Scientific research: In 2008, 476,000 people engaged in R&D business in Beijing, an increase of 5.7 percent compared with 2007. R&D expenditure was USD 8.8 billion, a year-on-year increase of 15.9 percent.
- Training: Beijing has seven pilot software institutes. In 2007, the city's software institutes had 10,600 students, including 7,500 studying at postgraduate level.²

Quality of living

- Economic level: In 2008, Beijing's GDP reached USD 150.9 billion, an increase of 9 percent compared with 2007, and per capita disposable income of urban residents reached USD 3,558, a year-on-year increase of 12.4 percent.³
- Natural environment: In 2008, the per capita green area of Beijing was 13.6 square metres, with a green coverage of 43.5 percent and there were 274 days with good air quality.³
- Hotels: As at the end of 2007, Beijing had 806 star-grade hotels, among which 41 were graded five-star.

¹ Beijing Municipal Commission of Commerce

² <http://chinasourcing.mofcom.gov.cn>

³ www.bjstats.gov.cn



Dalian



City profile

- Dalian is a port city in Liaoning Province and is the major gateway for China's Northeast region
- Dalian is one of the country's open, coastal cities, Dalian is one of the important centres for trade, industry and tourism.

Overview

Geographical location	Facing Shandong Peninsula across the sea, Dalian is located in the southern tip of the Liao Dong Peninsula, east of the Yellow Sea, west of the Bohai Sea, with the Dongbei Plain to its north
Climate	Warm temperate zone continental monsoon climate Annual average temperature: 10.5°C Annual average precipitation: 550-950mm
Population	6,130,000 (2008)
Key industries	Petro-chemicals, Electronic Information, Software, Advanced Equipment and Ship Manufacturing, Light Textiles/Garments, Metallurgy and Construction Materials, Food, Medicine, Finance, Information and Tourism

Source:1 www.dl.gov.cn
2 www.stats.dl.gov.cn

Service outsourcing

Key service outsourcing providers (outsourced services)

Hisoft (ITO & BPO services)	SAP (IT services)
Dalian Hi-Think Computer (ITO services)	Genpact (BPO services)
Panasonic Software (ITO services)	NTT (ITO services)
Neusoft (ITO services)	SONY (IT services)
Accenture (Shared Service Centre)	Omron (ITO services)

Source: Respective company websites

Main contributing factors for Dalian becoming a favoured service outsourcing destination

- Dalian is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- Dalian Software Park has adopted a business model of "run by the private sector, sponsored by the government". It has been honoured as a China's Demonstration Region for Service Outsourcing, and designated as a National Torch Program Software Industrial Base, National Software Industrial Base, National Software Export Base, and Pilot Base for China's Software Export to Europe and the US.¹
- In 2008, 507 foreign-invested enterprises were newly approved, with registered foreign investment of USD 6 billion, including USD 4.5 billion for 128 projects worth over USD 10 million each.²
- Dalian is within the Northeast Asia Economic region and the Bohai Economic Ring, neighbouring Japan, South Korea, North Korea and the far east region of Russia.

Present state of the service outsourcing sector

- The main fields of Dalian's service outsourcing are: 1) binding operation of ITO and BPO. 2) development of embedded software 3) settlement of overseas data centre and backup centre. The focus is to attract Japanese data centres and backup centres in Finance, Insurance, Social welfare and public service to settle in Dalian.³
- In 2009, Dalian realised total sales turnover of USD 5.8 billion from software and service outsourcing, a 30.8 percent increase compared with 2008. Of this, exports increased by 33 percent to USD 1.5 billion in 2008.³
- As at 2009, Dalian was home to over 890 software and service outsourcing enterprises, among which, there were over 300 foreign-invested enterprises, and 52 of the world's Top 500 enterprises. The total employees were 88,000. 26 software enterprises achieved CMM certification, among which, 10 achieved CMMI5.³
- Of Dalian's service outsourcing activities in 2009, 50 percent were ITO, 30 percent were BPO, and 20 percent were KPO.³
- Dalian launched the evaluation of personal information protection, the established management standards have passed the provincial quality standards, and signed Mutual Recognition Agreement with relevant agencies in Japan.³

Related incentives for service outsourcing

- Government policies: In 2009, Dalian Municipal Government issued *Opinions of CPC Dalian Municipal Committee and Dalian Municipal Government on Accelerating the Development of Software and Service Outsourcing Industry, and Some Provisions of Dalian to Further Promote the Development of Software and Service Outsourcing Industry*, which provide a series of preferential policies like the financial support to software and service outsourcing enterprises.
- Industrial park policies: Dalian Hi-tech Industrial Zone issued *Policies Concerning Further Strengthening of Software and Outsourcing Talent Management* (July 2008), establishing a talent development special fund to attract, cultivate and serve talent. The Dalian Economic and Technology Development Zone issued *Policies Concerning Promotion of the Outsourcing and Development of Bio-tech Industry* (November 2009), which established a support fund for bio-tech development, focusing on supporting the construction of public technology service facilities, developing major industrial projects and providing investment/finance support for key projects.

Development targets for service outsourcing

- By 2012: Scale of software and service outsourcing industry to reach USD 13 billion, accounting for 10 percent of Dalian's GDP. The export to be USD 4.5 billion, the total talent pool to reach 200,000. There are five enterprises with over 10,000 employees each.³

Infrastructure

- Office park: In 1998, construction started on Dalian Software Park the first to adopt a business model of "run by the private sector, sponsored by the government". The park now has two million square metres of office space, teaching facilities and living facilities and is home to over 400 enterprises. In 2003, it started planning and construction of a zone for the software industry along South Lvshun Road. Along the route, there are seven parks, with a total planned area of 156 square kilometres, covering an area of 33 square kilometres. Ascendas Pte Ltd and Shui On Group were attracted to the project and assisted with investment and construction.³
- Domestic and international traffic: Shenyang-Dalian Expressway runs through Liaodong Peninsula, linking Dalian with Shenyang, and the Dalian Railway Station is at the end of the Shenyang-Dalian Railway. Each day, over 40 passenger trains leave Dalian and the annual passenger throughput is over 20 million person-time. In 2008, the Dalian International Airport operated 147 air routes, including 100 domestic routes and 47 international routes (including Hong Kong and Macao) routes, reaching 94 domestic and international cities in 15 countries and regions. The Port of Dalian has shipping routes to ports in over 150 countries and regions, as well as regular passenger liners from Dalian to Incheon, South Korea.
- Communication infrastructure: At the end of 2008, Dalian had 3,164,400 fixed line users, 5,110,600 mobile phone users and 858,000 broadband users.⁴

Human resources

- Education: In 2008, Dalian had 23 tertiary institutions with a student population of 231,000, and 54,000 graduates. There were also PhD and postgraduate institutes with a student population of nearly 30,000, 766 PhD graduates and 7,321 masters graduates.⁴
- Scientific research: As at 2008, there were three national key laboratories in Dalian.⁵
- Training: Dalian is home to six software engineering institutes, with a total of 20,000 students enrolled. It has also established an outsourcing training base with 200 training centres.

Quality of living

- Economic level: In 2008, Dalian's GDP reached USD 55.5 billion, a 16.5 percent increase compared with 2007; per capita disposable income of urban residents was USD 2,518, a 15.8 percent rise compared with 2007; and per capita consumption expenditure was USD 2,029, representing a 16.2 percent increase.⁴
- Natural environment: In 2008, Dalian's newly increased public green area amounted to 1.75 million square metres; the per capita share of green area reached 11.6 square metres, with a total green coverage rate of 44 percent. There were 353 days with good air quality.⁴
- Hotels: As at 2009, there were 177 star-rated hotels in Dalian, of which seven were five-star hotels.³

¹ www.dlsp.com.cn

² www.dl.gov.cn

³ Dalian Foreign Trade and Economic Cooperation Bureau

⁴ www.stats.dl.gov.cn

⁵ www.daliandaily.com.cn



Daqing



City profile

- Daqing is an major traffic hub on the west of Heilongjiang Province and a transit station of the Euro-Asia Continental Bridge
- Daqing is China's largest oil production base and one of the national key petrochemical industrial bases.

Overview

Geographical location	Located on the west of Heilongjiang Province
Climate	Temperate continental monsoon climate Yearly average temperature: 4.2°C Yearly average rainfall: 427.5mm
Population	2,772,300 (2008)
Key industries	Petrochemicals, Agricultural Product Processing, Machinery Manufacturing, Textiles and Leather, Electronics and Information and New Materials.

Source: www.daqing.gov.cn

Main contributing factors for Daqing becoming a favoured service outsourcing destination

- Daqing is one of the 21 State Council-approved "China's Model Cities for Service Outsourcing" across the nation.
- Daqing provides outsourcing services (exploration, well testing, well logging, data mining, processing, and interpretation, technology design for well drilling and well completion, as well as exploitation technology) to over 20 countries in Central Asia, Southeast Asia, North and South America, Middle East, and North Africa.¹
- Daqing Service Outsourcing Industry Park is one of "China's Demonstration Regions for Service Outsourcing". There are also a state-designated new and high-tech industry development zone, a provincial economic and technological development zone, and Linyuan Chemicals Industry Park, two industrial bases under the state torch plan, as well as three state-designated and provincial pilot industry parks for recycling economy in Daqing.
- In 2008, Daqing actual used foreign capital of USD 117 million, 26.2 percent higher than 2007.²

Service outsourcing

Key service outsourcing providers (outsourced services)

M&Y Data Solutions (BPO services)	Naqi Network (KPO services)
Drilling Group of Daqing Petroleum Administration Bureau (KPO services)	Daqing Oilfield Engineering (KPO services)
Daqing Guangwei Reconnaissance and Mapping (IT services)	Daqing Mindwell (KPO services)
Daqing Sunbridge (ITO services)	Daqing Echo Petroleum IT (IT services)
Daqing Zhongruan (ITO services)	Top Petroleum Science and Technology (ITO services)

Source: Respective company websites

Present state of the service outsourcing sector

- Daqing focuses on outsourcing of oil engineering technology services, software development, information processing services, and professional services.
- As at the end of 2009, Daqing had realised an income of USD 750 million from service outsourcing. There were 223 service outsourcing providers with a workforce of 12,000.³
- Daqing Service Outsourcing Industry Park has attracted 67 service outsourcing providers employing over 3,000 staff. In 2008, the park generated an operating income of USD 220 million, including an income of USD 41.7 million from offshore outsourcing. Industries are involved in projects of digital text and graphic processing, software development, call centre operation, animation and comics production outsourced from America and Europe, Australia, Africa, Japan, and domestic clients.¹
- Of Daqing's service outsourcing activities, 60 percent were ITO, 30 percent were BPO, and 10 percent were KPO.³
- As at the end of 2009, Daqing had five enterprises with CMMI3 certification.³

Related incentives for service outsourcing

- Government policies: Daqing Municipal Government released the *Certain Opinions on the Promotion of Service Outsourcing Industry in Daqing* (January 2007), the *Interim Measures for the Promotion of Service Outsourcing Industry in Daqing* (June 2007), and the *Preferential Policy for the Promotion of Service Outsourcing Industry Development in Daqing* (July 2009). The salient points are: 1) Incentives for foreign exchange earning business, the newly listed companies, independent innovation enterprises, brand-name companies and recruiting leading talent. 2) Priority to outsourcing business loan guarantees and capital match. 3) Three years of free housing rentals for advanced technology-based service enterprises. 4) Subsidies to qualified enterprises, such as communications line rental, training, conferences and exhibitions. 5) Discounted bank loans for service outsourcing enterprises.
- Industry park policies: In September 2009, the Daqing New and High-tech Industry Development Zone released *Interim Measures for Promoting the Development of Service Outsourcing Industry*. The salient points are: 1) Incentives for technology innovation and production scale expansion. 2) Office rental concessions for resident entities.

Infrastructure

- Office park: Daqing Service Outsourcing Industry Park is located within the Daqing New and High-tech Industry Development Zone, with a planned site area of 665,000 square metres and a planned gross floor area of 730,000 square metres.¹
- Domestic and international traffic: In 2008, Daqing had 22,868 kilometres of roads including an expressway that was 17.5 kilometres in length. The Haerbin-Manzhouli Rail Line, a national trunk railway, runs across its urban areas, intersecting with the Ronghulu-Tongliao Rail Line. Daqing Saertu Airport operates flights to Beijing, Shanghai, Chengdu, and Guangzhou, while Songhuajiang River provides direct access from Daqing to Russian ports.⁴
- Communication infrastructure: In 2008, Daqing had 918,000 fixed line users, 2,290,000 mobile phone users, and 372,000 internet users.⁵

Human resources

- Education: Daqing has seven tertiary institutions, with a student population of over 70,000. Every year, there are nearly 20,000 graduates, including over 7,000 graduates in service outsourcing-related studies such as computers and automation.¹
- Scientific research: In 2008, Daqing had 81 research institutes and branches, as well as 15 provincial-level engineering technology centres and research centres.²
- Training: The city has 165 vocational institutes with a student population of 27,000. Every year, there are nearly 10,000 graduates, including over 3,000 graduates in service outsourcing.¹

Quality of living

- Economic level: In 2008, Daqing's GDP was USD 31.95 billion, an increase of 12.3 percent from 2007.⁵
- Natural environment: Daqing has a green coverage ratio of 33.1 percent, a per capita urban public green space of eight square metres, and there were 356 days with good air quality in 2008.⁵
- Hotels: In 2009, Daqing had 22 star-rated hotels.

¹ www.fwwbw.cn

² www.daqing.gov.cn

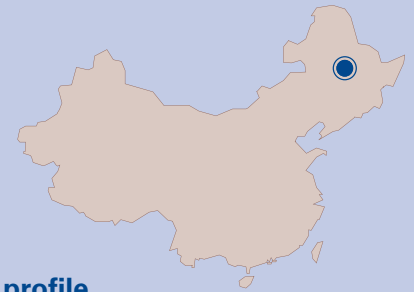
³ Daqing Service Outsourcing Industry Leading Group Office

⁴ www.jjxww.com

⁵ http://tj.daqing.gov.cn



Harbin



City profile

- Harbin is the capital of Heilongjiang Province
- Harbin is one of the core cities in the Northeast Asian Economic Sphere and the political, economic, and cultural centre in North of Northeast China.

Overview

Geographical location	Located on the south of Heilongjiang Province in Northeast China
Climate	Mid-temperate continental monsoon climate Yearly average temperature: 5.6°C (2007) Yearly average rainfall: 569.1mm (2008)
Population	9,899,000 (2008)
Key industries	Equipment Manufacture, Pharmaceuticals, Petrochemicals and Food

Source: www.stats-hlheb.gov.cn

Main contributing factors for Harbin becoming a favoured service outsourcing destination

- Harbin is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- Harbin has one core park – Service Outsourcing Park of Harbin Economic and Technological Development Zone; three professional parks - Heilongjiang Geographical Information Park, Heilongjiang Pingfang Animation and Comics Industrial Park and Heilongjiang Service Outsourcing Call Centre Park of China Unicom; four university parks - Harbin Institute of Technology Science Park, Harbin Engineering University Science Park, Heilongjiang University Software Park, and Harbin University of Science and Technology Science Park.¹
- In 2008, Harbin's actual, used foreign capital reached USD 570 million, 28.1 percent higher than 2007. There were 82 newly-approved foreign direct investment projects, with a contractual foreign capital of USD 440 million, while 21 involved foreign capital of over USD 10 million, with a contractual foreign capital of USD 400 million.²
- Twenty-two Fortune 500 companies (including Nestle Metro Carrefour) have set up foreign-invested enterprises in Harbin.²

Service outsourcing

Key service outsourcing providers (outsourced services)

Harbin pharmaceutical group (KPO services)	Bright Oceans (KPO services)
Harbin Institute of Technology Software (Software development outsourcing)	Dingxin Data (BPO services)
Harbin and Technology Development (ITO services)	Heilongjiang Bureau of Surveying and Mapping (ITO services)
Livechain (ITO services)	Lannuo Digital (BPO services)
Harbin Weibo (KPO services)	Hongjia Technology (BPO services)

Source: <http://chinasourcingmofcom.gov.cn>, www.hrbbpo.com, respective company websites

Present state of the service outsourcing sector

- Harbin's service outsourcing focuses on the industries like finance, government, education, manufacturing, logistics, transportation, media, telecom and medical care. Offshore service outsourcing clients mainly come from Japan, the US, the EU, Korea, Pakistan, Vietnam, Sudan, Indonesia and India.¹
- In 2009, the signed and executed contract value of Harbin's offshore outsourcing services were USD 2.19 billion and USD 294 million, respectively.¹
- As at the end of 2009, Harbin was home to 329 software service outsourcing enterprises, with 13,000 total employees.¹
- As at the end of 2009, 36 enterprises had achieved international certification like CMMI in Harbin.¹

Related incentives for service outsourcing

- Government policies: Harbin Municipal Government drew up the *Certain Opinions on the Promotion of the Service Outsourcing Industry in Harbin* in May 2007, and the *Development Plan for Harbin's Service Outsourcing Industry* in July 2008. The salient points are: 1) Special-purpose development funds for service outsourcing. 2) Tax concessions. 3) Loans and finance guarantees. 4) Incentives for project R&D, manpower training, and acquisition of international certification.³
- Industry park policies: In July 2008, Harbin Economic and Technological & Hi-tech Development Zone released the *Interim Measures for the Promotion of Software and Service Outsourcing Industry Development*. The salient points are: 1) Special-purpose development funds for the software service outsourcing industry. 2) Rental subsidies to resident enterprises.

Development targets for service outsourcing

- By 2013, the city will generate an annual income of USD 2.2 billion from service outsourcing and have over 10 service outsourcing providers with a workforce of 1,000 each.

Infrastructure

- Office park: Harbin Economic and Technological & Hi-tech Development Zone consist of two national-level zones: the Harbin Economic and Technological Development Zone and the Harbin High and New Technological Development Zone, with a total planned area of 31 square kilometres.³
- Domestic and international traffic: Harbin Railway has 36 trunk lines and sub-lines across Heilongjiang Province and within part of Inner Mongolia. Harbin Taiping International Airport operates 82 domestic and international air routes to 47 destinations. There are sea routes reaching some ports in the far east region of Russia, which have direct access to Japan, North Korea, South Korea, and Southeast Asia.⁴
- Communication infrastructure: In 2008, Harbin had 2,485,000 fixed line users, 7,270,000 mobile phone users, 1,174,000 internet users, and 828,000 broadband access users.²

Human resources

- Education: In 2008, Harbin had 48 tertiary institutions (with a student intake of 205,000 and a student population of 615,000) and 20 postgraduate institutes (with a student intake of 14,000, a student population of 45,000, and 12,000 graduates).²
- Scientific research: In 2008, Harbin had 131 research institutes in the public sector and seven state-designated corporate technology centres and 27 provincial corporate technology centres, with 45,000 research staff (including 36,000 scientists and engineers).²
- Training: In 2008, Harbin had 12 qualified service outsourcing training agencies with over 5,000 attendees in various fields.³

Quality of living

- Economic level: In 2008, Harbin's GDP was USD 41.3 billion, an increase of 13.2 percent over 2007. Urban per capita disposable income reached USD 2,100, 14.2 percent higher than 2007, and urban per capita consumption expenditure was USD 1,553, 16.1 percent higher than 2007.²
- Natural environment: In 2008, Harbin had a new public green space of 7,113,000 square metres, a green coverage of 44.6 percent, and there were 308 days with good air quality.²
- Hotels: In 2008, Harbin had 93 star-rated hotels, including three five-star hotels.²

¹ Harbin Information Industry Bureau
² www.stats-hlheb.gov.cn

³ www.kaifaqu.com.cn
⁴ www.harbin.gov.cn



Jinan



City profile

- Jinan is the capital city of Shandong Province
- Jinan is the political, economic, cultural, technical, educational and financial centre of Shandong Province. It is also one of the opening coast cities of China.

Overview

Geographical location	Located between Beijing and Shanghai, in the mid-west of Shandong Province, with Mountain Tai to the south and the Yellow River to the north
Climate	Semi-humid continental monsoon climate in a warm temperate zone Annual average temperature: 14°C Annual average precipitation: 613.2mm (2008)
Population	6,630,000 (2008)
Key industries	Electronic Onformation, Transportation Equipment, Iron & Steel, Petro-chemical Fibre, Machinery Equipment and Service

Source: www.jntj.gov.cn

Main contributing factors for Jinan becoming a favoured service outsourcing destination

- Jinan is one of the 21 State Council-approved “Model Cities for Service Outsourcing” across the nation.
- Qilu Soft Park is a model outsourcing park in Jinan. It is designated as a National Torch Program Software Industrial Base, a National Software Industrial Base, a China International ICT Innovation Cluster, and a National Software Export (Innovation) Base.¹
- In 2008, Jinan approved 69 new foreign investment projects, realising contract foreign investment of USD 1,467 million, a 41.5 percent year-on-year increase; actual used foreign capital amounted to USD 864 million, a 54.2 percent year-on-year increase.²
- Jinan formulated the *Specific Action Plan of protecting Intellectual Property*, and conducted specific rectification on protection environment of intellectual property. In Qilu Soft Park where service outsourcing enterprises gathered, a dedicated office was set up to receive complaints about Intellectual Property Infringement. A special fund of USD 432,000 was established to pay for enterprises whose Intellectual Property were infringed.

Service outsourcing

Key service outsourcing providers (outsourced services)

Inspur (Software development outsourcing)	Goitsys (BPO services)
NEC (Software development outsourcing)	E5system (ITO services)
Eastdawn (BPO services)	Cvicse (ITO services)
Telchina (KPO services)	SinoCom Software (ITO services)
Enput Data (BPO services)	Integrated Electronic Systems Lab (IT services)

Source: www.jinan.gov.cn, respective company websites

Present state of the service outsourcing sector

- Jinan’s outsourcing businesses mainly focuses on fields including engineering design, software information, animation, finance, accounting outsourcing, data backup, data processing, after-sales service, call centre, logistics supply and Exhibition Services.
- In 2009, the executed contract value of Jinan’s offshore outsourcing services amounted to USD 120 million, a year-on-year increase of 46 percent. Jinan was home to 147 service outsourcing enterprises, an increase of 58 percent. The total employees reached 42,000.³ As at 2009, 26 enterprises had achieved CMM/CMMI certification.⁴
- Jinan has established an outsourcing industrial cluster with the High-tech Zone as its base, Qilu Soft Park as its leader and software outsourcing as its core business. Most outsourcing services clients are from Japan, the US, Canada, Pakistan, South Korea, and the Philippines.⁵
- Qilu Soft Park hosts 580 enterprises, with over 37,000 employees. Its sales revenue was USD 5.8 billion in 2008.³

Related incentives for service outsourcing

- Government policies: Jinan Municipal Government issued *Opinions on Further Promoting the Development of Outsourcing Industry* (August 2009), and set up a fund to guide, support and give incentives for the development of service outsourcing. The main points include: 1) Subsidies for park construction loan interest; incentive for offshore outsourcing; reduction of rent. 2) Subsidies to valued and experienced entrepreneurs starting businesses and settling down, including subsidies on personal income tax. 3) Subsidies to enterprises for renting broadband, international certification application and participating in exhibitions.
- Industrial park policies: Since 2003, Jinan service outsourcing parks have issued preferential policies, providing incentives and help in the areas of taxation, financial rewards, property leasing, personnel hiring and living conditions.

Development targets for service outsourcing

- By 2013: Complete the construction of two million square metres of service outsourcing park carriers, have a total employee of 100,000, and attract 300 domestic and overseas enterprises to set up service outsourcing operations in Jinan. Among them, 60 enterprises with CMM/CMMI3 and above certification, and 10 with CMM5/CMMI5 certification. Cultivate two to three enterprises with over 10,000 employees each and 20-30 enterprises with over 1,000 employees each. The total turnover of service outsourcing to reach USD 5 billion, with USD 500 million from export.

Infrastructure

- Office park: Jinan's office parks are mainly located within the national-level industrial parks in Jinan High-tech Development Zone, including Qilu Soft Park, Overseas graduates venture park, High-tech Venture Services Centre and an Export Processing Zone, and University City Digital Creative Park in Changqing District. As a China's Demonstration Region for Service Outsourcing, Qilu Soft Park covers an area of 6.5 square kilometres, and completed an area of 1 million square metres.⁶
- Domestic and international traffic: Jinan's highway network reached 11,000 kilometres in length; Beijing-Shanghai, Beijing-Kowloon and Jiaozhou-Xinyi railway lines run through the city, and after the completion of Beijing-Shanghai express railway, it will take 1.3 hours from Beijing to Jinan and 2.3 hours from Shanghai to Jinan; Jinan Airport has 116 domestic and international routes, reaching over 50 domestic and foreign cities with direct routes to Japan, South Korea, Singapore, Russia, Hong Kong SAR, Macao SAR and Taiwan.²
- Communication infrastructure: In 2008, the number of Jinan's fixed line users totalled 1.6 million, mobile phone subscribers amounted to 5.1 million; broadband and internet users reached 887,000.²

Human resources

- Education: In 2008, Jinan had 66 tertiary institutions with a student population of 608,000, and 165,000 graduates.² There were over 50,000 students graduate from service outsourcing relevant disciplines.³
- Scientific research: In 2008, Jinan had 164 corporate technology centres, among which 11 were national-level and 37 were provincial-level. There were 100 engineering technology research centres, among which 72 were provincial-level.²
- Training: In 2009, Jinan had designated 30 service outsourcing training institutions, giving training to over 10,000 outsourcing professionals every year. It established a national service outsourcing training centre in Qilu Soft Park, and set up five provincial-level talent training bases. Jinan also cooperated with foreign partners in training, which included setting up an IT outsourcing institute with Microsoft and setting up a financial training institution with Canada. The joint training institution of Inspur and Uptec has been put into use. Jinan introduced the course systems of Hitachi, NEC and IBM as well.³

Quality of living

- Economic level: In 2008, Jinan's GDP reached USD 43.4 billion, a 13 percent increase compared with 2007; per capita disposable income of urban residents was USD 3,000, a 15.5 percent increase; and per capita consumption expenditure was USD 2,000, a 12.2 percent increase.²
- Natural environment: In 2008, the public green area in Jinan reached 36.6 million square metres and the green coverage area reached 118.8 million square metres, comprising 36.4 percent of the total urban area. There were 295 days with good air quality in 2008.²
- Hotels: In 2009, Jinan had 110 star-rated hotels, including five five-star hotels.³

¹ <http://outsourcing.shandongbusiness.gov.cn>
² www.jntj.gov.cn

³ Dalian Foreign Trade and Economic Cooperation Bureau
⁴ xxgk.jinan.gov.cn/sxxcyj

⁵ <http://chinasourcing.mofcom.gov.cn>
⁶ www.jctp.gov.cn



Qingdao

City profile

- Qingdao is a city directly under the Shandong provincial government
- Qingdao is one of the most important economic centres along China's east coast as well as one of China's open coast cities.

Overview	
Geographical location	Located at the southern tip of Shandong Peninsula, with the Yellow Sea to its east and south. It faces Japan and South Korea across the sea
Climate	Temperate monsoon climate Yearly average temperature: 12.7°C Yearly average rainfall: 662.1mm
Population	7,615,600 (2008)
Key industries	Home Appliances, Petrochemical, Automobile, Shipbuilding, Textile and Apparel, Food, Iron & Steel, Logistics and Tourism

Source: www.qingdao.gov.cn

Main contributing factors for Qingdao becoming a favoured service outsourcing destination

- Qingdao Software Park has been designated as a National Torch Program Software Industrial Base and a National Model Base for Software Export to Europe and the US. It hosts 145 software enterprises, of which 28 are foreign-invested software companies. Over 5,000 software professionals are employed by these enterprises.¹
- In 2008, Qingdao approved 640 foreign investment projects and utilised foreign capital of USD 2.6 billion; 81 of the world's Top 500 enterprises have invested in 166 projects in Qingdao, with a total amount of nearly USD 1.96 billion.²
- Qingdao has formulated a development plan named "1 Area, 3 Centres and 5 Parks" for the outsourcing industry. According to the planned layout, Qingdao will build three outsourcing centres and five outsourcing parks along the coast from Qingdao Shinan Software Park to Aoshan Software Park.
- Qingdao is close to Japan, the third largest outsourcing services user in the world.

Service outsourcing

Key service outsourcing providers (outsourced services)	
Lucent Technologies (IT services)	Caterpillar (KPO services)
Altech (ITO services)	ResourcePro (IT services)
Haiersoft (ITO services)	Hisensoft (IT services)
Zhongke Software (IT services)	NEC (ITO services)
Tidever Software (Software development outsourcing)	Softbrain (Software development outsourcing)

Source: respective company websites

Present state of the service outsourcing sector

- Qingdao's ITO business mainly consists of software outsourcing, including embedded software development, animation and cartoon creation and design, network technology and system integration, and IC design.
- In 2009, the signed contract value of Qingdao's offshore outsourcing services was USD 163 million, a year-on-year increase of 202 percent, while the executed contract value was USD 96.5 million, a year-on-year increase of 178 percent.²
- As at 2009, Qingdao was home to 124 service outsourcing enterprises, a year-on-year increase of 50 percent, the total staff in service outsourcing was nearly 30,000.³ Seven enterprises achieved CMM2 or CMM3 certification.
- In respect of Qingdao's service outsourcing activities, 75 percent were ITO, while BPO and KPO accounted for 25 percent.³

Related incentives for service outsourcing

- Government policies: In February 2008, the Qingdao Municipal Government issued the *Development Plan for the Outsourcing Industry of Qingdao* and the *Support Measures for the Enhancement of the Development of the Outsourcing Industry* in Qingdao. These incentive policies include: 1) A special fund to support the development of the outsourcing industry. 2) Subsidies for training expenses. 3) Sponsorship for business promotion activities. 4) Rewards for overseas businesses. 5) Incentives for international certification applications.
- Industrial park policies: Qingdao Software Park has issued preferential policies for enterprises in the park, including: 1) Tax deductions and exemptions. 2) Allowances for software enterprises that pass international certifications. 3) Rewards for R&D. 4) Favourable terms for utilisation of park facilities.

Development targets for service outsourcing

- By 2010: the overall turnover of service outsourcing to reach USD 5.8 billion, of which USD 800 million should be from offshore outsourcing services, with 150 enterprises engaging in offshore outsourcing; number of employees to reach over 80,000; and three to five national-level model parks (bases) to be built.

Infrastructure

- Office park: Various software and outsourcing parks in Qingdao cover a total area of 700,000 square metres, mainly consisting of the Shinan Software Park, Yiqing Creation Park of Laoshan District, Pheonix Island Film and Animation City of Huangdao District and the Logistics Information Outsourcing Park of Huangdao District. Phase I of the Qingdao Software Park covers 126,000 square metres, with a planned area of 260,000 square metres; Phase II covers 100,000 square metres, with a total planned area of 120,000 square metres.¹
- Domestic and international traffic: In 2008, the total highway length reached 14,632 kilometres, 702 kilometres of which was expressway. The city is connected to the national railway network via the Jiaozhou-Jinan Railway. It has 85 domestic air routes and 12 international/regional routes connecting it with major domestic cities, such as Beijing, Shanghai and Guangzhou, as well as international cities or regions such as Tokyo, Osaka, Fukuoka, Nagoya, Seoul, Busan, Hong Kong SAR, and Taiwan. Qingdao Port has 125 international routes, connecting it to more than 450 ports in over 130 countries and regions.⁴
- Communication infrastructure: In 2008, there were 3,312,000 fixed line users, 6,255,000 mobile phone users, and 1,494,600 internet users in Qingdao.⁴

Human resources

- Education: In 2009, Qingdao had 28 tertiary institutions with a student intake of 90,200, a student population of 297,000, and 80,300 graduates. There were also nine postgraduate institutes with a student intake of 8,100 and 4,900 graduates.²
- Scientific research: In 2008, there were 51 academics of the Chinese Academy of Science and the Chinese Academy of Engineering in Qingdao. The city was home to 102 key laboratories and 13 national level corporate engineering centres.²
- Training: Qingdao Top Institute of Information Technology is one of the eight institutes designated as key outsourcing talent training institutes in Shandong Province. In addition, Qingdao has established the HP Qingdao College Students IT Outsourcing Talent Training Base.

Quality of living

- Economic level: In 2008, Qingdao's GDP reached USD 63.83 billion, a 13.2 percent increase compared with 2007; urban per capita disposable income was USD 3,000, a 14.6 percent increase compared with 2007; and urban per capita consumption expenditure was USD 2,000, a 12.1 percent increase compared with 2007.⁴
- Natural environment: In 2008, Qingdao's green area covered 156.31 million square metres, representing 41.5 percent of the city area, a 1.7 percent increase compared with 2007. The per capita public green area was 13 square metres. There was 333 days with good air quality.⁴
- Hotels: In 2008, Qingdao had 161 star rated hotels, including 13 five-star hotels.²

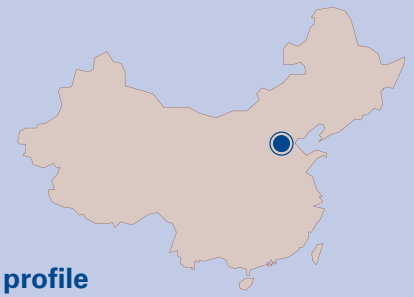
¹ www.qingdaosoftware.com

² www.qingdao-invest.gov.cn

³ Qingdao Municipal Bureau of Commerce

⁴ www.stats-qd.gov.cn

Tianjin



City profile

- Tianjin is one of the four municipalities directly under the central government, and is one of the biggest coastal cities open to the outside in northern China
- Tianjin is one of the important comprehensive industrial bases of China, and one of the core cities in the Bohai Economic Rim.

Overview

Geographical location	Tianjin is located in northeast of the North China Plain, downstream of the Haihe River, east to the Bohai sea, north to the Yanshan Mountain, and west to Beijing
Climate	Medium latitude monsoon climate Annual average temperature: 11.4-12.9°C Annual average precipitation: 520-660mm
Population	11,760,000 (2008)
Key industries	Aeronautics and Astronautics, Petrochemicals, Equipment Manufacturing, Electronic Information, Bio-Pharmaceuticals, New Energy and New Materials

Source: www.stats-tj.gov.cn

Main contributing factors for Tianjin becoming a favoured service outsourcing destination

- Tianjin is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- Tianjin Hi-tech Industry Park was founded in 1998, and is honoured as a National Software Export Base, National torch Plan Software Industry Base, National 863 Software Professional Incubator, Pilot Zone of Chinese Service Outsourcing Model City, and an Information Service Core Zone of National Comprehensive Hi-tech Industry Base by the relevant national authorities.¹
- In 2008, there was 15.1 percent increase from 2007 of new foreign-invested enterprises, these 691 contracts are worth USD 13.3 billion. In 2008, 78 projects with individual amounts over USD 50 million were newly approved, and the number of Fortune 500 enterprises investing in Tianjin rose to 130.²
- Tianjin is one of the national software export bases, and has formed an offshore service outsourcing industry cluster with the development zone and new technology zone at its core.

Service outsourcing

Key service outsourcing providers (outsourced services)

Kaspersky (IT Services)	Yucheng Technologies (BPO services)
Standard Chartered (Shared service centre)	Amdocs (ITO services)
iSoftstone (ITO & BPO services)	CSC (ITO & BPO services)
ACS (IT Services)	Chinasoft Cyber Resource (Software development outsourcing)
KBW (Software development outsourcing)	iWork (ITO Services)

Source: <http://chinasourcing.mofcom.gov.cn>, www.tianjinsourcing.gov.cn, respective company websites

Present state of the service outsourcing sector

- The development of outsourcing service in Tianjin has four focuses: software development, bio-medicinal, finance outsourcing, and transnational corporation shared operation centre.³
- In 2009, the signed contract value of Tianjin's offshore outsourcing services amounted to USD 333 million, a year-on-year increase of 63.6 percent. Also, the executed contract value in 2008 has increased by 96.2 percent to USD 125 million from the previous year.³
- As at the end of 2009, Tianjin was home to 179 service outsourcing enterprises that registered online in Ministry of Commerce. The total staff reached 27,700. Ten enterprises achieved CMMI certification.³
- Of Tianjin's service outsourcing activities in 2009, 68.5 percent were ITO, leaving ample room for further development of BPO.³

Related incentives for service outsourcing

- Government policies: Tianjin Municipal Government has issued a series of promotional policies including the *Opinions on Promoting Service Outsourcing in Tianjin* (March 2007), providing preferential policies in land, tax, talents attraction, and support service outsourcing enterprises in industrial support, tax concession, training, talent incentives, and innovation support.³
- Industrial park policies: Many parks in Tianjin, such as Tianjin Hi-tech Industry Park, Tianjin Free Trade Zone, Tianjin Economic-Technological Development Area have issued preferential policies, including *Provisional Regulations on Promotion of Service Outsourcing in Tianjin Economic and Technology Development Zone* (January 2007) and *Supporting Policies of Tianjin Hi-tech Industry Park* (November 2008) to provide capital and other support to enterprises regarding taxation, customs and talents cultivation.

Development targets for service outsourcing

- By 2011: the total revenue of software and service outsourcing to reach USD 4.3 billion, of which USD 1.5 billion was from exports. Fifty enterprises to achieve CMM/CMMI3 and above certification. The workforce will amount to over 160,000.

Infrastructure

- Office park: Tianjin Development Zone, Tianjin Airport Logistics Processing Zone, and Tianjin New Technology Industry Park are model service outsourcing zones. The planned area of Service Outsourcing Base of Tianjin Development Zone is 440,000 square metres; the planned area of service outsourcing model zone of Tianjin Airport Logistics Processing Zone is two square kilometres.¹
- Domestic and international traffic: Tianjin has 12,059 kilometres of highways, including 834 kilometres of expressway. Three main railways (Beijing-Harbin, Beijing-Shanghai, Beijing-Tianjin) cross in Tianjin. Tianjin Binhai International Airport has 59 flights to 48 cities, including 17 international cities; Tianjin harbour is connected to over 400 ports in 180 countries.⁴
- Communication infrastructure: The number of fixed phone subscribers and mobile phone subscribers in Tianjin reached 3.9 million and 8.2 million respectively in 2008. The number of internet users was 4.6 million.²

Human resources

- Education: In 2008, Tianjin had 45 tertiary institutions with a student intake of 118,500, a student population of 386,400, and 101,700 graduates. There were also postgraduate institutes with a student intake of 12,700, a student population of 33,800, and 9,600 graduates. Eighteen tertiary institutions have electronic information and software schools, with 230 related majors open to students.²
- Scientific research: Tianjin now has more than 600,000 technical professionals, 159 scientific research institutions, eight national-level labs, 10 national-level engineering technology research centres and 27 technical testing centres of national or department level.
- Training: Tianjin has over 10 training institutions, including Tianjin Service Outsourcing Training Centre and Tianjin Software Export Base Training Centre, to cultivate professional talents for the service outsourcing industry.²

Quality of living

- Economic level: Tianjin's GDP was USD 91.4 billion in 2008, an increase of 16.5 percent over 2007. Per capita disposable income of urban residents was USD 2,800, a 18.7 percent increase. Per capita consumption expenditure was USD 1,900, a 11.6 percent increase over 2007.²
- Natural environment: In 2008, newly established or refurbished green area totalled 75 million square metres, and there were 321 days with good air quality in that year.²
- Hotels: By 2008, Tianjin had 118 star rated hotels, with 10 five-star hotels.

¹ www.tianjinsourcing.gov.cn

² www.stats-tj.gov.cn

³ Tianjin Commission of Commerce

⁴ <http://chinasourcing.mofcom.gov.cn>



Eastern China cities

Hangzhou

Hefei

Nanjing

Nanchang

Ningbo

Shanghai

Suzhou

Wuxi



Hangzhou

City profile

- Hangzhou is the capital of Zhejiang Province and the provincial political, economic and cultural centre
- Hangzhou is one of the major traffic hubs in East China and the Yangtze River Delta Region.

Overview

Geographical location	Located on the south of the Yangtze River Delta, the west end of Hangzhou Bay, the lower course of Qiantang River, and the south end of Jinghang Grand Canal
Climate	Sub-tropical monsoon climate Yearly average temperature: 17.5°C Yearly average rainfall: 1,273.9mm (2008)
Population	7,966,000 (2008)
Key industries	Electronics and Information, Pharmaceuticals and Petrochemicals, Machinery Manufacturing, Textiles and Apparel, Food and Beverages

Source: 1 www.hzstats.gov.cn
2 Hangzhou Foreign Trade and Economic Cooperation Bureau

Main contributing factors for Hangzhou becoming a favoured service outsourcing destination

- Hangzhou is one of the 21 State Council-approved “Model Cities for Service Outsourcing” across the nation.
- Hangzhou has the following state-designated bases: a software industry base, a software export innovation base, an animation industry base, a service outsourcing urban base, and an experimental base for Europe- and America-bound exports.¹
- In 2009, Hangzhou approved 554 FDI projects, with a committed foreign capital of USD 7 billion, of which USD 4 billion were already set aside. In addition, Hangzhou’s four state-designated development zones attracted a committed foreign capital of USD 2.5 billion, of which USD 1.5 billion was actually used.²
- Hangzhou has established business relationships with over 200 countries and regions. As at the end of 2009, a total of 70 Fortune 500 companies invested in 111 projects in Hangzhou.¹

Service outsourcing

Key service outsourcing providers (outsourced services)

INSIGMA (ITO & BPO services)	Infosys (ITO & BPO services)
Hundsun Technologies (ITO services)	Sunyard (ITO services)
Microsoft (Shared service centre)	Intel (Shared service centre)
Strategic systems (ITO services)	State Street (Software development outsourcing, BPO services)
NEC (ITO services)	WebEx (IT services)

Source: www.hangzhou.com.cn, respective company websites

Present state of the service outsourcing sector

- Hangzhou focuses on ITO and BPO, covering mainly software development, network and digital value-added services, telecommunication operations and financial services outsourcing.³
- In 2009, the signed contract value of Hangzhou’s offshore outsourcing services was USD 1.1 billion, while the executed contract value was USD 919 million.³
- As at the end of 2009, Hangzhou was home to 347 offshore service outsourcing enterprises, 106 enterprises had achieved CMM/CMMI certification. The total staff in software and information service industry was around 75,000.³
- Of Hangzhou’s service outsourcing activities in 2009, 83 percent ITO, 6.2 percent BPO, and 10 percent KPO.³

Related incentives for service outsourcing

- Government policies: Hangzhou Municipal Government released the Certain Opinions on the *Promotion of the Service Outsourcing Industry in Hangzhou* in June 2007, and the *Development Strategies and Industry Planning for Service Outsourcing in Hangzhou* in January 2009. These incentives covered special-purpose funds, corporate certifications, market expansion, personnel training, exports and intellectual property protection.
- Industrial park policies: Hangzhou Economic and Technological Development Zone and Hangzhou High-tech Industry Development Zone have also offered preferential treatments, including: 1) Tax concessions. 2) Funding for newly-established qualified service outsourcing providers. 3) Subsidies to accredited service outsourcing training agencies and resident enterprises with self-acquired offices. 4) Export incentives to service outsourcing providers.

Development targets for service outsourcing

- By 2010, Hangzhou targets to achieve an overall turnover of USD 1.9 billion for service outsourcing, with USD 1 billion from service outsourcing exports, build up a workforce of over 50,000, and attract 10 domestic and overseas companies to undertake outsourcing in Hangzhou. There will also be one to two sizable firms with 10,000 staff and 10 firms with 1,000 staff

Infrastructure

- Office park: Hangzhou has four state-designated development zones: the Hangzhou Economic and Technological Development Zone, Hangzhou High-tech Industry Development Zone, Xiaoshan Economic and Technological Development Zone, and Hangzhou Zhijiang National Tourist Holiday Resort. The Hangzhou High-tech Industry Development Zone occupies a site area of 85.6 square kilometres, while the Hangzhou Economic and Technological Development Zone has an administrative area of 104.7 square kilometres.
- Domestic and international traffic: Hangzhou had 14,700 kilometres of roads including four trunk railway lines and one sub-line. Hangzhou Xiaoshan International Airport had 193 operating routes, including 30 international routes and eight routes for destinations being Hong Kong, Macau and Taiwan.⁴ There are now eight subway lines under construction.
- Communication infrastructure: In 2008, Hangzhou had 4.3 million fixed line users, 8.8 million mobile phone users, and 1.4 million broadband access users.²

Human resources

- Education: In 2009, Hangzhou had 38 tertiary institutions with a student intake of 119,000, a student population of 430,000, and 103,000 graduates. There were also 15 postgraduate institutes with a student intake of 11,000, a student population of 36,000, and 7,800 graduates.³
- Scientific research: The city has nine key state-designated professional laboratories, three state-designated corporate technology research centres, and 19 natural science research institutions.⁵
- Training: Hangzhou has over 20 service outsourcing manpower training agencies such as Hangzhou State Software Industry Base United Training Centre, with an annual enrolment of 17,000 participants in 2009. Hangzhou International Institute of Service Engineering set up at the end of 2008 is the first service outsourcing undergraduate institute in China.³

Quality of living

- Economic level: In 2008, Hangzhou's GDP reached USD 68.8 billion, 11 percent higher than 2007. Urban per capita disposable income was USD 3,500, 11.1 percent higher than 2007, and urban per capita consumption expenditure was USD 2,400, 12.2 percent higher than 2007.²
- Natural environment: In 2008, Hangzhou had an expanded green area of 6.1 million square metres, a per capita green area of 14.1 square metres, a green coverage of 38.7 percent, and 301 days with good air quality.²
- Hotels: In 2009, the city had 250 star-rated hotels, including 16 five-star hotels.³

¹ www.hzsourcing.gov.cn

² www.hzstats.gov.cn

³ Hangzhou Foreign Trade and Economic Cooperation Bureau

⁴ www.hangzhou.gov.cn

⁵ <http://chinasourcing.mofcom.gov.cn>



Hefei



City profile

- Hefei is the capital of Anhui Province
- Hefei is the provincial political, economic, cultural, information, financial, and business centre.

Overview

Geographical location	Located between the Yangtze River and Huai River, on the bank of Chao Lake, and on the west end of Pan-Yangtze River Delta
Climate	Humid sub-tropical monsoon climate Yearly average temperature: 15.7°C Yearly average rainfall: 1,000mm
Population	4,867,400 (2008)
Key industries	Automobiles, Engineering Machinery, Household Electrical Appliances, Petrochemicals and New Construction Materials

Source: www.hefei.gov.cn

Main contributing factors for Hefei becoming a favoured service outsourcing destination

- Hefei is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- Hefei is a "State-designated Pilot City for Science and Technology Innovation", and a "State-designated Animations and Comics Industry Base".¹
- By 2009, there were 342 high-tech enterprises approved by provincial-level and above scientific departments according to new National High-tech Enterprise Cognizance Measures, accounting for 35 percent of the total number of approved enterprises in Anhui Province. Hefei New and High-tech Industrial Development Zone had 195 high-tech enterprises, accounting for 57 percent of those in the city.²
- In 2009, Hefei had 59 new foreign invested entities, with an actual used foreign capital of USD 1.3 billion, or a rise of 8.4 percent over 2008.² As at the end of 2009, there were a total of 2,100 approved foreign invested entities, with a cumulative gross investment of USD 13.2 billion and an actual used foreign capital of nearly USD 7 billion.²

Service outsourcing

Key service outsourcing providers (outsourced services)

USTC E-Business (ITO services)	USTC iFLYTEK (ITO services)
Array Information Technology (Software development outsourcing)	Hefei Alpha (BPO services)
Easy-biz Digital Technology (ITO services)	KJLink (Software development outsourcing)
WebEx Software (Software development outsourcing)	Ede Human Resources (Call centre services)
Wellshsoft (Software development outsourcing)	MediaTek (ITO services)

Source: Hefei Commerce Bureau

Present state of the service outsourcing sector

- Hefei focuses on the following service outsourcing activities: digital processing, software outsourcing, software design, financial management, human resources management, financial securities and logistics.³
- In 2009, the signed contract value of Hefei's offshore outsourcing services was about USD 100 million and the executed contract value amounted to USD 62 million, both with a year-on-year increase over of 900 percent.²
- As at the end of 2009, there were 72 service outsourcing providers, with a total staff of 15,000. There were 50 enterprises achieved relevant certification.²
- In respect of Hefei's service outsourcing activities in 2009, 60 percent were ITO, 17 percent were BPO, and 23 percent were KPO.²

Related incentives service outsourcing

- Government policies: In August 2008, Hefei Municipal Government released the *Certain Policies on the Promotion of the Service Outsourcing Industry in Hefei (Trial)* and rules for the implementation. The salient points are: 1) Set up special funds for service outsourcing development. 2) Provide incentives to enterprises on business tax, income tax and senior executives personal income tax. 3) Provide support on international certification costs.
- Industrial park policies: Hefei State-designated New and High-tech Industrial Development Zone and State-designated Economic and Technological Development Zone have introduced preferential treatments. In May 2009, the State-designated Economic and Technological Development Zone released *Incentive Policies for Admission Enterprises in Innovation Pioneer Park*. In November 2009, Hefei State-designated New and High-tech Industrial Development Zone released *Certain Policies on Encouraging the Development of Software, Animation and Service Outsourcing industries*.

Development targets for service outsourcing

- By the end of 2013, Hefei targets to achieve contract value of USD 500 million for service outsourcing, among which, offshore service outsourcing to reach USD 300 million. In addition, from 2009 to 2013 to give training to 60,000 college students and hire 50,000 of these trained students.²

Infrastructure

- Office park: Hefei has three State-designated demonstration areas for service outsourcing: namely the New and High-tech Industrial Development Zone, the Economic and Technological Development Zone, and Anhui Service Outsourcing Industry Park. The New and High-tech Industrial Development Zone and the Economic and Technological Development Zone have planned areas of 108 square kilometres and 66 square kilometres, respectively. Anhui Service Outsourcing Industry Park has a site area of 66,700 square metres and a planned floor area of 100,000 square metres.
- Domestic and international traffic: In 2009, Hefei had 8,461 kilometres of roads and 304 kilometres of expressways. It takes two hours to travel to Nanjing and four to five hours to go to Shanghai and Wuhan through Hefei-Nanjing and Hefei-Xuzhou highway; local railway networks connect Hefei with Nanjing and Shanghai in the east by Hefei-Nanjing railway, Wuhan and Chengdu in the west by Hefei-Wuhan railway, Jiangxi and Fujian in the south by Beijing-Fuzhou railway; Hefei Luogang Airport is an international alternate airport which operates over 30 domestic routes and international direct routes to Seoul, Hong Kong and Taipei. The new 4E level airport – Hefei Newbridge International Airport is under construction. Hefei is one of the inland shipping centers planned by Ministry of Transport, which is undertaking integrated terminal construction and a channel dredging project.²
- Communication infrastructure: In 2008, Hefei had 1,700,000 fixed line users, 2,700,000 mobile phone users, and 437,500 internet users.⁴

Human resources

- Education: In 2008, Hefei had 42 tertiary institutions with a student intake of 146,000, and around 100,000 graduates. There were also eight postgraduate and PhD institutes with a student population of 27,800, and 6,288 graduates.⁴
- Scientific research: In 2008, the city had 30 provincial-level and above engineering technology research centres, over 200 national-level and provincial-level scientific research institutes, and 358 technology R&D agencies, along with nearly 300,000 scientific staff.²
- Training: In Hefei, there are the Demonstration School of Software Engineering of the University of Science and Technology of China and Hefei State-designated Service Outsourcing Manpower Training Centre. The training centre has already partnered with nearly 20 tertiary institutions in conducting training programs. There are also other training agencies such as the IBM Software Practitioner Training (Hefei) Base.

Quality of living

- Economic level: In 2008, Hefei's GDP was USD 24 billion, an increase of 17.2 percent over 2007. Urban per capita disposable income reached USD 2,243, 16.1 percent higher than 2007, and urban per capita consumption expenditure was USD 1,691, 18.3 percent higher than 2007.⁴
- Natural environment: In 2008, Hefei had a green space of 124.9 million square metres, a green coverage of 35.2 percent, a public green area per capita of 11.4 square metres, and 317 days with good air quality in 2009.²
- Hotels: In 2009, Hefei had 55 star-rated hotels including nine five-star ones.²

¹ www.gov.cn

² Hefei Commerce Bureau

³ <http://chinasourcing.mofcom.gov.cn>

⁴ <http://tjj.hefei.gov.cn>



Nanjing



City profile

- Nanjing is the capital city of Jiangsu Province and is renowned for its history and culture
- Nanjing is one of the important industrial production and research bases in China.

Overview

Geographical location	Downstream of the Yangtze River, South of Jiangsu Province
Climate	Humid subtropical monsoon zone Annual average temperature: 15.4°C Annual average rainfall: 1,106mm
Population	7,588,900 (2008)
Key industries	Electronic Information, Petrochemical, Automobile, Iron & Steel, Wind Power, Photovoltaic Equipment, Communications, Energy-Saving Environmental New Materials, Metro, Software & Service Outsourcing and Finance

Source: 1 www.nanjing.gov.cn
2 www.njtz.gov.cn

Main contributing factors for Nanjing becoming a favoured service outsourcing destination

- Nanjing is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- In 2009, the software business revenue of Nanjing was over USD8.6 billion, a year-on-year increase of over 30 percent. There were 70 software enterprises with annual revenue over USD 14.4 million and 240 over USD 1.4 million. The accumulated staff reached over 120,000 after around 30,000 new staff joined in 2009.¹
- In 2009, Nanjing obtained foreign investment contracts amounting to USD 4.6 billion, a 15.5 percent increase compared with 2008; actual used foreign investment amounted to USD 2.4 billion, a 0.8 percent increase.¹
- As at 2009, approximately 100 of the world's Top 500 companies, representing 16 countries and regions had established a presence in Nanjing, setting up a total of 160 independent corporations, branches or representative offices.¹

Service outsourcing

Key service outsourcing providers (outsourced services)

ZTE (ITO services, Software development outsourcing)	iSoftstone (ITO & BPO services)
Neusoft (IT services)	Alcatel (IT services)
Linkage Technology (ITO services)	Eagle Technology (KPO services)
Liandi Information Systems (ITO services)	ACCESS (ITO services)
Nanjing Fujitsu Nanda (Software development outsourcing)	HopeRun (Software development outsourcing)

Source: www.nanjing.gov.cn respective company websites

Present state of the service outsourcing sector

- Nanjing's outsourcing businesses mainly concentrate on software, biomedical, industrial design, and animation and cartoons. Among them, ITO – represented by software business – is dominant.²
- In 2009, the signed contract value of Nanjing's offshore outsourcing services was USD 1.3 billion, a year-on-year increase of 190 percent, while the executed contract value was USD 1 billion, a year-on-year increase of over 232.6 percent.¹
- Nanjing was home to around 500 service outsourcing enterprises, and 82 software enterprises have achieved CMM/CMMI3 and above certification.¹
- Of Nanjing's service outsourcing activities, over 60 percent were ITO, BPO and KPO were 20 percent respectively.¹

Related incentives for service outsourcing

- Government policies: Nanjing Municipal Government has issued a series of incentive policies, including the *Opinions on Further Promotion of Software Industry* (May 2008), and the *Implementation Measures for Policies on Supporting the Development of International Service Outsourcing in Nanjing* (January 2009). The main contents include: 1) Rewards and subsidies for international outsourcing businesses. 2) Incentives for introducing talent. 3) Incentives for international certification applications and patent applications. 4) Investment and financing support.
- Industrial park policies: The management committee of the Nanjing New and High Technology Industrial Development Zone has established special support and venture funds, and supports the development of enterprises residing in Nanjing Software Park through various measures, including investment and guarantees. Preferential policies in taxation and office leasing are also available.

Development targets for service outsourcing

- By 2010: international service outsourcing business contract value to reach over USD 2.9 billion, with executed contract value to reach USD 2.2 billion; to be over 550 international service outsourcing enterprises with 100,000 staff; 50 transnational enterprises attracted to the transfer service outsourcing business to Nanjing, 150 domestic and overseas enterprises to set up service outsourcing companies in Nanjing. Cultivate three international service outsourcing enterprises with over 10,000 staff, 20 with over 1,000 staff. There will be 100 enterprises achieving CMM/CMMI3 and above certification, among which 20 will have CMM/CMMI5 certification.¹

Infrastructure

- Office park: Nanjing has five state-designated service outsourcing demonstration areas: Nanjing New and High Technology Industrial Development Zone, Gulou District, Xuanwu District, Jiangning Economic Development Zone and Yuhuatai District.
- Domestic and international traffic: Expressways link Nanjing with many cities, and major routes include Shanghai-Nanjing, Nanjing-Hangzhou, Nanjing-Hefei, Nanjing-Lianyungang, Nanjing-Nantong and Nanjing-Maanshan expressways. Nanjing has Beijing-Shanghai, Nanjing-Wuhu, Hefei-Nanjing and Nanjing-Qidong railway trunk lines. The Nanjing south station, Beijing-Shanghai, Shanghai-Nanjing and Nanjing-Hangzhou high speed railway lines are under construction. Nanjing Lukou International Airport provides routes to over 80 domestic and overseas cities like Frankfurt, Los Angeles, Tokyo and Seoul. Nanjing Port has set up close relationships with 160 ports in 80 countries and regions.¹
- Communication infrastructure: In 2008, Nanjing had 3,190,500 fixed line and 6,310,100 mobile phone subscribers, as well as 1,070,800 internet subscribers and 1,021,300 broadband internet subscribers.³

Human resources

- Education: In 2009, Nanjing had 43 tertiary institutions with a student population of 773,400.¹
- Scientific research: In 2009, Nanjing had over 500 scientific research and technology development institutions, among which 109 national/provincial-level and 37 city-level engineering technology research centres, as well as 48 national/provincial-level key laboratories. The city had over 700,000 R&D personnel working in various fields.¹
- Training: Nanjing has launched a public service platform of service outsourcing training, and set up four provincial-level international service outsourcing talent training centres with over 20,000 students trained in 2009.¹

Quality of living

- Economic level: In 2008, Nanjing's GDP was USD 54.3 billion, a 12 percent increase compared with 2007; per capita disposable income of urban residents was USD 3,300, a 14 percent increase over 2007; and per capita consumption expenditure of urban residents was USD 2,200, a 14 percent increase compared with 2007.³
- Natural environment : In 2009, the per capita share of green area was 13.6 square metres in Nanjing. The city's total green coverage rate was 47 percent and 315 days with good air quality.¹
- Hotels: In 2009, Nanjing had 131 star-rated hotels, including 13 five-star hotels.¹

¹ Nanjing Municipal Development & Reform Commission

³ www.njtj.gov.cn

² <http://chinasourcing.mofcom.gov.cn>



City profile

- Nanchang is the capital of Jiangxi Province
- Nanchang is close to the Yangtze Delta, Zhujiang Delta and the Southeast Fujian Economic zone, and is the political, economic and cultural centre of Jiangxi Province.

Nanchang

Overview

Geographical location	Nanchang is located in the north-central of Jiangxi Province, close to Poyang lake
Climate	Subtropical monsoon climate Average annual temperature: 17°C-17.7°C Annual average rainfall: 1,600-1,700mm
Population	4,947,300 (2008)
Key industries	Automotive Manufacturing, Medicine and Pharmaceuticals, Food, Electronics, Metallurgy, New Materials and Textiles

Source: www.nc.gov.cn

Main contributing factors for Nanchang becoming a favoured service outsourcing destination

- Nanchang is one of the 21 State Council-approved “Model Cities for Service Outsourcing” across the nation.
- Nanchang National High-Tech Technology Industrial Development Zone is one of the Model Service Outsourcing Zones in China. 90 percent of the city’s entire IT industry revenue comes from Nanchang Hi-tech Zone. The zone is home to over 1,300 enterprises, of which 200 are foreign-invested companies. There are four national key service outsourcing enterprises, five national key software enterprises and nearly 400 IT and service outsourcing enterprises in the zone.¹
- In 2008, actual used foreign capital in Nanchang amounted to USD 1.4 billion, a 14.6 percent increase over 2007.²
- By the end of 2008, there were 2,695 foreign-invested enterprises in Nanchang, and 29 Fortune 500 companies.²

Service outsourcing

Key service outsourcing providers (outsourced services)

Bertelsmann (Call centre services)	Inventec (IT services)
UFIDA (IT services)	Ahead Software (Software development outsourcing)
ZTE (IT services)	Tellhow (ITO services)
Goldingsoft (Software development outsourcing)	Belltech (ITO services)
Strong Engineering (ITO services)	Giesecke & Devrient (IT services)

Source: respective company websites

Present state of the service outsourcing sector

- Software outsourcing took the main part of outsourcing service in Nanchang, at 87.3 percent.¹
- According to the registration in 2009, the signed and executed contract value of Nanchang’s offshore outsourcing services were both USD 162 million.¹
- In 2009, 131 service outsourcing enterprises joined this industry in Nanchang. There were 16 enterprises with annual signed contract value over USD 10 million. The total staff of this industry was 17,500.¹
- As at 2009, one enterprise achieved CMMI5 certification, while two enterprises achieved CMMI3 in Nanchang.¹

Related incentives for service outsourcing

- Government policies: Nanchang Municipal Government has issued several beneficial policies, including *The Notice of Some Opinions to Further Promote the City's Service Outsourcing* (February 2009), *The notice of the Issuance of Nanchang's Some Policies to Promote Service Outsourcing* (August 2009) and *Implementation Rules of Management for High Technology Enterprises Designation in Nanchang* (December 2009). The main contents include: 1) A special fund to promote industry development. 2) Incentives to service outsourcing talent training. 3) Support for enterprises to develop international markets. 4) Financial support to enterprises engaging in exports. 5) Encouragement for enterprises to apply for international certifications, such as CMMI/CMM.
- Industrial park policies: National High-Tech Technology Industrial Development Zone has issued *The Support Measures to Promote the Development of Software and Service Outsourcing Industry (Provisional)* (February 2009), Qingyunpu District issued *Some Opinions to Promote the Development of Service Outsourcing (Pilot)* (March 2009), Hong Gu Tan New District issued *The Pilot Measures on the Development of Software and Service Outsourcing* (August 2009). Other districts like Donghu, Xihu, Qingshanhu and Wanli issued relevant measures as well. The main policies include: bonuses to enterprises that purchase office buildings in the area; bonuses to enterprises which increase their revenue and tax reductions and exemptions.

Development targets for service outsourcing

- By 2013: Shape two or three service outsourcing cluster areas, cultivate two to three service outsourcing enterprises with annual sales revenue over USD 700 million, and cultivate 10 enterprises with revenues of over USD 140 million. The aim is for the service outsourcing turnover to reach over USD 4.3 billion.¹

Infrastructure

- Office park: Nanchang is home to industrial areas like Chang Dong Industrial Zone, Chang Nan Industrial Park, Nanchang Economic Technology Development Area and Hong Gu Tan New District. National High-Tech Technology Industrial Development Zone. It was established in March 1991, with a planned area of 231 square kilometres, 32 square kilometres of which have been completed.³
- Domestic and international traffic: Nanchang has 765.7 kilometres of highways including three national highways, making it possible to reach the capital cities of adjacent Provinces (Anhui, Hubei, Hunan, Zhejiang) in about five hours. The city is the cross-point of the Beijing-Kowloon and Zhejiang-Jiangxi railway lines. Nanchang Changbei International Airport provides over 40 direct flights to cities inside and outside of China, including Beijing, Shanghai, Hong Kong, Macau, and Seoul. Nanchang is connected to cities and towns along the Kanjiang River, Fu River, Poyang Lake, the ports of the Yangtze River, as well as the ocean via the Jiujiang and Shanghai port.
- Communication infrastructure: By the end of 2008, Nanchang had 1.8 million fixed line users and 3.3 million mobile phone users, as well as 730,000 internet subscribers.²

Human resources

- Education: In 2008, Nanchang had 46 tertiary institutions with a student intake of 131,000, a student population of 441,000, and 172,000 graduates. There were also postgraduate institutes with a student intake of 3,671, a student population of 11,903, and 3,625 graduates.²
- Scientific research: In 2008, National High-Tech Technology Industrial Development Zone had 45 technology centres, including three state-level corporate engineering centres, and 15 key laboratories.
- Training: There are 36 IT education and training institutions in Nanchang, of which eight are software schools. More than 330,000 students are enrolled in software and related training programmes in Nanchang.⁴ Nanchang is also home to training bases like the "IBM Ahead ETP Base", Ambow Service Outsourcing Practical training base and In-think Service Outsourcing Talent Training Centre.⁵

Quality of living

- Economic level: In 2008, Nanchang's GDP was USD 23.9 billion, an increase of 15.0 percent over 2007. Per capita disposable income was USD 2,174, a year-on-year increase of 15.6 percent, with per capita consumption expenditure of USD 1,662, an increase of 14.8 percent.²
- Natural environment: By the end of 2008, green area in Nanchang totalled 76.63 million square metres, with a coverage of 41.4 percent. Per capita public green area was 8.4 square metres. There were 343 days with good air quality in 2008.²
- Hotels: In 2009, there were 60 star-rated hotels in Nanchang, including five five-star hotels.¹

¹ Nanchang Municipal Foreign Trade & Economic Cooperation Committee

³ <http://chinasourcing.mofcom.gov.cn>

⁵ www.jxdii.gov.cn

² www.nctj.gov.cn

⁴ www.mofcom.gov.cn



Ningbo



City profile

- Ningbo is one of China's coastal cities open to the outside
- Ningbo is one of the important industrial cities and foreign trade ports in Eastern China.

Overview

Geographical location	Ningbo locates in the east of Zhejiang Province, south of the Yangtze Delta, east of the Zhou Shan Archipelago, north of the Hangzhou Bay
Climate	North subtropical monsoon zone Yearly average temperature: 17.3°C Yearly average rainfall: 1,468mm (2008)
Population	5,681,000 (2008)
Key industries	Textiles, Garments, Household Appliances, Machinery, Automobile Parts, Petrochemicals and Power Supply

Source: 1 www.nb.gov.cn
2 www.ningbochina.com

Main contributing factors for Ningbo becoming a favoured service outsourcing destination

- Ningbo Economic & Technical Development Zone was founded in October 1984. By June 2009, 1,416 foreign-invested enterprises had been approved, with total foreign investment of USD 23 billion, including contracts worth USD 11.8 billion in total, and 380 projects worth over USD 10 million each. Ningbo is characterised by the development of manufacturing industries along the port, including machinery equipment, opto-electronic information, automobile and auto-parts manufacturing and modern service industry.¹
- Ningbo National High-Tech Industrial Development Zone was founded in 1999, and became a national-level hi-tech industrial development zone in January 2007. The zone introduced 145 scientific research institutions, and is home to over 2,000 enterprises and 28,000 scientific talents, and an "incubator" of 250,000 square metres.²
- In 2008, 332 foreign-invested enterprises were newly registered, with total investment of USD 3.2 billion. By the end of 2008, the total number of foreign-invested enterprises had reached 6,495. By October 2008, the contract amount of utilised foreign investment totalled USD 37.7 billion, including USD 19.4 billion of actual used foreign investment.³

Service outsourcing

Key service outsourcing providers (outsourced services)

IBM (IT services)	Digital China (IT services)
China Eastsea Business Software (BPO services)	Ningbo Haotian (Software development outsourcing)
Zhejiang Easy (ITO services)	Ningbo Eastsea Linefan (ITO services)
Ningbo Ekey (ITO services)	Ningbo TomTaw Software (ITO services)
Zhejiang Tecco (BPO services)	Ningbo Rendering Film & Animation (KPO services)

Source: Respective company websites

Present state of the service outsourcing sector

- The ITO sector in Ningbo mainly includes embedded software R&D, industry application software and customer-tailored software R&D, system integration and animation outsourcing; the BPO mainly includes business operating service and logistics, supply chain management.⁴
- In 2009, the signed contract value of Ningbo's offshore outsourcing services was USD 134 million, a year-on-year increase of 31.4 percent.⁴
- In 2009, 80 service outsourcing enterprises and 3,010 staff joined this industry. As at the end of 2009, there were 394 service outsourcing enterprises with 17,200 staff in Ningbo.⁴

Related incentives for service outsourcing

- Government policies: The municipal government of Ningbo has issued many policies to promote service outsourcing, such as *Detailed Rules for Implementation of Supportive Policies on Promotion of Service Outsourcing in Ningbo (tentative)* (August 2008). The main contents include: 1) A special fund to support service outsourcing development. 2) Bonuses for enterprises to boost international certification. 3) Capital support to promote training for service outsourcing talents. 4) Encouragement for enterprises to develop offshore outsourcing. 5) Subsidies to enterprises who attend trade fairs inside and outside China.
- Industrial park policies: The municipal government of Ningbo issued *Opinions on Further Promotion of Software Industry* in April 2007. These provide subsidies to software enterprises who rent self-used offices in the software park, and provide one-off subsidies to large software enterprises whose headquarters or regional headquarters and R&D institutions are settled in Ningbo on purchasing self-used office buildings.

Development targets for service outsourcing

- By 2013: service outsourcing turnover to reach USD 2.16 billion, including USD 500 million from offshore outsourcing; to establish five or more municipal-level model service outsourcing zones; to attract and cultivate 100 software enterprises with annual sales over USD 280,000 each; and employees in the service outsourcing sector to exceed 100,000.

Infrastructure

- Office park: Ningbo is home to national-level development zones, such as Ningbo Economic and Technical Development Zone, Ningbo Free Trade Zone, Ningbo Export Processing Zone, and Ningbo National Hi-tech Industrial Development Zone. An "incubator" of 250,000 square metres, including Ningbo Hi-tech Innovation Centre, Zhejiang University National Science Park (Ningbo) has been completed in the Ningbo National Hi-tech Industrial Development Zone. Ningbo Economic and Technical Development Zone covers an area of 29.6 square kilometres, of which 600,000 square metres has been completed for factory buildings.
- Domestic and international traffic: Ningbo has 9,572 kilometres of highways including 366 kilometres of expressways. Xiaoshan-Hangzhou double-track and Hangzhou-Taizhou-Wenzhou railway are the main railways in Ningbo, and are connected to national railway network through the Zhejiang-Jiangxi railway line, Shanghai-Hangzhou railway line, and Ningbo port area. Ningbo Lishe International Airport has more than 40 domestic flights to major cities such as Beijing, Shanghai and Guangzhou, as well as direct overseas flights to Seoul and Hong Kong. Ningbo port has 210 freight containers to over 600 ports in more than 100 countries and districts.
- Communication infrastructure: In 2008, Ningbo had 3,382,400 local fixed telephone subscribers; 8,215,800 mobile phone subscribers; and 2,566,200 internet subscribers.⁵

Human resources

- Education: In 2008, Ningbo had 15 tertiary institutions with a student intake of 42,804, a student population of 133,000, and 35,899 graduates. There were also 13 postgraduate institutes with a student intake of 770, a student population of 1,895, and 369 graduates.⁵
- Scientific research: In 2008, Ningbo was home to 1,287 scientific research institutions with 40,651 scientific staff, and one state-designated corporate technology research centre was newly set up.⁵
- Training: Ningbo has two national software colleges: Zhejiang University's College of Software Technology is one of the national model software colleges; and the software college of Ningbo Dahongying University is one of the model software technology vocational colleges in China.

Quality of living

- Economic level: In 2008, Ningbo's GDP was USD 57 billion, an increase of 10.1 percent over the previous year; per capita disposable income was USD 3,641, an increase of 13.4 percent over 2007; per capita consumption expenditure of urban residents was USD 2,357, a 17.7 percent increase over the previous year.⁵
- Natural environment : In 2008, public green area totalled over five million square metres, with per capita public green space of 11.5 square metres, a green coverage of more than 35 percent.⁵
- Hotels: In 2008, Ningbo has 178 star-rated hotels, including four five-star hotels.⁶

¹ www.netd.com.cn

² http://gjxq.ningbo.gov.cn

³ www.ningbo.gov.cn

⁴ NingBo Foreign Trade & Economic Cooperation Bureau

⁵ www.nbstats.gov.cn

⁶ www.nbtravel.gov.cn



City profile

- Shanghai is one of the four municipalities directly under the Central Government, and the core city of the Yangtze Delta economic circle
- Shanghai is one of the important economic and financial centres, transportation hubs and foreign trade ports in China.

Overview

Geographical location	Shanghai lies in the middle of China's coastline, with the East Sea at the east, Hangzhou Bay at the south, Jiangsu and Zhejiang Provinces at the west, and the estuary of the Yangtze River at the north
Climate	Subtropical monsoon climate Annual average temperature: 17.5°C Annual average rainfall: 1,513mm (2008)
Population	18,884,600 (2008)
Key industries	Finance, Electronic Information, Iron & Steel, Automobiles, Petrochemical, Chemicals, Pharmaceuticals, New and Advanced Technology

Source: www.stats-sh.gov.cn

Main contributing factors for Shanghai becoming a favoured service outsourcing destination

- Shanghai is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- In Shanghai, Zhangjiang Software Export, Biomedical Research and Development (R&D), and Financial Back Office Service Base, Jinqiao R&D Design Service Base, Lujiazui Information Service Base, as well as Waigaoqiao Information Technology and Logistic Services Base have been established.
- In 2008, Shanghai approved 3,748 foreign direct investment (FDI) projects, with a foreign investment contract value of USD 17.112 billion. Tertiary industry received realised FDI amount of USD 6.835 billion. As at the end of 2008, 138 countries and regions had investments in Shanghai, which hosted 224 multinationals' regional headquarters, 178 investment companies and 274 foreign R&D centres.¹
- In April 2009, the State Council issued "Opinions on Promoting the Development of Shanghai's Modern Service Industry and Advanced Manufacturing Industry, and the Development of International Financial Centre and International Shipping Centre". By 2020, the city aims to become an international financial and shipping centre, matching China's economic strength and Renminbi's international position
- In May 2008, Commercial Aircraft Corporation of China, Ltd. was established in Shanghai, meaning that the R&D of "large aircraft" commenced in China.

Service outsourcing

Key service outsourcing providers (outsourced services)

IBM (IT services)	HP (IT services)
TCS (IT & BPO services)	Infosys (ITO & BPO services)
Motorola (Share service centre)	ADP China (Human resources outsourcing)
Bleum (Software development outsourcing)	HSBC (Share service centre)
Hyron (Software development outsourcing)	Wicresoft (Call centre and IT services)

Source: www.investment.gov.cn, respective company websites

Present state of the service outsourcing sector

- Shanghai focuses on developing financial service outsourcing, movie and TV games production, application software development and maintenance, distribution and logistics outsourcing, as well as finance and accounting service outsourcing businesses.
- In 2008, the signed contract value of Shanghai's offshore outsourcing services was USD 1.23 billion, a year-on-year increase of 34.3 percent, while the executed contract value was USD 880 million, a year-on-year increase of 264.2 percent.²
- As at the end of 2008, Shanghai was home to 331 service outsourcing enterprises, with a total employees over 60,000.² There were 107 software enterprises achieved CMM/CMMI3 and above certification. Among them, 12 achieved CMM5 certification.
- Of Shanghai's service outsourcing activities in 2008, 71 percent were ITO, 23 percent were PBPO and 6 percent were others.²

Related incentives for service outsourcing

- Government policies: Shanghai Municipal Government has introduced a number of incentives, such as the issue of *Recognition Procedures for New and Advanced Technology Enterprises in Shanghai High-tech Industrial Development Zone* (February 2001) and *Notice of the Shanghai People's Government to Promote the Development of Service Outsourcing Industry in Shanghai* (August 2006). These measures include: 1) Providing special funds to support service outsourcing companies. 2) Providing service outsourcing companies with preferential policies. 3) Improving service outsourcing companies' financing conditions. 4) supporting companies to exploit domestic and global markets. 5) Providing companies with quality internet services.
- Industrial park policies: Different service outsourcing parks have also introduced policies to promote service outsourcing business, such as the issue of *Implementation Measures of Shanghai Zhangjiang Hi-tech Park Regarding Supporting Software Industry Development during the Period of the 11th Five-Year Plan* (January 2007). These measures include. 1) Promoting industrial scale. 2) Encouraging self-creativity. 3) Strengthening talent development. 4) Increasing the construction of the industry base. 5) Increasing the construction of public services.

Development targets for service outsourcing

- By 2010, the service outsourcing industry will generate total revenue of USD 17.3 billion, including USD 2 billion for export business. It will attract 500 domestic and foreign companies to set up service outsourcing businesses in Shanghai.

Infrastructure

- Office park: Several comprehensive development zones have been established in Shanghai, including Zhangjiang Hi-tech Park, Hongqiao Economic and Technological Development Zone, as well as Lujiazui Finance and Trade Zone. Phases I and II of Shanghai Pudong Software Park have an area of 30,000 and 94,000 square metres respectively, whilst Phase III has a planned area of approximately 580,000 square metres.
- Domestic and international traffic: Shanghai has 637.4 kilometres of expressways. Expressways linking Shanghai with Nanjing, Hangzhou and Beijing have been put into operation. It takes about 10 hours to drive from Shanghai to Beijing by expressway. Beijing-Shanghai and Shanghai-Hangzhou railway lines link Shanghai with other major railways across China. More than 80 trains leave Shanghai for other large and medium-sized cities across the country. Shanghai has two airports—Pudong and Hongqiao—operating routes to over 70 and 90 domestic and international (regional) cities respectively. Shanghai Port operates sea trade business with over 500 ports of more than 200 countries and regions, and has international routes to over 20 cosmopolitan cities like Tokyo and New York. The city also has nine urban rail transport lines and one major train line.
- Communication infrastructure: In 2008, there were 10.2 million fixed line users, 18.9 million mobile phone subscribers, 11.6 million internet users and 4.2 million broadband users in Shanghai.¹

Human resources

- Education: In 2008, Shanghai had 61 tertiary institutions with a student population of 502,900, and 122,100 graduates. There were also 53 postgraduate institutes with a student intake of 32,100, a student population of 95,500, and 25,800 graduates.¹
- Scientific research: In 2008, there were 37 national-level corporate engineering centres and branches, and 253 municipal-level corporate engineering centres in Shanghai.¹
- Training: There are four pilot software institutes and 781 vocational technical schools. There are also more than 500 computer application technology training institutes, providing training to nearly 100,000 people, of which 30 percent are from software technology discipline.

Quality of living

- Economic level: In 2008, Shanghai's GDP reached USD 197.1 billion, representing an increase of 9.7 percent compared with 2007. The average per capita income and consumer expenditure for urban residents reached USD 3,838 and USD 2,791, a year-on-year increase of 12.9 percent and 12.4 percent respectively.¹
- Natural environment: In 2008, Shanghai had new green space covering 11.9 million square metres, with the per capita public green area of 12.5 square metres, a green coverage rate of 38 percent,³ and there were 327 days with good air quality.¹
- Hotels: In 2008, Shanghai had 310 star-grade hotels, among which 37 were graded five-star.¹

¹ www.stats-sh.gov.cn

² Shanghai Municipal Commission of Commerce

³ State of the Environment 2009 Shanghai Communiqué



Suzhou

City profile

- Suzhou is a famous historical and cultural city in China
- Suzhou is one of the most important cities in the Yangtze River Delta economic development zone, and is the industrial centre of south Jiangsu Province.

Overview

Geographical location	Suzhou is located in the southeast of Jiangsu Province, with Shanghai to the east, Zhejiang to the south, Taihu Lake to the west and the Yangtze River to the north
Climate	Subtropical monsoon marine climate Yearly average temperature: 17°C Yearly average rainfall: 1,000mm
Population	6,297,500 (2008)
Key industries	Information Technology, Biopharmaceutical, Precision Machinery, Automobile and Auto Parts, Metallurgy, Fine Chemicals and New Textiles

Source: www.sztj.gov.cn

Main contributing factors for Suzhou becoming a favoured service outsourcing destination

- Suzhou is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- Suzhou is a state-level Torch Program software industrial base and an animation industrial base.
- Suzhou has one state-level model service outsourcing base - Suzhou Industrial Park, two provincial-level model service outsourcing cities – Kunshan and Taicang, and eight provincial-level model service outsourcing bases – Kunshan Huaqiao Economic Development Area, Suzhou National New & Hi-tech Industrial Development Zone, Zhangjiagang Economic Development Zone, Changshu Southeast Economic Development Zone, Wujiang Fenhu Economic Development Zone, Wuzhong Economic Development Zone, Kunshan Software Park, and Taihu Science and Technology Industrial Park.¹
- In 2008, actual used foreign investment totalled USD 8.1 billion. By the same year, 128 Fortune 500 companies had settled in Suzhou.²

Service outsourcing

Key service outsourcing providers (outsourced services)

NCS (ITO services)	Canon System Software (ITO services)
Tangram interaction Centre (Call centre services)	Capgemini (BPO services)
Bank of China Financial Business (BPO services)	Jiangsu Yuanyang Data Processing (BPO services)
Susoft (ITO services)	Founder Software (ITO services)
Global Data Solutions (ITO services)	AppTec (KPO services)

Source: www.sipac.gov.cn, respective company websites

Present state of the service outsourcing sector

- The service outsourcing in Suzhou mainly includes: software development, R&D and design, animation creative, logistics/supply chain management, financial background processing, and Biomedical R&D.
- In 2009, the signed contract value of Suzhou's offshore outsourcing services was USD 1.047 billion, an increase of 99 percent over 2008, with an executed contract value of USD 871 million, an increase of 93 percent.¹
- As at 2009, Suzhou was home to 793 service outsourcing enterprises registered in MOFCOM, with 88,000 employees.³ By the end of 2009, 55 enterprises had achieved CMMI certification, among them, two had achieved CMMI5.¹
- Of Suzhou's service outsourcing activities in 2009, 50 percent were ITO, 39.8 percent were BPO, and 10.2 percent were KPO.¹

Related incentives for service outsourcing

- Government policies: Suzhou Municipal Government has issued a series of policies, including *Three-Year Action Plan for the Promotion of the Development of International Outsourcing Services* (May 2007), and *Several Opinions Concerning the Promotion of the Development of Outsourcing Industry* (August 2007). The main contents include: a special fund to support service outsourcing development; subsidies to enterprises establishing their headquarters or regional headquarters in Suzhou; subsidies to enterprises for expenses related to office buildings, internet & communications, and international certifications; and financial rewards to companies engaged in offshore outsourcing.
- Industrial park policies: Model outsourcing parks and zones in Suzhou have also issued policies to support industry development. The main contents include: 1) Special subsidies or rewards to service outsourcing enterprises every year for office building, training, international certification, and market promotion. 2) Support to enterprises applying for investment or financing.

Development targets for service outsourcing

- By 2011: the total contract value of service outsourcing to reach USD 3.8 billion, with executed offshore outsourcing to USD 1.5 billion, with average annual increase of 80 percent and 50 percent respectively. To form 50 service outsourcing enterprises with over 1,000 employees each, and five enterprises with over 5,000 employees each.¹

Infrastructure

- Office park: Suzhou has set up five state-level development zones, including Suzhou Industrial Park, Suzhou National New & Hi-Tech Industrial Development Zone, Kunshan Economic & Technical Development Zone, Zhangjiagang Free Trade Zone, and Suzhou Taihu Lake Tourist Resort. There are also 12 provincial-level development zones, they are: Zhangjiagang Economic Development Zone, Changshu Economic Development Zone, Changshu Southeast Economic Development Zone, Taicang Port Economic Development Zone, Kunshan New & Hi-Tech Industrial Development Zone, Kunshan Huaqiao Economic Development Zone, Wuzhong Economic Development Zone, Hushuguan Economic Development Zone, Wujiang Economic Development Zone, Wujiang Fenu Economic Development Zone, Xiangcheng Economic Development Zone, and Kunshan tourist resort.¹
- Domestic and international traffic: Suzhou has 12,346 kilometres of highways, including 490 kilometres of expressway. Direct trains from Suzhou reach Nanjing and Shanghai along the Shanghai-Nanjing Line, the Suzhou sections of Beijing-Shanghai High Speed Railway and Shanghai-Nanjing Intercity Railway are under construction. Suzhou has three ports, including Zhangjiagang, Changshu and Taicang, with over 90 freight routes inside and outside of China.
- Communications infrastructure: In 2008, Suzhou had 5,010,500 local fixed line users; 10,311,500 mobile phone subscribers and 1,497,500 broadband subscribers.²

Human resources

- Education: In 2008, Suzhou had 18 tertiary institutions with a student intake of 55,600, a student population of 166,800, and 39,700 graduates. There were also two postgraduate institutes with a student intake of 2,845, a student population of 8,537, and 2,191 graduates.¹
- Scientific research: In 2008, Suzhou had 53 enterprise technology centres at provincial level or above; 37 engineering technological R&D centres, five engineering centres, and 114 provincial-level foreign-invested R&D institutions. The total professional and technical personnel was 666,000.²
- Training: Suzhou has five international service outsourcing training bases at provincial level. The Indian national IT training institute (NIIT) and Suzhou Science and Technology Town (SSTT) have jointly established a software education and training centre; and the Suzhou Software (Microsoft Technology) Practical Training Camp, SUN East China Practical Training base have been Officially put into use.

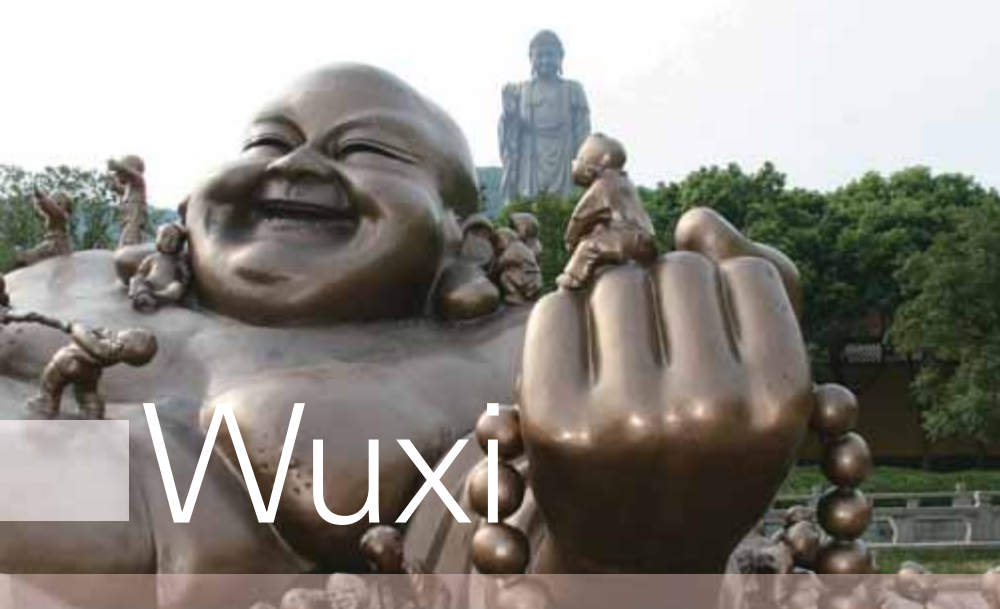
Quality of living

- Economic level: In 2008, Suzhou's GDP reached USD 96.4 billion, a 12.5 percent increase compared with 2007; per capita disposable income for the year was USD 3,434 for urban residents, a 12.3 percent rise compared with 2007; and urban per capita consumption expenditure was USD 2,185, an 8.8 percent increase compared with 2007.²
- Natural environment: In 2008, newly completed green area in downtown totalled 4.9 million square metres; per capita public green area was 14.3 square metres; and the city's green coverage was 44.5 percent. There were 328 days with good air quality in 2008.²
- Hotels: In 2008, Suzhou has 151 star-rated hotels, including 16 five-star hotels.²

¹ Suzhou Municipal Bureau of Commerce

² www.szttj.gov.cn

³ www.mofcom.gov.cn



Wuxi



City profile

- Wuxi is a city directly under the Jiangsu provincial government
- Wuxi is one of the major manufacturing centres of the Yangtze Delta economic zone.

Overview

Geographical location	Wuxi is located in the southeast of Jiangsu Province, with Suzhou close by to the east. It is adjacent to Taihu Lake in the south and borders Zhejiang Province
Climate	North subtropical monsoon zone Annual average temperature: 15.6°C Annual average rainfall : 1,048mm
Population	6,107,300 (2008)
Key industries	Machinery, High-end Textiles, Electronic Information, New Materials, New Energy and Bio-pharmaceuticals

Source: www.wuxi.gov.cn

Main contributing factors for Wuxi becoming a favoured service outsourcing destination

- Wuxi is one of the 21 State Council-approved “Model Cities for Service Outsourcing” across the nation.
- Wuxi is home to many industrial parks and bases: a National Torch Program Software Industrial Base; a National Integrated Circuit Design Industrialisation Base; a National Animation Industrial Base; and a National Animation, Cartoon and Game Industrial Base; Jiangsu Software Outsourcing Industrial Park; Jiangsu Cultural and Creative Industrial Park; and Jiangsu Offshore Service Outsourcing Base.
- In 2008, the local government approved 282 new foreign investment projects, bringing in foreign capital of USD 5.1 billion. Seventy-four of the world’s Top 500 companies have established a total of 143 foreign-invested enterprises in Wuxi.¹
- Wuxi is one of the China Service Outsourcing Talent Training Centres which were designated by MOFCOM and Ministry of Education. Wuxi has Intellectual property theme park — Wuxi (National) Industrial Design Intellectual Property Park, Wuxi Hi-tech Zone was approved to be National Intellectual Property Pilot Park.²

Service outsourcing

Key service outsourcing providers (outsourced services)

AppTec (KPO services)	iSoftstone (ITO services)
Hisoft (ITO services)	ChinaSoft International (ITO services)
Inspur (ITO services)	Huaxia Computer Technology (ITO services)
Achievo (ITO services)	Yokosin Software Engineering (ITO services)
Panasia (BPO services)	China Resources Semico (ITO services)

Source: Wuxi Service Outsourcing Industry Promotion Office

Present state of the service outsourcing sector

- Wuxi’s main outsourcing businesses include: software R&D, IC design, Industrial design, testing outsourcing, Television Animation Design, and Biomedical R&D.
- In 2008, the signed contract value and executed contract value of Wuxi’s offshore outsourcing services were USD 618 million and USD 487 million respectively. As at 2009, Wuxi was home to 828 service outsourcing enterprises with total staff 64,000. Among them, 58 enterprises achieved CMMI certification.²
- In respect of Wuxi’s service outsourcing activities in 2009, 57 percent were ITO, 31 percent were BPO, and 12 percent were KPO.²
- Wuxi iPark lies in Wuxi National Hi-Tech Industrial Development Zone, mainly includes Innovative Creative Industry Park and Jiangsu Software Outsourcing Industrial Park. Its software revenue in 2008 was USD 3 billion. Being one of Jiangsu’s important software and service outsourcing industrial bases, iPark was home to 582 software and service outsourcing enterprises.³

Related incentives for service outsourcing

- Government policies: Wuxi Municipal Government has issued a series of policies, including the *Policy Advices of "123" Program on the Concentration of International Service Outsourcing and software export enterprises* (September 2007), *Implementation Opinions Regarding the Matching of National Fund to Support Service Outsourcing* (July 2008), and *Some Opinions Regarding the Financial Support for the Development of Service Outsourcing* (June 2009). The main contents include: 1) A special fund to support the development of the outsourcing industry. 2) Subsidies and export incentives to enterprises undertaking offshore business. 3) Subsidies for training expenses. 4) Provide rent relief and talent awards to key enterprises. 5) Provide financial support for enterprises.
- Industrial park policies: Wuxi National Hi-Tech Industrial Development Zone has formulated a series of preferential policies, including the *Implementation Opinions of Wuxi High-tech Industrial Development Zone Management Committee on Promoting Science and Technology Renovation* (May 2009), setting up special funds for science and technology development, software animation service outsourcing and IC, Innovation and entrepreneurship.

Development targets for service outsourcing

- By 2010: the total turnover of the service outsourcing industry to reach USD 3 billion; the number of outsourcing enterprises to reach 3,000; the number of CMM/CMMI3 and CMM/CMMI5 certified enterprises to reach 300 and 20 respectively; and the number of employees to reach 200,000.
- By 2020, the total turnover of the service outsourcing industry to reach USD 30-40 billion.

Infrastructure

- Office park: Wuxi has built up 4 million square metres of service outsourcing carriers, formed 15 parks in gradient and differentiated development, including I-Park, K-Park and International Quality Technical Services agglomeration Park. Among them, I-Park Covers an area of one square kilometre, with planning construction area of 1.2 million square metres; 250,000 square metres have been completed, and 360,000 square metres are in the construction.
- Domestic and international traffic: Wuxi has 4,189 kilometres of highways. Highways connecting Beijing and Shanghai, Shanghai and Nanjing, Shanghai and Chengdu, Nanjing and Hangzhou all meet in Wuxi. Railways in Wuxi are connected directly to the national railway network through the Shanghai-Nanjing Line and Xinyi-Changxing Line. Wuxi Airport provides domestic flights to Beijing, Shenzhen and Guangzhou as well as international flights to Hong Kong, Macao and Osaka. With 221 water routes in use, Wuxi is one of China's major ports.
- Communication infrastructure: In 2008, Wuxi had 2,679,300 fixed line users, 5,875,900 mobile phone users, 850,600 internet users, and 600,000 broadband users.²

Human resources

- Education: In 2008, Wuxi had 12 tertiary institutions with a student population of 110,000, and 26,800 graduates.⁴
- Scientific research: Wuxi has 36 national or provincial level engineering technology research centres and 85 city level centres. It also boasts 23 key national/provincial laboratories and public technology service platforms.¹
- Training: Wuxi has service outsourcing education and training institutions including NIIT (China) Service Outsourcing Institute, Wuxi iCarnegie Institute, IBM Service Outsourcing Talent Training Base, Microsoft Service Outsourcing Talent Training Base, Wuxi Production and Research Education Base of Peking University Software and Microelectronics School, 35,000 service outsourcing talents were trained in these institutes in 2009.²

Quality of living

- Economic level: In 2008, Wuxi's GDP reached USD 63.6 billion, a 12.4 percent increase compared with 2007. The average disposable income of urban residents was USD 3,396, a 13 percent increase. Per capita consumption expenditure of urban residents was USD 1,952, a 10.7 percent increase over 2007.¹
- Natural environment: In 2009, public green area in Wuxi expanded 2.4 million square metres, with per capita public green space of 13 square metres, a green coverage of 44 percent. There were 343 days with good air quality in 2008.¹
- Hotels: In 2008, Wuxi had 63 star-rated hotels, including six five-star hotels.¹

¹ www.wxtj.gov.cn

² Wuxi Service Outsourcing Industry Promotion Office

³ www.ipark.net.cn

⁴ Wuxi Statistical Yearbook 2009



Southern China cities

Fuzhou

Guangzhou

Shenzhen

Xiamen



Fuzhou

City profile

- Fuzhou is the capital city of Fujian Province
- Fuzhou is one of China's open coastal cities, as well as an emerging industrial city on the west coast of the Taiwan Strait.

Overview

Geographical location	Fuzhou is located in the east of Fujian Province. It is near the downstream of the Min River, facing Taiwan across the Taiwan Strait.
Climate	Subtropical oceanic monsoon climate Year-round average temperature: 16-20°C Year-round average rainfall: 900-2,100mm
Population	6,830,000 (2008)
Key industries	Electronic Information, Textile & Garments, Metallurgy, Plastic, Automobile & Components

Source: www.fujian.gov.cn

Main contributing factors for Fuzhou becoming a favoured service outsourcing destination

- Fuzhou has a national level high-tech industry development zone – Fuzhou Science and Technology Park; a State Torch Program Software Industry Base – Fuzhou Software Park; and Fuzhou Economic and Technology Development Zone.¹
- Fuzhou Software Park is home to three national-level laboratories (bases), three provincial-level R&D centres and one city-level R&D centre. Resident enterprises have undertaken 44 important science and technology projects. With over 400 registered proprietary intellectual properties, the Park is currently the main base for the city's information technology outsourcing business.²
- In 2009, 144 foreign invested projects were newly approved in Fuzhou, with a total amount of USD 1.2 billion.³
- Fuzhou is an import base for the economic and trade communication between mainland China and Taiwan.¹ The Fujian Municipal People's Government and the Ministry of Information Industry have signed the Cooperation Agreement on the Acceleration of the Development of Information Industry in the Economic Zone on the West Coast of the Taiwan Strait to promote cooperation between the information industries of Fujian and Taiwan.⁴

Service outsourcing

Key service outsourcing providers (outsourced services)

Hefeng (Call centre services)	Fujian Fujitsu (ITO services)
Foxit Software (ITO services)	NetDragon Websoft (Software development outsourcing)
Geosoft (IT services)	Rongji (ITO services)
Star-net (ITO services)	Linewell (Software development outsourcing)
Rockchip (ITO Services)	GMTECH (ITO services)

Source: www.fzsp.com, respective company websites

Present state of the service outsourcing sector

- The outsourcing industry of Fuzhou focuses on software development outsourcing, cartoon & game products export, embedded software products export, finance & insurance service outsourcing, business process and technical maintenance outsourcing.³
- In 2008, the signed contract value of Fuzhou's offshore outsourcing services was USD 73 million, a year-on-year increase of 46 percent.³
- In 2008, Fuzhou was home to 83 service outsourcing enterprises, with 6,745 staff.³
- In 2008, there were 278 software enterprises with 7,000 software developers, 15,000 employees in Fuzhou Software Park, there were two enterprises exporting software over USD 3 million.³

Related incentives for service outsourcing

- Government policies: In November 2008, the Fuzhou Municipal People's Government issued the circular *Opinions on Promoting the Development of Outsourcing Industry* and implementation measures. This circular aims to: 1) Establish a leader team to enhance the leadership. 2) Build a model service outsourcing zone. 3) Set up a special development fund for service outsourcing sector. 4) Deepen cooperation between Fujian, Taiwan, Hong Kong and Macau. 5) Encourage service outsourcing enterprises to obtain international certifications.
- Industrial park policies: Fuzhou Software Park has issued preferential policies to attract hi-tech enterprises. These include: 1) Tax reductions and exemptions. 2) Capital support. 3) Rent reduction and exemptions.

Development targets for service outsourcing

- By 2010: Cultivate over 100 key enterprises capable of accepting domestic and international outsourcing orders, including 15 enterprises with over 800 employees each, and five enterprises with over 3,000 employees each. Attract more than 10 multinational companies to relocate their outsourcing businesses to Fuzhou.

Infrastructure

- Office park: Fuzhou has Fuzhou Economic and Technology Development Zone, Fuzhou Science and Technology Park and Fuzhou Software Park. Among them, Fuzhou Software Park's developed area is 1.7 square kilometres, with a construction floor area of approximately 1 million square metres.
- Domestic and international traffic: Fuzhou has 9,760 kilometres of roads including a total 271.6 kilometres of highway. The train from Fuzhou to Shanghai takes only five hours after Wenzhou – Fuzhou railway was put into use. Fuzhou Changle International Airport has almost 50 flights to 45 cities across the world. Fuzhou Port is one of the hub ports along the coast of China, and is connected to over 40 international ports.
- Communication infrastructure: At the end of 2008, Fuzhou had 2,986,200 landline telephone subscribers; 5,281,700 mobile phone subscribers; and 590,000 internet subscribers, with 540,000 broadband subscribers.⁵

Human resources

- Education: In 2008, there were 34 tertiary institutions in Fuzhou, with a student intake of 83,000, a student population of 250,000, and 63,000 graduates.⁵
- Scientific research: In 2008, Fuzhou had three national-level business technical centres, 37 provincial-level business technical centres, and 17 county-level government scientific R&D institutions.⁵
- Training: Fuzhou University and Fuzhou Software Park have cooperated to establish an international software talent cultivation base that can accommodate more than 5,000 students.

Quality of living

- Economic level: In 2008, Fuzhou's GDP reached USD 32.9 billion, a 13 percent increase compared with 2007; while its urban per capita disposable income and urban per capita consumption expenditure reached USD 2,735 (up 16 percent) and USD 1,948 (up 14.9 percent) respectively.⁵
- Natural environment: The green area of Fuzhou in 2008 was 73,070,000 square metres, with a coverage rate of 37.8 percent, and 353 days with good air quality.⁵
- Hotels: In 2008, Fuzhou has 73 star-rated hotels, including six five-star hotels.⁶

¹ www.fujian.gov.cn

² www.cena.com.cn

³ Fuzhou Bureau of Foreign Trade and Economic Cooperation

⁴ www.fjit.gov.cn

⁵ www.stats-fj.gov.cn

⁶ www.fzta.gov.cn



City profile

- Guangzhou is the capital city of Guangdong Province
- Guangzhou is the political, economic, scientific, technical, educational and cultural centre of Guangdong Province. It is also the economic core of the Zhujiang Delta.

Overview

Geographical location	Guangzhou is located in the mid-south of Guangdong Province, the northern part of the Zhujiang Delta, close to the South Sea, Hong Kong and Macau
Climate	Subtropical monsoon climate Annual average temperature : 20.6-22.5°C Annual average precipitation : 2,388mm (2008)
Population	10,182,000 (2008)
Key industries	Automotive Manufacturing, Petrochemical Manufacturing, Electronics and IT, Biomedical and Real Estate

Source: 1 www.gz.gov.cn
2 www.gdstats.gov.cn

Main contributing factors for Guangzhou becoming a favoured service outsourcing destination

- Guangzhou is one of the 21 State Council-approved “Model Cities for Service Outsourcing” across the nation.
- In 2008, there were 385 direct investment projects in Guangzhou, and total investment amounted to USD 16 billion, with foreign investment contracts totalling USD 5.9 billion.¹
- In 2009, the service industry accounted for over 60 percent of Guangzhou’s GDP, the import and export of service trade was over USD 12 billion. A total of 170 Fortune 500 companies made their presence in Guangzhou together with 19,216 foreign-invested companies.²
- Guangzhou is close to Hong Kong and Macau, within the geometrical centre of the Southeast Asia economic zone. Guangzhou has set up software cooperation centres in Hong Kong, the US and Japan, and signed software cooperation agreement with Hong Kong.³

Service outsourcing

Key service outsourcing providers (outsourced services)

Cagemini (BPO Services)	IBM (IT Services)
TWO Group (IT Services)	Sierra Atlantic (Software development outsourcing, IT services)
HSBC Software (IT Services)	BEA (Shared service centre)
PCCW (IT services)	Guangdong Visonky (IT services)
China Elite Info (BPO Services)	HDPG (BPO services)

Source: Guangzhou Bureau of Foreign Trade and Economic Cooperation, respective company websites

Present state of the service outsourcing sector

- Outsourcing service industries in Guangzhou cover the areas of: system software design; data processing; system application and basic technology services; company operations management systems; supply chain management; and animation design.
- In 2009, the signed contract value of Guangzhou’s offshore outsourcing services was USD 592 million, a year-on-year increase of 173 percent, while the executed contract value was USD 338 million, a year-on-year increase of 98 percent.²
- In 2009, Guangzhou had 66 service outsourcing enterprises with CMMI certification, the total staff of service outsourcing was over 50,000.²
- According to contract registration of Guangzhou, the contact value of BPO was USD 405 million, accounted for 59 percent of total value, while the contract value of ITO and KPO were USD 248 million and USD 35 million, accounted for 36 percent and 5 percent percent respectively.²

Related incentives for service outsourcing

- Government policies: The Guangzhou Municipality has issued a series of policies including the *Opinions of Guangzhou Municipal Government Concerning Expediting the Development of Outsourcing Industry* (March 2008) and *Management Measures for Guangzhou Model Area of China Outsourcing Services* (April 2008). Guangzhou Municipality has set up a special fund to: 1) Develop outsourcing services. 2) Encourage foreign outsourcing service enterprises to invest in China. 3) Support local businesses to develop global outsourcing services, global marketing, project R&D, talent training, and international certification. 4) Boost IP protection. 5) Help start-up companies set up and rent facilities. 6) Provide incentives for outsourcing talents.
- Industrial park policies: Guangzhou Economic and Technology Development Zone offers preferential policies on enterprise introduction, business development, public service platform building, talent training, certification support and office places. Nansha Economic and Technology Development Zone provides support on operation fund, international certification, market development, talent training and public service platform building. TianHe Software Service Park and Huanghuagang Science and Technology Park offers rewards to high-end talent in the parks.

Development targets for service outsourcing

- By 2010: to build eight outsourcing service zones with more than 30 multinational enterprises in Guangzhou; over 100 companies with CMM/CMMI3 certifications, including two or more with annual revenue of over USD 140 million and/or over 5,000 employees; total revenue for offshore outsourcing services to reach four times of that of 2005.

Infrastructure

- Office park: There are four service outsourcing model zones in Guangzhou: Guangzhou Economic and Technology Development Zone, Nansha Economic and Technology Development Zone, Tianhe Software Park, and Huanghuagang Science & Technology Park. Guangzhou Economic and Technology Development Zone is planned to have an area of 65 square kilometres, while Nansha Economic and Technology Development Zone and Tianhe Software Service Park are planned to cover 39 square kilometres and 12.4 square kilometres respectively, Huanghuagang Science and Technology Park has an area of 1 square kilometre.²
- Domestic and international traffic: Highways in Guangzhou are connected to 97 percent of the counties, cities, and towns of Guangdong Province and the highway network of adjacent Provinces. Main railways through the city include the double-track Jingguang Line, the Guangmao Line, the Guangmeishan Line, and the Guangshen Line. Baiyun International Airport has over 110 routes to over 100 domestic and international cities. Guangzhou Port is a large, comprehensive port in south China, with freights reaching over 300 ports in more than 80 countries around the world.
- Communication infrastructure: In 2008, Guangzhou had 6,337,500 fixed line users, 19.2 million mobile phones users, 2,289,000 internet users and over 1 million broadband users.²

Human resources

- Education: In 2008, Guangzhou had 63 tertiary institutions with a student intake of 225,200, a student population of 726,800, and 170,700 graduates. There were also 26 postgraduate institutes with a student intake of 19,300, a student population of 53,800, and 14,800 graduates.¹
- Scientific research: In 2008, Guangzhou had a total of 146 research centres at the national, provincial or city-level. There were another 164 independent research and development institutions in Guangzhou.¹
- Training: Guangzhou has identified eight software talent training centres including Zhongshan University.²

Quality of living

- Economic Level: In 2008, Guangzhou's GDP was USD 118.2 billion, an increase of 12.3 percent compared with 2007. The per capita disposable income of urban residents was USD 3,643, a 12.7 percent increase. Per capita consumption expenditure of urban residents was USD 2,998, an 9.9 percent increase over the previous year.¹
- Natural environment: By August 2009, Guangzhou had total green area of over 80 million square metres, a per capita green area of 13 square metres, a green coverage of 34.2 percent. In 2008, there were 345 days with good air quality.¹
- Hotels: As at August 2009, Guangzhou has 234 star-rated hotels, including 13 five-star hotels.⁴

¹ www.gzstats.gov.cn

² Guangzhou Bureau of Foreign Trade and Economic Cooperation

³ <http://chinasourcing.mofcom.gov.cn>

⁴ www.gzly.gov.cn



Shenzhen



City profile

- Shenzhen is one of China's Special Economic Zones
- Shenzhen is one of the important hi-tech R&D and manufacturing bases in southern China.

Overview

Geographical location	Located in the south of Guangdong Province, east of the Dapeng Bay, west of the estuary of Zhujiang River, and bordering the Hong Kong New Territories in the south
Climate	Subtropical oceanic climate Average annual temperature: 22.8°C Annual average precipitation: 1,933mm
Population	8,768,300 million (2008)
Key industries	Hi-tech, Logistics, Finance and Cultural

Source: www.sz.gov.cn

Main contributing factors for Shenzhen becoming a favoured service outsourcing destination

- Shenzhen is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- Shenzhen has established two outsourcing model zones: Shenzhen Software Park and Majialong Industrial Zone. Established in September 1996, Shenzhen Hi-tech Zone has developed several industrial clusters, including communication, computer, software and pharmaceutical industry clusters.¹
- In 2008, Shenzhen utilised foreign direct investment of USD 4 billion, a 10.1 percent increase compared with 2007. 164 of the world's Top 500 had invested in Shenzhen.²
- Shenzhen is close to Hong Kong, Macau and Southeast Asia. More than 200 of Hong Kong's 700 software companies have set up branches in Shenzhen.³

Service outsourcing

Key service outsourcing providers (outsourced services)

IBM (IT services)	Kingdee (IT services)
Huawei (IT services)	ZTE (IT services)
Freeborders (Software development outsourcing)	BroadenGate (ITO services)
VancelInfo (BPO services)	ChinaSoft International (ITO services)
State Microelectronics (ITO services)	Eternal Asia (BPO services)

Source: Respective company websites

Present state of the service outsourcing sector

- Service outsourcing in Shenzhen mainly consists of software outsourcing and IT technology services, finance, telecommunications, logistics, industrial design, IC design and animation and cartoon design.⁴
- In 2009, the signed contract value of Shenzhen's offshore outsourcing services was USD 5.1 billion with executed contract value USD 4.7 billion. As at 2009, Shenzhen was home to nearly 200 service outsourcing enterprises which undertake offshore business from 100 countries and districts, mainly with North America, Europe, Hong Kong and Japan.⁵
- In 2008, 59 enterprises had obtained CMM/CMMI certifications in Shenzhen: seven had passed CMM5 certification, two had passed CMM4 and 37 had passed CMM3 certification.⁴
- In 2009, the contact value of Shenzhen's ITO was USD 4.5 billion, which accounted for 88.8 percent of total value, while the contract value of BPO was USD 490 million, accounted for 9.6 percent. KPO accounted for 1.6 percent.⁵

Related incentives for service outsourcing

- Government policies: The Shenzhen Municipal Government has issued many incentive policies, including the *Regulations of Shenzhen Municipal People's Government on Further Promotion of the Development of the Hi-tech Industry* (February 1998) and *Notification on Circulating the Regulations on Promotion of Service Outsourcing Industry in Shenzhen* (December 2006). These regulations include: 1) A special fund to support the development of the outsourcing businesses. 2) Subsidies for international certification applications, such as CMMI/CMM. 3) Rewards for service outsourcing enterprises with proprietary products.
- Industrial park policies: Policies set out in the *Regulations of the Shenzhen Hi-tech Industrial Zone* (May 2001) include: 1) The establishment of a hi-tech venture park for overseas Chinese students and funding support. 2) Financial support for technological innovation enterprises or activities. 3) Guarantees for financing arrangements of small and medium-sized enterprises.

Development targets for service outsourcing

- By 2010: annual software production value to reach USD 25.9 billion, with an average annual growth rate of more than 27 percent; annual software export value to reach USD 6 billion, with an average annual growth rate of over 30 percent; software industry employees to reach 300,000; and production value of outsourcing to reach USD 7.2 billion. The city also aims to build a back-office service base for the financial industry, attracting Hong Kong financial institutions to establish regional headquarters, back-office support centres, product research and development centres, client service centres and data backup centres.

Infrastructure

- Office park: Shenzhen has many industrial parks, including Shenzhen Bond Zone, Hi-tech Industrial Zone, Shenzhen Export Processing Zone, Shekou Industrial Zone, and Huaqiao City Development Zone. Shenzhen High-Tech Industrial Zone covers 11.5 square kilometres.¹
- Domestic and international traffic: Shenzhen's highways and expressways run across the Zhujiang Delta. The total length of highways is over 1,400 kilometres and the total length of expressways is over 200 kilometres. In terms of railways, Shenzhen is the cross-point of the Beijing-Guangzhou line and the Beijing-Kowloon line, and provides long-distance transport trains to Beijing, Zhengzhou, Hefei, Wuhan, Changsha and Hong Kong. Shenzhen Bao'an International Airport provides 112 domestic routes and 23 international routes, covering 18 countries and regions. Shenzhen port has 197 international container shipping routes.⁶
- Communication infrastructure: By the end of 2008, Shenzhen had 4,874,200 fixed line users; 18,620,000 mobile phone users; and 2,055,000 internet broadband users.²

Human resources

- Education: In 2008, Shenzhen had nine tertiary institutions with a student intake of 20,600, a student population of 65,600, and 13,600 graduates.²
- Scientific research: In 2008, the number of technical personnel in Shenzhen reached 940,100, a 7.2 percent increase compared with 2007. Over 30,000 enterprises were engaged in developing hi-tech products.²
- Training: Shenzhen Software Park has implemented outsourcing talent training programmes through cooperation with Zensar, IBM, and Hitachi System and Service.

Quality of living

- Economic level: In 2008, the city's GDP was USD 112.3 billion, a 12.1 percent increase compared with 2007; per capita disposable income of urban residents was USD 3,846, an increase of 10.0 percent compared with 2007; and per capita consumption expenditure was USD 2,846, a 7.1 percent increase over the previous year.⁴
- Natural environment: In 2008, the per capita public green area was 16.2 square metres, with a green coverage of 45 percent. there were 364 days with good air quality.²
- Hotels: There are over 140 star-rated hotels in Shenzhen, including 10 five-star hotels.¹

¹ www.sz.gov.cn

² www.szjtj.com

³ <http://chinasourcing.mofcom.gov.cn>

⁴ www.szsoftwarepark.com

⁵ Shenzhen Municipal Science and Technology Industry and Information Technology Commission

⁶ www.szinvest.gov.cn



Xiamen



City profile

- Xiamen is one of China's Special Economic Zones
- Xiamen is one of China's major ports for foreign investments and Taiwan trades.

Overview

Geographical location	Located on the south-east of Fujian Province along the southeast China coast, on the west bank of the Taiwan Strait, and opposite Taiwan
Climate	Sub-tropical climate Yearly average temperature: 21°C Yearly average rainfall: 1,200mm (2008)
Population	2,490,000 (2008)
Key industries	Electronics, Machinery, Petrochemicals, Automobile and Opto-electronics

Source: www.xm.gov.cn

Main contributing factors for Xiamen becoming a favoured service outsourcing destination

- Xiamen is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- Xiamen Software Park has been named a "State-designated Torch Plan Software Industry Base", a "State-designated International Manpower Training (Xiamen) Base for Software and Integrated Circuits Design", and a "State-designated Animation Industry Base". Respective public technology service platforms for IC design, digital media, software and Cisco Telepresence System have been in operation.¹
- In 2008, Xiamen signed 356 new FDI projects with actually-utilised foreign capital of USD 2,042 million, up 60.6 percent.² Forty-five Fortune 500 companies were involved in the city's 80 projects with a gross investment of USD 3.7 billion.³
- Enjoying geographical proximity to and language and cultural affinity with Taiwan, Xiamen has competitive strengths in Taiwan trades. The full implementation of the "Three Direct Links" across the Taiwan Strait has proved to be conducive to business and cultural cooperation between Xiamen and Taiwan.⁴

Service outsourcing

Key service outsourcing providers (outsourced services)

Dell (IT services)	Anheuser-Busch InBev (BPO services)
Longtop Inc (IT services)	ABB (Shared service centre)
Gillion Technologies (IT services)	Yamaha Motor Solutions (Software development outsourcing)
ICSS Haisheng (Software development outsourcing)	Xiamen Dragon Software (Software development outsourcing)
Chang Hang Software (Software development outsourcing, IT services)	Technical Information International Corporation (Software development outsourcing, IT services)

Source: Respective company websites

Present state of the service outsourcing sector

- The outsourcing industry of Xiamen focuses on software R&D, financial services, international shipping and logistics, IC design, call centres, as well as animations and games.³
- In 2009, the executed contract value of Xiamen's offshore outsourcing services was USD 60 million, a year-on-year increase of 25 percent.³ In 2008, Xiamen was home to 91 service outsourcing enterprises, with nearly 10,000 employees. Among them, three enterprises achieved CMMI3 or above certification.³
- As at July 2009, 414 business entities were approved to relocate to Xiamen Software Park, and 355 with 21,000 employees moved into the park. Resident entities realised sales revenue of USD 680 million, up 31.8 percent year-on-year.¹
- In respect of Xiamen's service outsourcing activities, 80 percent are ITO, while 20 percent are BPO and KPO.³

Related incentives for service outsourcing

- Government policies: In December 2008, Xiamen Municipal Government released the *Certain Opinions on the Promotion of the Service Outsourcing Industry in Xiamen*. The salient points are: 1) Funding for outsourcing training agencies. 2) Subsidies to business entities with international certification. 3) Access to finance. 4) Subsidies for participation in major international trade fairs.
- Industrial park policies: Xiamen Software Park offers preferential treatments to resident enterprises. They include: 1) Provision of low-cost R&D office premises. 2) Tax concessions. 3) Government incentives to the R&D, sales, promotion, and exports of animations and comics products. 4) Invention and innovation subsidies. 5) Support to software exporters in obtaining CMM certification with certification fee subsidies.

Development targets for service outsourcing

- Taking Taiwan as its starting point, Xiamen aims to attract over 20 global leading multinational corporations for relocation of their service outsourcing operations to Xiamen. There will be 10 local reputable service outsourcing providers with proprietary intellectual property rights, proprietary brands, and high value-added service capabilities. Xiamen expects to maintain an annual growth rate of over 30 percent from 2006 to 2010 and by 2010, realise operating income from service outsourcing that will increase by over 300 percent compared with 2005.

Infrastructure

- Office park: Xiamen Torch New and High-tech Industry Development Zone and Xiamen Software Park. Xiamen Software Park comprises an Incubator Base (Phase 1) and an Industry Base (Phase 2). The Incubator Base, Xiamen Software Park (Phase 2) and Guanyinshan International Business Operation Centre occupy a total gross floor area of 75,000 square metres, 1,636,400 square metres¹ and 1,384,000 square metres respectively.
- Domestic and international traffic: Xiamen has access to national highway networks by way of Fuzhou-Xiamen and Xiamen-Zhangzhou-Quanzhou Expressways and is linked to national railway networks through Fuzhou-Xiamen Express Rail Link and Yingtian-Xiamen Railway. Xiamen airport operates 170 flights to various cities including Hong Kong, Macau, Taipei, Kaohsiung, and 21 foreign cities. Xiamen Port has 140 berths, including 12 container docks that provide 161 trade routes.³
- Communication infrastructure: In 2008, Xiamen had 2,393,400 fixed line users, 2,975,800 mobile phone users, and 489,400 broadband access users.²

Human resources

- Education: In 2008, Xiamen had 15 tertiary institutions with a student intake of 35,000, a student population of 108,900, and 21,900 graduates. There were also five postgraduate institutes with a student intake of 3,676, a student population of 11,700, and 2,953 graduates.²
- Scientific research: In 2008, Xiamen had 110 corporate R&D agencies and research centres with 35,000 research staff.²
- Training: Xiamen has 23 training agencies including a state-designated International Manpower Training Base for Software and Integrated Circuits Design, Microsoft Technology Centre, ICSS Haisheng and Wance Technology.³

Quality of living

- Economic level: In 2008, Xiamen's GDP was USD 22.4 billion, an increase of 11.1 percent over 2007, while its urban per capita disposable income and urban per capita consumption expenditure reached USD 3,446 (up 11.4 percent) and USD 2,463 (up 4.5 percent) respectively.²
- Natural environment: In 2008, Xiamen had a per capita urban public green space of 19.2 square metres, a green area of 74,640,000 square metres, a green coverage ratio of 38.4 percent, and 353 days with good air quality.²
- Hotels: In 2008, Xiamen had 72 star-rated hotels, including eight five-star hotels.⁵

¹ www.xsoft.com.cn

² www.stats-fj.gov.cn

³ Xiamen Foreign Investment Bureau

⁴ www.chinadaily.com.cn

⁵ www.xmtravel.com.cn



Middle West China cities

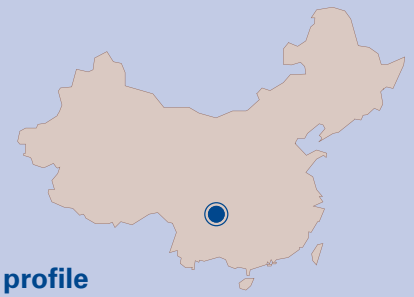
Chengdu

Chongqing

Changsha

Wuhan

Xi'an



City profile

- Chengdu is the capital city of Sichuan Province
- Chengdu is the scientific, business and financial centre, as well as a traffic and communication hub of Southwest China.

Overview

Geographical location	Located in central Sichuan Province, west of the Sichuan basin
Climate	Humid subtropical monsoon climate Annual average temperature: 15.6-16.9°C Annual average precipitation: 759-1,155mm
Population	12,706,000 (2008)
Key industries	Electronics Information, Automobile, Aerospace, Biomedical, Metallurgy and Building Materials, Commerce and Trade, Tourism and Finance

Source: 1 www.cdmb.gov.cn
2 www.cdstats.chengdu.gov.cn

Service outsourcing

Key service outsourcing providers (outsourced services)

Wipro (ITO services)	Ubisoft (KPO services)
Symantec (IT services)	SNDA (KPO services)
GGL (KPO services)	Kingdee (ITO services)
Lafarge (Share service centre)	Huawei (IT services)
SOFMIT (Software development outsourcing)	AsiaInfo (IT services)

Source: Chengdu Municipal Bureau of Commerce, respective company websites

Main contributing factors for Chengdu becoming a favoured service outsourcing destination

- Chengdu is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- Chengdu has established 11 national-level industrial bases, including the National Software Industry Base, National Software Export and Innovation Base, National 863 Software Incubator, National Integrated Circuit Design Industrialisation Base, National Digital Media Industrialisation Base and National Information Security Industrialisation Base.
- In 2009, the actual utilised amount of FDI was USD 2.8 billion in Chengdu, a year-on-year increase of 24 percent.¹
- 139 Fortune Top 500 companies have set up operations in Chengdu.²

Present state of the service outsourcing sector

- With basic technology and supply chain management services as priorities, the service outsourcing industry in Chengdu has been developed with a focus on information technology, digital content and financial areas.
- In 2009, the signed contract value of Chengdu's offshore outsourcing services was USD 169 million, a year-on-year increase of 82 percent, while the executed contract value was USD 102 million, a year-on-year increase of 130 percent.¹
- In 2008, Chengdu was home to 520 software service outsourcing enterprises, including over 40 enterprises serving European and American clients, and more than 20 enterprises serving Japanese clients.²
- As at November 2009, 36 enterprises in Chengdu achieved CMMI certification. Among them, four achieved CMMI5 certification.¹

Related incentives for service outsourcing

- Government policies: Chengdu has introduced a number of incentives, such as the issue of *Opinions on Encouraging the Development of Software Industry in Chengdu* (April 2004) and *Chengdu Municipal Government's Opinions on Promoting Service Outsourcing in Chengdu* (June 2007). These measures include: 1) Providing financial support to companies to obtain international standards certifications and engage in brand promotion overseas. 2) Promoting international service outsourcing business. 3) Tax reduction and exemption. 4) Providing financial support to service outsourcing enterprises in talent training.
- Industrial park policies: Chengdu Hi-tech Industrial Development Zone has issued a number of preferential policies, including 1) The development of a financial back office service centre. 2) Supporting companies to make technology innovation and start new businesses. 3) Provision of financing. Chengdu Tianfu Software Park also provides tenants and their employees with some preferential policies, including subsidies, tax reduction and exemption, special support and provision of venture capital.

Development targets for service outsourcing

- By 2013, the service outsourcing industry will generate total revenue of USD 11.5 billion, including USD 500 million for export business. It will employ over 200,000 people, and attract 400 domestic and foreign companies to set up service outsourcing business in Chengdu, among which 100 companies, will achieve CMM/CMMI3 or above certification.¹

Infrastructure

- Office park: Chengdu Hi-tech Industrial Development Zone's service outsourcing core district is home to service outsourcing industry "vehicles" such as Phases I and II of Tianfu Software Park, the financial back office service centre, software incubator park, and digital entertainment software park. Tianfu Software Park's total planned site area is 1 million square metres, with 226,000, 760,000 and 57,000 square metres for Phases I, II and III respectively.³
- Domestic and international traffic: In 2008, Chengdu had 19,5 kilometres of roads including 437 kilometres of expressways. Chengdu had four main railway lines. Chengdu Shuangliu International Airport had 245 and 25 domestic and international routes respectively, and operated routes to over 20 international cities.
- Communication infrastructure: In 2008, there were 4.001 million fixed line users and 12.741 million mobile phone subscribers in Chengdu.⁴

Human resources

- Education: In 2008, Chengdu had 42 tertiary institutions with a student intake of 181,000, a student population of 569,000, and 145,000 graduates. There were also postgraduate institutes with a student intake of 17,000, a student population of 47,000, and 15,000 graduates.
- Scientific research: In 2008, there were 106 scientific research institutions, 124 key laboratories, 76 technology R&D centres, with 11,000 scientific staff in Chengdu.⁴
- Training: Chengdu Software Talent Training Union and State-designated "Service Outsourcing Talent Training Centre" were established in Chengdu, some service outsourcing talent training institutions were designated.¹ Chengdu Hi-tech Industrial Development Zone has carried out a number of software and service outsourcing talent training projects, including the development of QAI (a service outsourcing certification training institution), IBM vocational training base for Chengdu university students, Xilinx FPGA Innovation Centre and NIIT.

Quality of living

- Economic level: In 2008, Chengdu's GDP reached USD 56.1 billion, representing an increase of 12.1 percent compared with 2007. The average per capita income of urban residents reached USD 2,438, a year-on-year increase of 14.1 percent.⁴
- Natural environment: In 2008, the green area per capita of the city was 10.6 square metres, with the green coverage rate of 38 percent. Chengdu had 319 days with good air quality.⁴
- Hotels: In 2008, Chengdu had 104 hotels graded three-star or above, nine of them were graded five-star.²

¹ Chengdu Municipal Bureau of Commerce
² www.chengduinvest.gov.cn

³ www.tfsp.cn
⁴ www.cdstats.chengdu.gov.cn



Chongqing



City profile

- Chongqing is one of the four key municipalities directly under the Central Government in China
- Chongqing is one of the important modern manufacturing bases and integrated transport hubs in Southwest China.

Overview

Geographical location	Chongqing lies in the upper reach of the Yangtze River, with Sichuan at the west, Hubei and Hunan at the east, and Guizhou at the south
Climate	Subtropical humid monsoon climate Annual average temperature: 18.6°C Annual average precipitation: 1,172mm (2008)
Population	28,390,000 (2008)
Key industries	Automobiles, Motorcycles, Chemicals, Pharmaceuticals, Construction, Building Materials, Food, Tourism, Information Engineering, Biological Engineering and Environmental Engineering

Source: 1 www.cq.gov.cn
2 www.cqtj.gov.cn

Service outsourcing

Key service outsourcing providers (outsourced services)

Honeywell (IT services)	HP (IT services)
IBM (IT services)	NTT DATA (ITO services)
Fujitsu (ITO services)	ZTE (IT services)
Toppan Printing (BPO services)	CISDI (IT services)
ZDSOFT (ITO services)	Chongqing Global Zenith (ITO services)

Source: Chongqing Economy & Information Committee

Main contributing factors for Chongqing becoming a favoured service outsourcing destination

- Chongqing is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- Chongqing New North Zone has set up a software outsourcing base serving Japanese clients and it has become one of the State-designated Torch Plan Software Industry Bases, accounting for nearly half of Chongqing's software service industry revenue. Chongqing Xiyong Micro-electronics Industrial Park is the first one to pass national review in West China.
- In 2008, 668 foreign investment enterprises were newly registered, with realised amount of foreign direct investment equal to USD 2.7 billion.¹
- As at October 2009, 113 of the world's Top 500 companies set up operations in Chongqing, most of which came from US and Japan, the rest came from Germany, Britain, Korea, the Netherlands and Sweden.²

Present state of the service outsourcing sector

- Chongqing's outsourcing industry put focus on ITO and BPO. It takes Data storage and process, Client service, embedded software as basic business; takes manufacturing ITO mainly in automobile and equipment, trading and e-business platform, data entertainment operation as core business; takes technical products R&D, industrial design and consulting as strategic business for future development.³
- In 2009, the signed contract value of Chongqing's offshore outsourcing services was USD 1 billion, a year-on-year increase of 58 percent, while the executed contract value was USD 350 million, a year-on-year increase of 160 percent.³
- As at 2009, Chongqing was home to about 380 service outsourcing companies, including around 100 offshore service outsourcing enterprises. The software and information service industry provides employment to nearly 80,000 people.³
- As at 2009, there were 13 companies having achieved CMMI certification in Chongqing, among which, one for CMMI4, 11 for CMMI3, and one for CMMI2.³

Related incentives for service outsourcing

- Government policies: Chongqing Municipal Government has introduced a number of incentives, such as the issue of *Provisional Regulation for Speeding up Software and Information Service Outsourcing Industry Development in Chongqing* (May 2007), *Chongqing Municipal Government's Opinions on Developing Service Outsourcing Industry* (February 2008) and *Some Implementation Measures for Speeding up Software and Information Service Outsourcing Industry Development in Chongqing* (August 2009). These measures include: 1) The establishment of a special fund to introduce and train outsourcing talents, and develop an outsourcing industry base. 2) The granting of rewards to enterprises which develop offshore service outsourcing business. 3) Business tax reduction and exemption for training enterprises. 4) The granting of rewards to service outsourcing enterprises, which have achieved CMM/CMMI certification.
- Industrial park policies: A series of incentives have been provided in Chongqing New North Zone, including: 1) The granting of rewards to enterprises which engage in export business. 2) Loan interest payment support. 3) Encouraging companies to participate in trade fairs. 4) Provision of training programmes. 5) Assisting companies to set up overseas branches.

Development targets for service outsourcing

- By 2012, the software and information service outsourcing industry of Chongqing will generate total revenue of over USD 7.2 billion, including over USD 2.5 billion for offshore business. ITO revenue will be over USD 3.6 billion, while BPO will be over USD 1.2 billion. Another aim is to attract at least 10 Top 100 service providers in Finance, Logistics and Auto industries to set up operations in Chongqing and to develop one or two enterprises with over 10,000 staff, and 50 enterprises with over 1,000 staff. More than 15 enterprises achieve CMM/CMMI5 certification. The total staff will be over 200,000.³

Infrastructure

- Office park: Chongqing's main service outsourcing bases include Chongqing New North Zone, Xiyong Micro-electronics Industrial Park and Yongchuan Industrial Park, which is under construction. Xiyong Micro-electronics Industrial Park has a planned site area of approximately 30 square kilometres, including a 20 square kilometre industry zone and a 10-square kilometre service zone.
- Domestic and international traffic: Chongqing has 108,632 kilometres of highways including 1,165 kilometres of expressways. The city has five key rail links, with over 60 branch and special rail lines. It has three airports. Jiangbei International Airport provides flights to over 60 domestic cities, and operates international routes to Hong Kong, Singapore, Bangkok, Seoul, Nagoya and Tokyo. It is also an important port in Southwest China, with 4,222 kilometres of inland waterway open to navigation.⁴
- Communication infrastructure: In 2008, there were 6.9 million fixed line users, 12.8 million mobile phone subscribers, 1.9 million internet users, and 1.8 million broadband users in Chongqing.⁵

Human resources

- Education: In 2008, there were 57 tertiary institutions, which enrolled 141,500 students and had 450,000 students with 99,700 graduates. The number of postgraduate students enrolled was 12,400, with 35,000 studying at postgraduate level and 8,900 graduated respectively.⁵
- Scientific research: In 2008, there were 26 municipal-level or above key laboratories, including four national-level laboratories. There were also 48 engineering technology research centres, among which five were national-level, and 149 enterprise technology centres.⁵
- Training: The city government has selected 20 units as "Chongqing service outsourcing professional training bases" for the first time.⁶ Other training enterprises include Chongqing Zhengda Software Polytechnic College, NTT DATA training centre and Chinasoft practical training base.

Quality of living

- Economic level: In 2008, Chongqing's GDP reached USD 73.3 billion, representing an increase of 14.3 percent compared with 2007. The average per capita income and average per capita consumer expenditure for urban residents reached USD 2,067 and USD 1,604, a year-on-year increase of 14.1 percent and 12.7 percent respectively.⁵
- Natural environment: In 2009, the green area of Chongqing reached 100 square kilometres, with the green coverage rate of over 38 percent, the green area per capita was 10 square metres. In 2008, there were 297 days with good air quality.⁵
- Hotels: In 2009, Chongqing had around 400 star-grade hotels, among which 12 were graded five-star.³

¹ www.cqgs12315.cn

² <http://cqsb.cqnews.net>

³ Chongqing Economy & Information Committee

⁴ www.cq.gov.cn

⁵ www.cqjtj.gov.cn

⁶ <http://cqrbepaper.cqnews.net>



Changsha

City profile

- Changsha is the capital of Hunan Province
- Changsha is a provincial political, economic, cultural, science education, transport, business, and tourism centre.

Overview	
Geographical location	Located on the east by north of Hunan Province, the lower course of Xiangjiang River, and adjoining Jiangxi Province in the east
Climate	Humid sub-tropical monsoon climate Yearly average temperature: 17.2°C Yearly average rainfall: 1,362mm
Population	6,585,600 (2008)
Key industries	Engineering Machinery, Automobile and Parts, Household Electrical Appliances, Electronics and Information, New Materials and Bio-pharmaceuticals

Source: www.changsha.gov.cn

Main contributing factors for Changsha becoming a favoured service outsourcing destination

- Changsha is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- In 2007, Changsha became a state-designated software industry base. In 2008, Changsha Software Park was separately named "China's Software Manpower International Training (Changsha) Base", "China's Reinvigorating Base of Animations, Comics and Games Industry", and "China's Demonstration Region for Service Outsourcing".
- Changsha Software Park has over 700 resident software entities. These include the Intel Computer Animation Technology Development Centre, Microsoft Mobile Animation and Comics Innovation Centre, Motorola Mobile Application Technology Innovation Centre, as well as joint laboratories.
- In 2008, Changsha had 152 foreign direct investment projects and actual used foreign capital of USD 1,801 million. Moreover, a total of 89 Fortune 500 companies made their presence in Changsha and 26 of them were foreign direct investors.¹

Service outsourcing

Key service outsourcing providers (outsourced services)	
Chinasoft International (ITO services)	Green Apple Data Centre (ITO services)
Clochase (IT services)	Powerise (Software development outsourcing, IT services)
Topbluecat (KPO services)	Hunan Creator Information Technologies (ITO services)
Changsha Xinyu Technology Development (IT services)	Changsha Newer E-business (IT services)
GreatDreams Cartoon Group (KPO services)	Reagle Business Technology (BPO services)

Source: www.changshasourcing.gov.cn

Present state of the service outsourcing sector

- The outsourcing industry of Changsha focuses on cartoon and games, culture content, embedded software, software operation service, logistics, IT education and training, as well as call centres.²
- In 2008, the signed contract value of Changsha's offshore outsourcing services was USD 137 million, a year-on-year increase of 40.6 percent, while the executed contract value was USD 104 million, a year-on-year increase of 320.8 percent.²
- By the end of 2009, Changsha was home to over 700 service outsourcing enterprises, among which, 95 enterprises undertake offshore service outsourcing businesses. This is an increase of 31 compared with 2008.³
- Changsha has one service outsourcing enterprise with CMM/CMMI5 certification, five enterprises achieved CMM/CMMI3 certification, and one enterprise has ISO27001/BS7799 certification.²

Related incentives for service outsourcing

- Government policies: In January 2009, the Changsha government released the *Certain Opinions on the Promotion of the Service Outsourcing Industry in Changsha*. The salient points are: 1) Annual special-purposed funds for local service outsourcing development. 2) Annual incentive payments to the local top ten service outsourcing providers. 3) Subsidies to those with CMMI/CMM/PCMM international certification.
- Industrial park policies: Changsha New and High-tech Industry Development Zone and Changsha Software Park also offered preferential treatments to their resident enterprises. For example, incentives will be given for developing software products with intellectual property rights, and individual income tax will be exempted for scientific staff reinvesting their income in scientific result commercialisation projects.

Development targets for service outsourcing

- Launched “3121” project. By 2012, Changsha aims to generate aggregate service outsourcing turnover of USD 4.3 billion, and attract 10 global leading firms relocating their operations to Changsha. There will be 20 local reputable service outsourcing providers, increasing the workforce by 100,000.²

Infrastructure

- Office park: Changsha has two industry development zones and nine industry parks. Changsha New and High-tech Industry Development Zone and Changsha Software Park are notable for service outsourcing activities, and they have an overall planned area of 18.6 square kilometres and 2.7 million square metres respectively.
- Domestic and international traffic: Changsha has three highways (with a total of 193 kilometres) and three national highways. Some national trunk rails such as Beijing-Guangzhou, Hunan-Guizhou, and Zhejiang-Jiangxi rail lines connect Changsha with other parts of the country. Huanghua International Airport has direct routes to 49 domestic key destinations and overseas cities such as Bangkok, Seoul, and Bushan. Changsha Xianing New Port is one of China’s major river ports.¹
- Communication infrastructure: In 2008, Changsha had 2,165,200 fixed line users, 6,327,500 mobile phone users, and 623,500 broadband access users.⁴

Human resources

- Education: In 2008, Changsha had 49 tertiary institutions with 483,900 undergraduate students including 39,500 postgraduate ones.⁴
- Scientific research: In 2008, Changsha had 97 research institutes.⁴
- Training: The city has over 30 service outsourcing training agencies. Changsha Municipal Government has named Hunan Information Science Vocational Institute, Hunan Foreign Language Vocational Institute and other three agencies “Changsha Service Outsourcing Manpower Training Base”.

Quality of living

- Economic level: In 2008, Changsha’s GDP reached USD 43.2 billion, or a rise of 15.1 percent over 2007. Urban per capita disposable income was USD 2,631, 13.2 percent higher than 2007, while urban per capita consumption expenditure was USD 1,865, 5.5 percent higher than 2007.⁴
- Natural environment: In 2008, Changsha had 329 days with good air quality.⁴
- Hotels: In 2008, Changsha had 84 star-rated hotels including 10 five-star hotels.⁵

¹ www.tjcn.org

² Changsha Commerce Bureau

³ www.rednet.cn

⁴ www.cstj.gov.cn

⁵ www.chang-sha.com



Wuhan



City profile

- Wuhan is the capital city of Hubei Province
- Wuhan is one of the important industrial cities and important high-tech industrial bases in China.

Overview

Geographical location	Located in the east of the Han River Plain, near the middle-stream of the Yangtze River where the Han River joins the Yangtze River
Climate	Humid subtropical monsoon climate Yearly average temperature: 15.8-17.5°C Yearly average rainfall: 1,150-1,450mm
Population	8,970,000 (2008)
Key industries	Iron and Steel, Automobile and Machinery, Electronics Information and Petrochemicals

Source: www.wh.gov.cn

Main contributing factors for Wuhan becoming a favoured service outsourcing destination

- Wuhan is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- In April 2009, Wuhan was named a China Outsourcing Service Training Centre by the Ministry of Commerce and the Ministry of Education.
- Wuhan Optical Valley Software Park was designated as a National Torch Program Software Industrial Base by the Ministry of Science and Technology and a China Software Service Outsourcing Base by the Ministry of Commerce. In 2006 it was named as a China Service Outsourcing Base Model Park. The Park hosts over 100 enterprises whose businesses include outsourcing services, animation and finance services, with more than 10,000 staff.
- In 2008, utilised FDI amounted to USD 2.6 billion in Wuhan, an increase of 14.4 percent compared with 2007. The total number of foreign invested enterprises reached 5,328, of which 173 were newly approved during the year. By 2008, 73 of the world's Top 500 companies had invested in a total of 89 projects in Wuhan.¹

Service outsourcing

Key service outsourcing providers (outsourced services)

HP (ITO & BPO services)	KMBJ Consulting (ITO services)
Wuhan Tianyu (IT services)	Wuda Geo informatics (IT services)
Dawnpro (ITO services)	Jetsum Tech (IT services)
Wuhan Augmentum (ITO services)	Wuhan Newbiiz Technology (ITO services)
Wuhan Vstar (IT services)	Jiang Tong Animation (KPO services)

Source: Wuhan Bureau of Commerce, respective company websites

Present state of the service outsourcing sector

- Service outsourcing in Wuhan focuses on three application software fields: Spatial Information Technology, Information Security and Manufacturing Information. It is also trying to cultivate new advantages in five rising fields: embedded software, digital media content, internet and communication value-added services, IC design and system integration.²
- In 2009, the signed contract value of Wuhan's offshore outsourcing services was USD 321 million, a year-on-year increase of 688 percent, while the executed contract value was USD 95.1 million, a year-on-year increase of 215 percent.²
- In 2008, Wuhan was home to over 500 service outsourcing enterprises with approximately 50,000 employees. Among them, over 70 enterprises employing around 10,000 staff were engaged in the offshore outsourcing service business.³
- By 2008, 18 companies were certified with CMM/CMMI3 or above in Wuhan.³

Related incentives for service outsourcing

- Government Policies: Wuhan Municipal Government has issued a series of incentive policies, including *Interim Policies Concerning Promoting the Development of Outsourcing Industry* (January 2009). The contents include: 1) Special fund for outsourcing businesses. 2) Special fund for major investment projects, subsidising land expenses of projects that introduce leading companies. 3) Subsidies for outsourcing talent training.
- Industrial park policies: Wuhan Donghu High-Tech Development Zone issued *Interim Rules on Promoting Service Outsourcing Industry in Wuhan Donghu High Tech Development Zone* (2007), and *Opinions on and Implementation Measures for Promoting Financial Services Platform* (November 2008). The main contents include: 1) Special fund for industry promotion. 2) Subsidies for office leases. 3) Subsidies for software export. 4) Subsidies for international certification applications. 5) Tax incentives.

Development targets for service outsourcing

- By 2010: software and service outsourcing industry of Wuhan to reach a total revenue of USD 4 billion including USD 207 million from offshore outsourcing, with a yearly average increase of 15.2 percent and 12 percent respectively; cultivate a group of leading enterprises having strong core competitiveness and great impact in the domestic and international markets; there will be five enterprises with sales revenue over USD 14 million.

Infrastructures

- Office park: Wuhan has Wuhan Optical Valley Software Park, Donghu New Technology Development Zone, Wuhan Economic and Technology Development Zone, and Dongxihu Logistics Industrial Park. Wuhan Optical Valley Software Park occupies a land area of over 667,000 square metres and a floor area of 600,000 square metres. A total of 100,000 square metres is available for production, education/training and residence.
- Domestic and international traffic: Wuhan has a highway system of 9,961 kilometres.¹ It is the intersection point of five main railroads including Beijing-Guangzhou, Beijing-Kowloon, and Beijing-Hong Kong. Wuhan Tianhe International Airport has 141 flight routes, including 12 international and 129 domestic routes. From Wuhan port, ships can travel to Chongqing, Chengdu and Shanghai along the Yangtze River.
- Communication infrastructure: By 2008, Wuhan had 3,756,400 fixed line users, 9,179,600 mobile phone users, as well as 986,700 broadband internet users.¹

Human Resources

- Education: In 2008, Wuhan had 55 tertiary institutions with a student population of 809,700, among which 80,100 were postgraduates.¹
- Scientific research: Wuhan has 105 scientific research institutes, 15 national-level software laboratories, 14 national-level engineering research centres, with a total of 530,000 research staff.⁴
- Training: Wuhan has three national-level software model institutes and over 100 IT training institutes, with more than 40,000 IT graduates annually. Over 20,000 trainees graduate each year from 12 training institutes specialising in outsourcing-related language training.⁴

Quality of living

- Economic Level: In 2008, Wuhan's GDP was USD 57 billion, an increase of 15.1 percent from 2007; average per capita disposable income was USD 2,405, a 16.4 percent increase compared with 2007; average per capita consumption expenditure was USD 1,645, an increase of 7.9 percent from 2007.¹
- Natural environment: In 2008, Wuhan's green area was 55,118,100 square metres; the per capita green area was 9.2 square metres, with a total green coverage of 37.4 percent. There were 294 days with good air quality.¹
- Hotels: In 2009, Wuhan had 114 star-rated hotels, including 10 five-star hotels.⁵

¹ www.whtj.gov.cn

² Wuhan Bureau of Commerce

³ www.mofcom.gov.cn

⁴ http://chinasourcing.mofcom.gov.cn

⁵ www.wh.gov.cn



Xi'an



City profile

- Xi'an is the capital of Shanxi Province, and is an important historical and cultural city in China
- Xi'an is one of the important bases for scientific research, higher education, defence technology and high technology in Midwestern China.

Overview

Geographical location	Xi'an is located in the middle section of Yellow River within the Guanzhong Base, south of Shanxi Province
Climate	Semi-humid continental monsoon climate in a warm temperate zone Annual average temperature: 14.9°C Annual average rainfall: 525 mm (2008)
Population	8,375,200 (2008)
Key industries	High Technology, Modern Equipment Manufacture, Tourism, Services and Culture

Source: 1 www.xian.gov.cn
2 www.xatj.gov.cn

Main contributing factors for Xi'an becoming a favoured service outsourcing destination

- Xi'an is one of the 21 State Council-approved "Model Cities for Service Outsourcing" across the nation.
- As one of the Demonstration Zones in national service outsourcing base cities, Xi'an Software Park is one of the four parks which has both National Software Industry Base and National Software Export Base. It is also a National Torch Program Software Industrial Base.¹
- Xi'an Software Park hosts 90 percent of the software and service outsourcing enterprises in Xi'an, over 50 enterprises including Denso and Abeam provided outsourcing services for Japanese clients, and over 30 enterprises including HOV and HD settled in the park to provide outsourcing services for European and US clients. The industry has an average annual increase rate of 45 percent. Over 30 foreign enterprises have established R&D facilities in Xi'an.¹
- In 2009, Xi'an Municipal Government approved 65 foreign direct investment (FDI) projects with a total value of USD 1.1 billion. Utilised FDI contract value was USD 600 million, Actual used FDI was USD 1.2 billion with an increase of 6.2 percent compared with 2008.¹

Service outsourcing

Key service outsourcing providers (outsourced services)

HOV (BPO services)	Sorun (Software development outsourcing)
Newegg (BPO services)	Emerson (Share service centre)
Fujitsu (ITO services)	Objectiva (ITO services)
CompuPacific International (BPO services)	BUT'ONE (IT services)
AsiaTelecom (Call centre services)	Grapecity (Software development outsourcing)

Source: www.xasoftpark.com, respective company websites

Present state of the service outsourcing sector

- Xi'an focuses on the development of software R&D outsourcing, BPO manufacturing, aerospace engineering, R&D outsourcing, aviation software and BPO, online games and animations.¹
- In 2009, the signed contract value of Xi'an's offshore outsourcing services was USD 201 million.¹
- As at the end of 2009, Xi'an was home to over 890 software and service outsourcing enterprises, with total number of employees exceeding 80,000.¹
- At the end of 2009, there were 20 enterprises with CMM/CMMI certification in Xi'an, and five enterprises with ISO27001 Information Security certification.¹

Related incentives for service outsourcing

- Government policies: Xi'an Municipal Government has introduced a number of incentives, such as *Opinions on Promoting Software service outsourcing Industry* (April 2007), *Supporting Policies on Promoting Software Service Outsourcing Industry* (June 2007), and *Xi'an Municipal Government's Opinions on Further Improving Software and Service Outsourcing Industry Development* (May 2009). The content includes: 1) Financially supporting the development of pilot service outsourcing industrial park and infrastructure in software and service outsourcing industry. 2) Introducing preferential tax incentives. 3) Supporting the software and service outsourcing export businesses.
- Industrial park policies: Xi'an Yanliang aviation hi-tech industrial base, Xi'an Aerospace Science and Technology Industry Base and Xi'an Stele Forest Science and Technology Park all take service outsourcing as key industry to develop and issued a series of preferential policies to attract domestic and overseas investors to develop service outsourcing business in Xi'an.

Development targets for service outsourcing

- By 2015, the total turnover of software and service outsourcing industry is expected to reach USD 18.7 billion, with USD 1 billion in exports. Attract 100 leading enterprises in the industry to set up operations in Xi'an, cultivate two enterprises with over 10,000 employees each and 60 enterprises with 1,000 employees each. The total number of employees will exceed 300,000.¹

Infrastructure

- Office park: Xi'an's office parks mainly gather in the Xi'an National High-tech Development Zone. Xi'an Software Park is composed of a pilot zone, a service outsourcing base and a "new software city". The pilot zone and the service outsourcing base have construction areas of approximately 400,000 and 300,000 square metres respectively, whilst the new software city covers a planned area of four square kilometres.²
- Domestic and international traffic: With highways of over 2,800 kilometres, Xi'an is a railway transportation hub linking Northern China, Eastern China, Central and Southern China, and the Central Plain with Southwest China and Northwest China. It has more than 120 flight routes reaching over 100 domestic and 27 international cities and areas.
- Communication infrastructure: In 2008, there were 3.5 million fixed line users, 7.4 million mobile phone subscribers and 814,000 internet users in Xi'an.³

Human Resources

- Education: In 2008, Xi'an had 48 tertiary institutions with a student intake of 193,100, a student population of 601,000, and 158,200 graduates. There were also 44 postgraduate institutes with a student intake of 21,300, a student population of 65,700, and 12,900 graduates.³
- Scientific research: In 2008, there were 441 research institutions in Xi'an; the number of R&D personnel was 87,000.³
- Training: Xi'an has three national software colleges with nearly 30,000 graduates in various software, computer and communication disciplines every year.

Quality of living

- Economic level: In 2008, Xi'an's GDP reached USD 31.5 billion, an increase of 15.6 percent compared with 2007. The per capita disposable income of urban residents reached USD 2,188, a year-on-year increase of 13.3 percent, and urban per capita consumption expenditure was USD 1,293.³
- Natural environment: In 2008, the green coverage rate of the city was five percent, which equated to 7.8 square metres of public green space per person. Xi'an had 301 days with good air quality.³
- Hotels: As at May 2009, Xi'an had 104 star-grade hotels, among which five were graded five-star.

¹ Xi'an Municipal Bureau of Commerce

² www.xasoftpark.com

³ www.xatj.gov.cn

Conclusion

As this report indicates, a wide range of choices are available for companies from around the world to invest in China. Although the basic advantages offered by these Chinese cities may be similar – for instance, preferential industrial policies, good infrastructure, the differences in details make each city unique.

Many cities have plenty of human resources, but the technical skills and professional knowledge are different. Many service staff in Dalian can speak fluent Japanese and Korean, while many of those in Guangzhou can speak standard Cantonese. Daqing has an advantage in oil exploration and engineering design for its petroleum industrial base, while Shanghai stands out in finance outsourcing as a financial centre.

The Chinese cities we described provide different development conditions, and attract companies having different development requirements and strategies. At the same time, however, these choices bring risk in balancing the benefits each city may have for a business.

We believe that companies need to ask some key questions before weighing their options and arriving at their shortlist of locations, including:

- *How will the location fit in with the overall business strategy?*

Does the company require its offshore operations to be in a specific geography, based on its market entry strategy or future requirements?

- *What are the key criteria for location selection?*

What is the relative importance of priorities for the company? For instance, is the company willing to settle for a higher cost in return for a better talent pool?

- *How best can the company evaluate locations based on the defined priorities?*

How can a shortlist be drawn up based on costs, operating factors and other relevant criteria?

- *How can project risk be minimised?*

How best can a company avoid risks such as selecting a sub-optimal site, missing opportunities for incentives, or experience project delays?

The task does not end once the location is selected. The company should establish a comprehensive plan to optimally leverage the opportunities and advantages offered by the location and implement any strategies which mitigate risk we hope that our study will help you choose your location in China for your outsourcing service.

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