

A Condensed Collection of Preferential Policies for Investment in Hainan Free Trade Port

Part 1 . Policy System

- 1 An Overview of the Master Plan for the Development of Hainan Free Trade Port
- 2 The “6+1+4” Policy Framework of the Free Trade Port
- 3 Early Arrangements of Hainan Free Trade Port
- 4 Sixty Key Policies for Foreign Investments

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1 An Overview of the Master Plan for the Development of Hainan Free Trade Port

Overall Requirement

Benchmarked against international advanced economic and trade rules, the Hainan Free Trade Port aims to become an important opening portal of China.

Scope of Implementation

The entire Hainan Island.

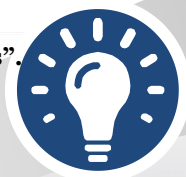
Key Characteristics

Zero-tariffs, low tax rates, simplified taxation system, more freedom.

More resources, more opportunities, lower costs, and less supervision.

In 2035

Further optimize and improve the opening policy and related institutional arrangements **to fully achieve “convenient and free flows of trade, investment, cross-border capital, personnel and transportation, secure and orderly data transfers”.**



In 2020

Year 1 of Free Trade Port. development of special customs supervision zones will be strengthened.



In 2050

Complete the building of a **high standard free trade port** with strong global influence.



In 2025

Preliminarily establish a set of free trade port policies that focus on free trade and investment. Start independent customs operation throughout the whole island of Hainan in due course.

2 The “6+1+4” Policy Framework of Free Trade Port

Liberalization in 6 aspects

Trade liberalization and facilitation



Under the premise of achieving effective supervision, **build a special area for customs supervision of island-wide customs clearance operation.**

- For **trade in goods**, "zero tariff" is implemented.
- With regard to **trade in services**, the policy of "access and admit" are adopted.
- It includes four aspects: **“free flow through the first line and efficient control at the second line”, free trade on the island and free trade of services.**

Investment liberalization and facilitation



Significantly relax restrictions on market access for Hainan Free Trade Port, strengthen property rights protection, ensure fair competition, create an open, transparent and predictable investment environment, and further stimulate the vitality of various market players.

- **Free access for non-prohibited sectors:** Except for areas with negative impact on national security, social stability, ecological protection, or major public interests, investment access is fully liberalized.



Policy examples

1. “One negative three positive” zero tariff lists.
2. Goods and articles departing from Hainan Free Trade Port are subject to export management.
3. Postage items entering the mainland are taxed in accordance with regulations.
4. Simplify the customs procedures for transit goods that are shipped from overseas, and reloaded, sorted and assembled on the free trade port, and then shipped to other countries or regions.



Policy examples

1. Replace pre-audit policy with post-audit policy for the banking sector on authenticity review of cross-border and new pattern international trade.
2. Activate the negative list of foreign investment access to the Hainan Free Trade Port.
3. Grant direct market entrance with a prior commitment.
4. Activate the special list of market access to the Hainan Free Trade Port.
5. Activate the negative list of foreign investment in Hainan Free Trade Port.
6. Equal treatment of domestic and foreign enterprises in government procurement.

2 The “6+1+4” Policy Framework of Free Trade Port

Liberalization in 6 aspects (continue)

Convenient cross-border capital flow



Finance serves the real economy. Hainan will liberalize capital accounts by phases to promote free trade and investment, as well as to promote the cross-border flow of funds in due courses.

- **Pilot test of opening up the financial industry in Hainan Free Trade Port.**



Policy examples

1. Establish a multi-functional free trade account system.
2. Remove restrictions on overseas financing of ships and aircrafts.
3. Decentralize the registration management of foreign debts issued by enterprises to Hainan.
4. Expand the scope of cross-border asset transfer.
5. Prioritize the support of listing Chinese enterprises overseas.
6. Allow enterprises listed overseas to handle foreign exchange registration directly at banks.
7. Establish Hainan International Intellectual Property Rights Exchange.
8. Support overseas securities, funds, and futures institutions to set up wholly-owned or jointly-owned institutes in Hainan.
9. Support the establishment of property insurance, life insurance, and reinsurance companies, mutual insurance organizations, and self-insurance companies.
10. Support to develop cross-border medical insurance products in cooperation with overseas institutions.
11. Support the construction of trading venues for international energy, shipping, property rights, and equity stakes.
12. Enable non-residents to participate in trading and fund settlement at trading venues.
13. Develop over-the-counter (OTC) derivatives services.
14. Conduct cross-border asset management services.
15. Issue Hainan provincial bonds globally.

Convenient entry and exit of people



More accommodative traveling regulations will be implemented to encourage talent in high-end industries to stay, reside or work in the free trade port to build a talent hub.



Policy examples

1. Allow overseas high-level universities and vocational colleges specialized in science, engineering, agriculture and medicine to open branch schools independently in Hainan.
2. Build Hainan into an island featuring innovative and international education.
3. Implement a more convenient visa-free entry policy.
4. Salary ranges employed as main indices to evaluate talents.
5. Conduct a negative list management system on the issuance of work permits for foreign employees.
6. Permit foreign personnel to serve as legal representatives in legal bodies, public institutions, and state-owned enterprises.

2 The “6+1+4” Policy Framework of Free Trade Port

Liberalization in 6 aspects (continue)

Convenient transportation



- High-level free and open transportation policies will be implemented. The construction of international shipping and aviation hubs of the New International Land-Sea Trade Corridor will be promoted to speed up the building of a modern comprehensive transportation system.
- Improve the transportation facilitation and service guarantee level. Construct an efficient and convenient **special supervision policy**.



Policy examples

1. Allow flights in and out of Hainan to refuel with bonded aviation fuel.
2. Export tax rebates on domestically built ships that are registered at Yangpu Port of China and engaged in international transport.
3. Allow ships (those engaged in domestic and foreign trade) that transit at Yangpu Port of China to refuel with bonded oil.
4. Build Yangpu Port of China into an international port of registry.
5. Adopt a trial policy of tax rebates at the port of departure on goods that use Yangpu Port of China as a transit port for the final departure from China.
6. Adopt an import & export management system featuring “free flow through the first line and efficient control at the second line” in Yangpu Bonded Port Area and other qualified zones.
7. Expand air traffic rights, including the Fifth Freedom and Seventh Freedom.
8. Build an international aviation hub.
9. Build a new international land and sea transport hub to connect Western China with the world.

Safe and orderly flow of data



- While ensuring the security of data flow, expand opening-up in the data field, innovate institutional design, and cultivate and develop the digital economy.
- Innovate data outbound security system design, explore more convenient approaches for personal information security outbound assessment.



Policy examples

1. Open up value-added telecommunications services.
2. Conduct services of online data processing and transaction processing.
3. Open up basic telecommunications services in a safe and orderly fashion.
4. Conduct the International Internet Data Interaction Pilot Project.

2 The “6+1+4” Policy Framework of Free Trade Port

1 Industry System

Modern industrial system



Insist on building a free trade port by developing the real economy with high technological content and ecological protection. Hainan will put more effort into developing **tourism, modern services and high-tech industries**, laying a solid foundation for the real economy to strengthen industrial competitiveness.

4 Institution Building

Taxation system



An internationally competitive taxation system will be established.

Policy examples

Hainan Free Trade Port will implement:

- Zero tariffs.
- Low tax rate.
- Simplified taxation system.
- Strong rule of law.

Rule of law



A system of rule of law for the free trade port will be established in a bid to create an world-leading rule-of-law environment.

Policy examples

Formulate laws and regulations based on the reality of Hainan’s free trade port construction.

Social governance



Advance the reform of government institutions and the transformation of government functions. Build a complete, scientific, standardized, and effective free trade port governance system.

Policy examples

Grant greater autonomy to various industry organizations.

Risk prevention and control system



Effective measures will be implemented to defuse risks in fields including trade, investment, finance, data flow, ecology and public health.

Policy examples

Authorize the Hainan government to manage and adjust the use of cultivated land, permanent basic farmland, forestland, and land for construction.

3 Early Arrangements of Hainan Free Trade Port

Implement “free flow through the first line and efficient control at the second line”



Policy Explanation

Implement a **policy of origin**: for encouraged industries, processing value added in Hainan over 30% (inclusive) into the Mainland will be exempted from import duties.

"Zero tariff", exempt from customs duties, value added tax and consumption tax



Policy Explanation

In 2020, Hainan Free Trade Port will implement three Positive lists and one Negative list of zero-tariff management system .

Positive lists of zero-tariff management system

- Ships, aircrafts, other means of transport and yachts.
- Raw materials imported for production within Hainan, or for processing trade of which final products would be exported to overseas.
- Imported goods consumed by residents of Hainan.

Negative list of zero-tariff management system

- Production equipment imported by enterprises for own use.

By 2025, Hainan will fully adopt zero-tariff policy with exemption of tariff, VAT and sales tax.

Relax Restrictions on Cross-border Trade in Service



Policy Explanation

Raise the quota for offshore duty-free shopping to RMB 100,000 per person per year and expand the categories of duty-free products.

3 Early Arrangements of Hainan Free Trade Port

Reduce restrictions on cross-border trade in service



Policy Explanation

Hainan Free Trade Port will formulate and issue a **negative list of cross-border trade in service** in Hainan Free Trade Port;
Hainan Free Trade Port will grant **national treatment to overseas service providers**.

Implement the “Most Simplified Approval” Investment Management System



Policy Explanation

Hainan Free Trade Port will issue:

1. **Special list for Hainan Free Trade Port to relax market access;**
2. **Negative list for foreign investment access.**

Apply a More Convenient Visa-free Entry Policy



Policy Explanation

Hainan Free Trade Port will apply more **visa-free entry policies**, including:

1. Open up more visa-free application channels to foreigners including self-declaration and invitation and reception by local entities;
2. Relax restrictions on foreigner’s application for visa-free entry;
3. Apply the 15-day visa-free stay policy to foreign tourist groups traveling by cruise ships.

3 Early Arrangements of Hainan Free Trade Port

Apply a More Open Shipping Policy



Policy Explanation

Hainan Free Trade Port will open more **shipping policies**, including:

1. Establish Yangpu-Port-of-China as the port of registry;
2. Remove the limitation on foreign shareholding proportion for ship registration body;
3. Domestically built ships registered at Yangpu-Port-of-China and engaged in international shipping are entitled to export tax rebate as in the situation of export;
4. Domestic ships with both domestic and foreign trade goods on board which transit at Yangpu Port are allowed to refuel with bonded oil required for the voyage.

Apply a More Open Policy on Air Transportation



Policy Explanation

Hainan Free Trade Port will open more **air transportation policies**, including:

1. Promote the fifth freedom right necessary for building the Hainan Free Trade Port in accordance with China's air transportation policies. Support Hainan in trial implementation of the seventh air freedom;
2. Support airline companies with Hainan as their core base to expand international flight routes;
3. Allow both inbound and outbound flights to refuel with bonded aviation oil.

Facilitate Cross-border Data Transfers



Policy Explanation

Launch pilot projects on security management of cross-border data transfers.

Holding National Level Expos



Policy Explanation

Hainan Free Trade Port will host **the China International Consumer Products Expo**. Foreign exhibits will be exempted from taxation for the import and sale during the expo.

3 Early Arrangements of Hainan Free Trade Port

Optimize Taxation Policy Arrangement



Policy Explanation

Hainan Free Trade Port will apply **lower tax rate rules**, including:

1. For encouraged industries, enterprises registered in Hainan Free Trade Port that have a practical operational record are entitled to a reduced corporate tax rate of 15%;
2. For tourism, modern service and high-tech industries, enterprises established in Hainan Free Trade Port are entitled to corporate tax exemption for income from newly increased overseas direct investment before year 2025;
3. Capital expenditures that meet certain requirements are allowed to be fully deducted from the taxable income or to be depreciated and amortized at an accelerated speed in the current accounting period;
4. High-end talents and highly-demanded talents employed in Hainan Free Trade Port are entitled to the personal income tax rate of 15%.
5. Before 2035, a **15% corporate income tax will be fully implemented, and personal income tax will be levied at three progressive rates of 3%, 10%, and 15%.**

Be Fully Authorized by Law



Policy Explanation

The Hainan Free Trade Port will accelerate the formulation of the Hainan Free Trade Port Law. If the policy involves the adjustment of laws and regulations, it shall be implemented after the authorization from the National People's Congress and the Standing Committee or the State Council.



Scan here for “Master Plan for the Construction of Hainan Free Trade Port”



Scan here for “18 Early Arrangements of Hainan Free Trade Port”

4 Sixty Key Policies for Foreign Investments



1. Maximum personal income tax of 15% for eligible talents.
2. Corporate income tax of 15% on encouraged industrial enterprises.
3. Exempt from import duties, import value-added tax and consumption tax on imported production equipment for enterprises' own use.
4. Export tax rebates on domestically built ships that are registered at Yangpu Port of China and engaged in international transport. Exempt from import duties, import value-added tax and consumption tax on imported operational vehicles and yachts.
5. Exempt from import duties, import value-added tax and consumption tax on raw and auxiliary materials imported for production.
6. Exempt from import duties, import value-added tax and consumption tax on imported goods purchased by island residents.
7. Raise the quota for offshore duty-free shopping to RMB 100,000 per person per year and expand the categories of duty-free products.
8. Exempt from corporate tax on the income acquired from new foreign direct investment before 2025 for tourism, modern services and high-tech industry enterprises.
9. Allow qualified capital expenditures to be fully tax-deducted; or to accelerate depreciation and amortization.
10. Tax exemption on imports and sales for overseas exhibits during the exhibition.
11. Products originating from Hainan, including output products whose added value exceeds 30 percent after the domestic processing of imported intermediary products, are exempt from taxes when entering the rest of China.
12. Allow flights in and out of Hainan to refuel with bonded aviation fuel.
13. Export tax rebates on domestically built ships that are registered at Yangpu Port of China and engaged in international transport.
14. Allow ships (those engaged in domestic and foreign trade) that transit at Yangpu Port of China to refuel with bonded oil.
15. Build Yangpu Port of China into an international port of registry.
16. Adopt a trial policy of tax rebates at the port of departure on goods that use Yangpu Port of China as a transit port for the final departure from China.
17. Adopt an import & export management system featuring 'free flow through the first line and efficient control at the second line' in Yangpu Bonded Port Area and other qualified zones.
18. Allow overseas high-level universities and vocational colleges specialized in science, engineering, agriculture and medicine to open branch schools independently in Hainan.
19. Build Hainan into a pacesetter island international-oriented education.
20. Establish a multi-functional free trade account system.
21. Replace pre-audit with post-audit for the banking sector on authenticity review of cross-border and new international trade.
22. Apply the negative list of cross-border trade in services for Hainan Free Trade Port.
23. Grant enterprises market access with a prior commitment.
24. Apply the special list of market access to Hainan Free Trade Port.
25. Apply the negative list of foreign investment access to Hainan Free Trade Port.
26. Treat domestic and foreign enterprises as equals in government procurement.
27. Implement a more convenient visa-free entry policy.
28. Salary ranges employed as main indices to evaluate talents.

4 Sixty Key Policies for Foreign Investments



29. Implement a negative list management system on the issuance of work permits for foreign employees.
30. Permit foreign personnel to serve as legal representatives in legal bodies, public institutions and state-owned enterprises.
31. Remove restrictions on overseas ship and aircraft financing.
32. Decentralize the registration management of foreign debts issued by enterprises to Hainan.
33. Expand the scope of cross-border asset transfer.
34. Prioritize the support of listing Chinese enterprises overseas.
35. Allow enterprises listed overseas to handle foreign exchange registration directly at banks.
36. Establish Hainan International Intellectual Property Rights Exchange.
37. Support overseas securities, funds, and futures institutions to set up wholly-owned or jointly-owned institutes in Hainan.
38. Support the establishment of property insurance, life insurance and reinsurance companies, mutual insurance organizations and self-insurance companies.
39. Support to develop cross-border medical insurance products in cooperation with overseas institutions.
40. Support the construction of trading venues for international energy, shipping, property rights and equity stakes.
41. Enable non-residents to participate in trading and fund settlement at trading venues.
42. Develop over-the-counter (OTC) derivatives services.
43. Conduct cross-border asset management services.
44. Issue Hainan provincial bonds globally.
45. Open up value-added telecommunications services.
46. Develop services of online data processing and transaction processing.
47. Open up basic telecommunications services in a safe and orderly fashion.
48. Develop the International Internet Data Interaction Pilot Project.
49. Expand air traffic rights, including the Fifth Freedom and Seventh Freedom.
50. Build an international aviation hub.
51. Build a new international land and sea transport hub to connect Western China with the world.
52. Build a regional medical center.
53. Build a national base of blockchain technology and innovation-driven development.
54. Build a pilot zone for cruise tourism.
55. Build a pilot zone for reform, development and innovation of the yacht industry.
56. Build Hainan into an International Design Island.
57. Build a national base of sino-foreign trade of culture products.
58. Authorize the Hainan government to manage and adjust the use of cultivated land, permanent basic farmland, forestland and land for construction.
59. Grant greater autonomy to various industry organizations.
60. Formulate laws and regulations based on the reality of Hainan's free trade port construction.

Part 2. Industry Guidance

- 1 Hainan's Leading Industries
- 2 Industry investment opportunities in Hainan Free Trade Port

2

1 Hainan's Leading Industries

Hainan will implement the policies of Hainan Free Trade Port, fostering to develop an open, eco-friendly and service-oriented industry system supported by tourism, modern service and high-tech industry as core industries, aiming to upgrade Hainan's existing industrial structure and achieve high-quality industrial development.



Tourism

- Hainan is the only tropical island province in China. With unique advantages, tourism has always been the backbone industry of Hainan, making it a popular place for leisure tourism which welcomes a large number of domestic and foreign tourists every year.



Modern Service

- Hainan Free Trade Port, as a frontier region of China for opening up, will play a leading role in the institutional innovation of the modern service industry. In 2019, the modern service industry's added value reached 141.66 billion yuan, up 8.7% YoY, contributing to 40% of GDP growth, and making it a major driving force for economic growth.



High-tech Industry

- Thanks to the construction of Free Trade Port, Hainan has built a superior environment for innovation and the development of high-tech industry. In 2019, the number of high-tech enterprises in Hainan reached 566, up 48.6% YoY. High-tech industry has shown its new potential, and has gradually become the growth engine of Hainan's modern economic system.

1.1 Tourism

Current Status

- As a backbone industry in Hainan, tourism is entering into a period of high-speed development.
- In 2019, total tourism revenue in Hainan reached 105 billion yuan, up 11% YoY, and the value added of tourism industry increased by 10% YoY.
- **83.14 million** domestic and foreign tourists, up **9% YoY**.
- **1.42 million** inbound visitors, up **12% YoY**.



Development Advantages



▪ Unique tourism resources

Hainan is the only tropical island province in China, with the largest marine area, abundant tourism resources, and high-quality typical tropical island scenery.



▪ Duty free upon exit

Hainan is the only province that can enjoy duty-free shopping without going abroad, with the world's largest duty-free shop, and prices 15%-35% lower than that with duty added.



▪ Highest density of luxury hotels

Luxury resort hotels are densely located in Hainan, with 78 world famous hotel management groups and 94 international brand hotels.



▪ Visa-free policy for 59 countries

Citizens from 59 countries can enter Hainan visa-free. There were more than 470,000 visa-free arrivals in 2019, up 33% YoY, bringing a large number of international visitors.



New Opportunities for FTP Investment

Hainan will further open up and develop tourism, actively promoting new businesses and new hot spots, enhancing high-end tourism consumption, and upgrading the quality of the tourism industry.

01 Shopping Tour

- Implement more convenient duty-free shopping policies.

02 Sports Tour

- Promote the integration of tourism, sports and elderly care.

03 Medical Tour

- Expand the opening up of medical area, following the policies in Boao Lecheng International Medical Tourism Advance Zone.

04 Culture Tour

- Develop emerging culture consumption, such as animation games and digital consumption.

05 Cruise Home Port Construction

- Combine cruise economy with sightseeing industry for mutual development.

06 Yacht Tour

- Build a comprehensive service platform for yacht tour and raise supervision of yacht leasing.

1.2 Modern Services

Current Status

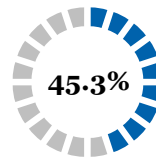
- Modern service industry plays an important role, contributes the most to the economic growth of the province, and stimulates employment rate.
- In 2019, the value added of Hainan's modern service industry reached 141.66 billion yuan, up 8.7% YoY, contributing 40% of GDP growth, driving GDP to grow 2.3%. The number of entities in modern service industry market was 746,000, up 21.7% YOY.

Development Direction

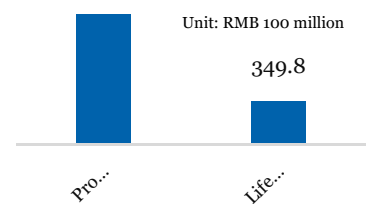
Seize the historical opportunity and lay out diversified field

- The construction of free trade port brings Hainan a historical opportunity to develop modern service industry. Hainan will play a leading role in the innovation of service industry system and become an important window to the world.
- Hainan's modern service industry will be transformed into a industry with features of high value addition, high-end, knowledge-based production service and high-quality lifestyle service industry.

Modern Services/ Service Industry in Hainan



The composition of modern service industry in Hainan



New Opportunities for FTP Investment

- Further lift restrictions on foreign investment and attract headquarters of MNCs.
- Open up the international shipping industry.
- Open up the education industry to build an international education innovation island.
- Build a Hainan international design island and regional international exhibition center, and further open up professional service industry.
- Build a marine service system with world competitiveness.
- Build a culture trade base with foreign countries.

Haikou, Sanya and Yangpu will be the key areas in building a modern service economic center with regional influence.

1.3 High-Tech Industry

Current Status

- In 2019, high-tech industry in Hainan realized added value of 26.21 billion yuan, up 4.5% YoY. The number of high-tech enterprises reached 566, up 48.6% YoY, and the operating income was 74.02 billion yuan. High-tech industry has gradually become the new engine of Hainan's modern economic system.

10 science and technology business incubators in the province, and 2 state-level incubators

28 entrepreneurship spaces, 7 of which nationally registered

118 academician innovation platforms across the province



Development Direction

"Sea, land and air" simultaneous development



Abyssal sea technology

- Abyssal sea equipment
- Abyssal sea material
- Abyssal sea communication



Seed and Tropical High-production Agriculture

- Global tropical agricultural center
- Global animal and plant resources introduction and transfer center



Aerospace

- Space launch center
- Space supercomputing center



Smart Hainan

- IoT
- AI
- Blockchain
- Digital trade



Advanced manufacturing

- Eco and environment protection
- Biomedicine
- New energy vehicles
- Smart vehicles



New Opportunities for FTP Investment

- Introduce preferential tax system.** Hainan free trade port will implement a "zero tariff, low tax rate and simple tax system" similar to Hong Kong, Singapore and other world-famous free trade ports.
- Provide convenience in cross-border investment, financing and capital flow.** The free trade port will implement a flexible foreign investment and foreign exchange management system, and innovate ways of government regulation.
- Facilitate free movement of the talents and communication of information.** The visa-free policy for people from 59 countries and the convenient cross-border flow of data make it easier for high-tech talents to work in Hainan, making patented technology creation environment more friendly.
- Reduce the investment cost of high-tech enterprises through implementing Headquarter Policy.** Hainan is adjusting its headquarters policies. It will attract R & D centers of world renowned enterprises.

2 Industrial Investment Opportunities



**Duty Free
Consumer
Goods**



**Cruise and
Yacht**



**Aviation
Industry**



**Culture and
Sports**



**Financing
Lease**



**Medical
Technology**



**Education
Industry**



**Offshore
Trade**



**Oil and Gas
Chemical
Industry**



**Round-the-
island Road
Stations**



**Modern
Finance**



**Abyssal Sea
Technology**



**Shipping
Vessel**



**Information and
Communication
Technology**



**Tropical
High-
production
Agriculture**



**Advanced Low-
Carbon
Manufacturing**



**Aerospace
Industry**



**Headquarter
Economy**

2.1 Duty Free Consumer Goods

Current Status

- In 2019, Hainan's sales of duty-free goods reached **18.119 million** in quantity and **13.49 billion yuan** in value, with the number of shoppers over **3.762 million**, up **37.3%**, **38.5%** and **35%** YoY respectively.
- There are four duty-free shops in Sanya Haitang Bay, Haikou Meilan Airport, Haikou Riyue Plaza and Qionghai Boao Dongyu Island, with a variety of high-end duty-free goods serving **80 million** tourists worldwide every year.

Development Advantages

China's only duty-free exit policy

Hainan is the only province in China that can enjoy duty-free shopping without going abroad, and it has a dominant advantage in the country's large-scale retail industry with low price and abundant products.

Perfect supporting services

Hainan will host global events of new designs, International Fashion Week (SS/AW), combined with a showroom in the fashion week show as a new channel and platform for global buyers and retailers to purchase and order.

Development Direction

- Create a global duty-free consumption center with "first store, first brand, first show, first launch", a global fashion trend information center, and a new landmark of fashion industry
- Support the following organizations to open the first duty-free flagship store and regional headquarters:
 - Luxury brands
 - Independent designer brands
 - International master studio
 - Art research institute
 - Fashion marketing agency
 - High-end retail department store



New Opportunities for FTP Investment

Preferential tax-free policy support

Hainan will add duty-free venues and market entities, increase the duty-free quota to 100,000 yuan per person per year, expand the types of duty-free goods, and allow duty-free purchases of imported goods consumed by local residents by 2025. No visa is needed for people from 59 countries, "duty free upon exit" is changed to "duty free upon arrival", procedures for purchasing duty-free goods are simplified, postal tax is levitated, the customs clearance mode of "zero tariffs across the island" is on the way, and a highly convenient business environment will be provided to all brands.

Considerable consumption flow

Hainan will simultaneously develop high-end culture, sports and tourism industries, introducing world-class theme parks, large international exhibitions and events, promoting high-quality tourism products such as cruise and yachts, culture and sports, exhibitions, leisure and night tourism. It will continue to attract consumers with strong purchasing power to make luxury industry prosperous.

Smart upgrades in CBD

Hainan will fully optimize the technical standards of e-commerce in terms of transactions, payment, logistics, and foreign exchange settlement, simplify the customs clearance process and supervision model, build a "smart business circle", and further expand sales channels.

2.2 Cruise and Yacht

Current Status



Cruise Industry

- Hainan has built 2 cruise ports in Sanya and Haikou, and has 4 cruise berths, which can accommodate a maximum of 150,000-ton cruise ship.
- From 2012 to 2019, Hainan received a total of 1115 international cruises with 840,000 tourists.

Development Advantages

- Imports of cruise ships and yachts are exempt from duties, import value-added tax and consumption tax.
- The only province that allows yacht leasing in China.
- Sanya will build the largest cruise home port in the world.



Yacht industry

- Hainan has built and operated 15 yacht marinas, with 2568 berths, 638 registered yachts, and about 60 yacht clubs and related companies, covering manufacturing, repair and maintenance, training, sales, financial insurance, operating services and other industries.
- In 2019, the total number of yachts in the province exceeded 96,300, and the number of sailings was 29,136, up 70.9% YoY. During the National Day Golden Week, yachts sailed 3,404 times, an increase of 57.5%.
- Yacht tourism is moving from "niche high-end" to "public leisure".

Development Direction

- Zero-tariff for yachts imported to the island.
- Development of regional headquarters for cruise and yacht related companies.
- Encourage international cruise companies to set up operations and settlement centers, focusing on the development of cruise economy such as cruise maintenance, ship supply, ship registration, financial insurance, and marketing.
- Focus on the development of yacht trading, display, leasing, design, manufacturing, maintenance, driver training, and set up Hainan International Yacht Trading Center.



New Opportunities for FTP Investment



- Cruise line development cooperation
- Cruise infrastructure cooperation
- Cruise supply cooperation
- The free-independent-tour programs among Hainan, HK and Macao by yachts



- Development of new yacht lease
- Development of yacht tourist attractions
- Cooperation of the entire yacht industry chain

2.3 Culture and Sports

Current Status

- The integration of sports and culture has become the general trend. Sports consumption will become a key area for the development of modern service industry in Hainan Province.
- Hainan Province has successfully held many large events. As an important growth point of the economy, culture and sports have increasingly become the leading industries.
- Successfully held many large cultural and sports activities:

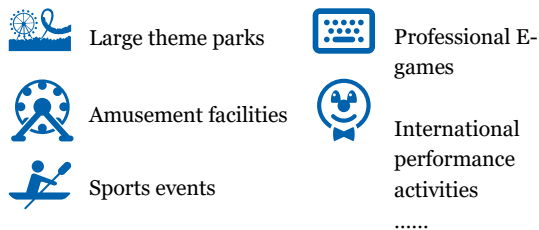
Hainan International Film Festival	Sanya International Music Festival
FIA Electric Formula Championship Sanya	Strawberry Music Festival
- Successfully developed 5 independent brand international events:
 - Hainan International Road Cycling Race
 - South Island International Regatta
 - Hainan (Sanya) International Marathon
 - Hainan Golf Open
 - International Tourism Island windsurfing Grand Prix
- The original British Musical “Cats” performed 8 times during the National Day Holiday.
- Successfully bid for the 6th Asian Beach Games in 2020.



Development Direction



Investment Fields



New Opportunities for FTP Investment

Further levitate restrictions on foreign investment access

- Pilot test the set up of performance agencies and performance venue operating units in an approved cultural tourism area by foreign capital. Foreign-funded cultural and artistic performance groups (if controlled by Chinese shareholder) are allowed. Hotels can receive overseas TV channels if approved by the state.

Industrial investment environment is continuously improving

- The construction of the Hainan Free Trade Port has attracted a large number of outstanding talents in related fields. In addition, the Hainan Provincial Government has set up the Hainan Cultural and Sports Industry Development Fund to continuously optimize the investment environment.

Policy breakthroughs in the field of sports are expected in the future

- Hainan will introduce policies to strongly support the development of the professional e-games industry and inbound golf tourism, and promote the cultural and sports industry towards quality and rapid development.

2.4 Education Industry

Current Status

- The international education industry has a huge advantage with the construction of the Hainan Free Trade Port.
- Hainan is actively attracting a batch of cooperative education projects with overseas institutions such as Coventry University from U.K., Michigan State University from U.S., and Lisbon University from Portugal to settle in Lingshui Li'an International Education Innovation Pilot Zone.
- Education and related industries have developed rapidly and the development of Internet education has entered a fast track.

Development Direction

- Encourage first-class overseas universities to start cooperation programs.
- Establish international high schools and kindergartens.
- Encourage foreign engineering universities and vocational colleges to run independently.
- Support foreign enterprises to run schools in sole proprietorship.
- Establish joint-run medical and health schools in form of independent legal entities.
- Headquarters, regional headquarters, or research centers for international organizations, international educational institutions, and large international education companies.



Key Park

Yangpu Economic Development Zone

- Attract petrochemical and high tech focused universities, supported by the petrochemical industry base and Sino German Industrial Park in Yangpu.

Lingshui Li'an International Education Innovation Pilot Zone

- Provide a platform for Chinese foreign cooperation in running first-class universities, an innovation demonstration area of international education, and a training area of international talents.

Wenchang International Space City

- Attract first-class scientific research institutions of aerospace and build an international university of aeronautics and astronautics.

Boao Lecheng International Medical Tourism Pilot Area

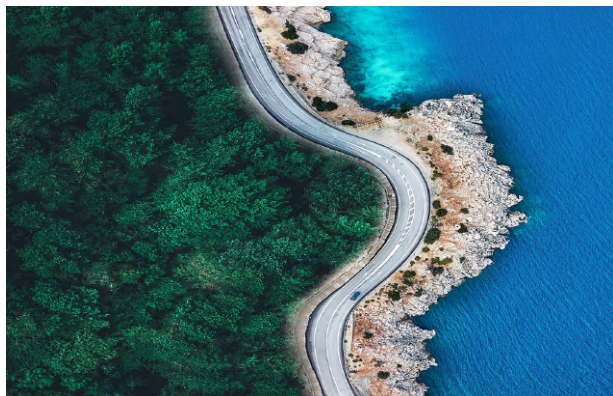
- Introduce sino-foreign joint-run medical schools and develop a new mode of integrated coordination of medical teaching, research and production.



New Opportunities for FTP Investment

- Hainan will establish a national education innovative development pilot area, improve the new mechanism of running schools, and steadily construct the Hainan international education innovation island.
- Policies support:
 - Provide school lands in favorable way
 - Schools can independently determine the tuition and fees based on their costs.
 - Zero tariff for imported teaching and research equipment and instruments.

2.5 Round-the-Island Tourism Road Station



Project Planning

Project Positioning

- The development goal of the tourism road around the island is to build an ecological road, a scenic road, a cultural road, a smart road and a happy road.
- Breakthrough of the traditional traffic function by adding elements of tourism, entertainment, leisure, and consumption.
- The road is the "chain" and the stations are the "Pearls". It will be a landmark project and a masterpiece of tourism throughout the whole region.

"Pearl necklace" overall layout



1 Highways: connecting 12 cities and counties

- A total length of 1429 km
- Main line of 999 km
- Newly built section of 442 km
- Combining existing highways for the remaining part

2 Road stations: building 40 boutique stations

- Characteristic architectural style
- Diversified business forms
- Focus on eco-friendly issue and evenly distribute different stations



6 business forms of station investment promotion

The round-the-island tourism road station is a comprehensive tourism service facility, incorporating the functions of **"tourist centers, featured tourism products and regional integrated platforms"**, building a round island tourism consumption platform, a tourism product system with Hainan coastal features, **targeting one third of the high-end tourists** of the whole island in the future, focusing on six major business forms.



Theme Parks



Resort Hotels



Museum and Historic Places



Entertainment



Commercial Shopping



Food and Beverage

2.6 Shipping Vessel

Current Status

- Hainan has formed a port system with Haikou Port in the north, Yangpu Port and Basuo port in the west, Sanya port in the South and Qinglan port in the East, with 147 production berths, including 73 deep-water berths of 10,000 tons and above.
- Hainan has a large number of high-quality port hinterland for industrial development, which are scarce resources in the country.



Development Advantage

Geographical advantages

- Located in the south of China, Hainan is an indispensable hub for trips to Asia and Oceania. It is the forefront of maritime exchanges among China, ASEAN, South Asia, and Middle Eastern coastal countries, and an important spot for the “Belt and Road”.

Rich marine resources

- The waters around Hainan are rich in oil and gas resources. Various engineering vessel leasing and service providers will see more opportunities with the development of oil and gas resources in the South China Sea.

Vast market hinterland

- Hainan is backed by the two major markets of mainland China and Southeast Asia. The entry of international shipping companies will help to further enhance their global layout.

Development Direction

- Build an international shipping hub with strong service functions and coverage area, continuously improve the global shipping resource allocation capabilities, and facilitate the convenience of free transportation.
- Attract more international shipping companies to register, and promote the return of Chinese-funded "convenience flag" ships.
- Attract more international ship management companies to settle, setting a benchmark for the modern service industry of Hainan Free Trade Port.
- Focus on the development of shipping service industry chains such as ship financing, shipment insurance and ship maintenance in free trade ports, and attract more high-end shipping services.



New Opportunities for FTP Investment

- Build a "China Yangpu Port" registry port and gradually release the statutory inspection of ships, establish the Hainan Free Trade Port International Ship Registration Center, remove the restrictions on the foreign capital ratio and overseas financing, and replace deposit with insurance for international shipping companies to register ships in Hainan.
- Domestically built ships registered in "Yangpu Port" and engaged in international transportation are deemed to be export and tax refunds will be granted. For container cargo transited in Yangpu Port that meets the conditions, the tax rebate will initiate at the departure port.
- Domestic ships in international trade that transit in Yangpu Port are allowed to refill the bonded oil required for the voyage, and export tax rebate policy is implemented for the local-produced fuel used for the voyage.

2.7 Aviation industry



Current Status

- **Hainan is a major aviation province.** In 2019, 4 airports in Hainan received over **45 million** passengers, ranking 12th in the country.
- Hainan plans to open more than **100 international routes** within two to three years, and promote air connectivity with countries and regions along the “Belt and Road”.

Development Advantages

- Hainan has obvious location advantages, as China’s southernmost open gateway, and also an important node of the “21st Century Maritime Silk Road”. In the future, it will form an all-directional international aviation network with Haikou at its core.
- By the end of October 2019, there were over **500** flight routes operating in Hainan, including **96** international and regional routes.
- The central government supports Hainan’s development of the aviation industry, and Hainan has been set to become a pilot for opening the fifth freedom of air; aircraft imports are exempt from tariff.

Development Direction

Opportunities



Aircraft leasing



Air base of foreign Airlines



General aviation



Aviation maintenance



International aviation fuel trade



Business jet manufacturing and sales



Freedom of Air

.....



New Opportunities for FTP Investment

- **The Civil Aviation Administration supports Hainan to increase routes and flights for further opening up**, i.e. optimize route network, strengthen the connectivity with inland aviation hubs, and expand international route coverage.
- **Hainan will speed up the construction of new airports, renovation and expansion of existing airports**, i.e. phase II of Haikou Airport, Sanya new airport, and airport in Danzhou or Dongfang.
- **The central government supports Hainan to attract social capital for infrastructure construction**, i.e. airport construction and operation, general aviation, aircraft maintenance.
- **Expansion of the fifth freedom of air and pilot opening of the seventh freedom of air.**

2.8 Financial Lease

Current Status

- Promote the financial leasing business of aircrafts and ships.
- Several financial leasing enterprises have already set up special project companies (SPV) in Hainan for business.
- The first financial leasing business of ship started in Yangpu in 2020.



Development Advantages

Policy

- No minimum registered capital requirement for financial leasing companies to set up subsidiaries in Hainan.

Market

- The market potential for financial leasing is huge, especially in power, transportation, elderly-care, medical treatment and high-end manufacturing.

Development Direction

Investment Opportunities



Aircraft Financial Leasing



Cruise and Yacht Financial Leasing



Ship Financial Leasing
.....



High-end Medical Equipment Financial Leasing



New opportunities for FTP investment

Implement “Zero tariff, low tax rate, simple tax system”

- In the Hainan Free Trade Port, it will be duty free for transportation vehicles and manufacturing facilities. In the future, the effective tax rate might be equal to or lower than that of Hong Kong or Singapore, greatly reducing the tax cost of financial leasing enterprises.

Accelerate the implementation of policies related to Customs remote supervision of financial leasing industry

- The Customs has no policy barrier to supervise the financial leasing companies at a different spot. Hainan will formulate details to implement the related policies.

Implement convenient foreign exchange management system

- A more open foreign exchange management system will reduce the cost of foreign exchange conversion for financial leasing enterprises, therefore, will guarantee the global disposal of assets for enterprises

2.9 Offshore Trade

Current Status

- Hainan has made great efforts to develop new forms of international trade, explore global ways of foreign exchange and establish an offshore trade tax system in line with international standards.
- In order to further increase the level of opening up, Hainan takes advantage of its location, policies, environment, and ports to build an offshore trade center.



Development Direction

Overall advantage

- Offshore trade in Hainan benefits from the construction of the FTP, including the coverage of area, various pilot industries, strong and sound coordination among different areas.

Geographical advantage

- Hainan has excellent ports all around, and sea cargos can be directly unloaded and transferred to all places in China. It helps Hainan to transit into a trade center from a logistic center.

Yangpu

The establishment of National Offshore Trade Pilot Area

- **Logistics and Customs supervision:** “Single window” international trade procedures will enhance the efficiency of Customs supervision.
- **International shipping:** Yangpu Port becomes an international transfer port, with tax refund at the original ports and convenience of LCL .
- **International Energy Trade:** Target the business of blending of bonded fuel oil to meet the market of ASEAN.
- Promote free trade policies in trading, finance, local currency settlement and other fields.



New Opportunities for FTP Investment

- **Simplify company registration.** Further simplifying the registration of offshore companies, including simplifying the procedures, lifting the restrictions of foreign personnel registry in China, and promoting foreign investment.
- **Introduce preferential policies.** Implement more preferential tax policies for individuals and enterprises, gradually permit the cross-border flow of foreign exchange funds, and marketize interest rates of deposits and loans in offshore areas.
- **Attract high-end talents,** especially offshore trade service talents.

Sanya

Offshore Finance/Trade Center

“One center, five agglomerations”

Agglomeration of transaction factors

Agglomeration of listed companies

Agglomeration of large capital management

Agglomeration of insurance industry

Agglomeration of financial conferences

2.10 Modern finance



Current Status

- The People's Government of Hainan Province makes great efforts in the financial sector, proposing modern finance industry as a **core industry in Hainan**.
- The Hainan Free Trade Zone has achieved several finance innovations in the past two years since its establishment, such as multifunctional free trade accounts and securitizing of intellectual properties.

Development Advantages

Policy advantage

- With its advantages in location, policies, environment and ports, and the continuous opening and innovation of the financial field, Hainan sees new opportunities in cross-border finance and trade-related finance.

Geographical advantage

- The nearby financial centers of Hong Kong, Guangzhou and Shenzhen will bring synergies to the development of modern finance in Hainan.

Development Direction

Investment opportunities



Internet Finance



Inclusive Finance



Cross border Finance



Construction of Factor Market



Marine Finance

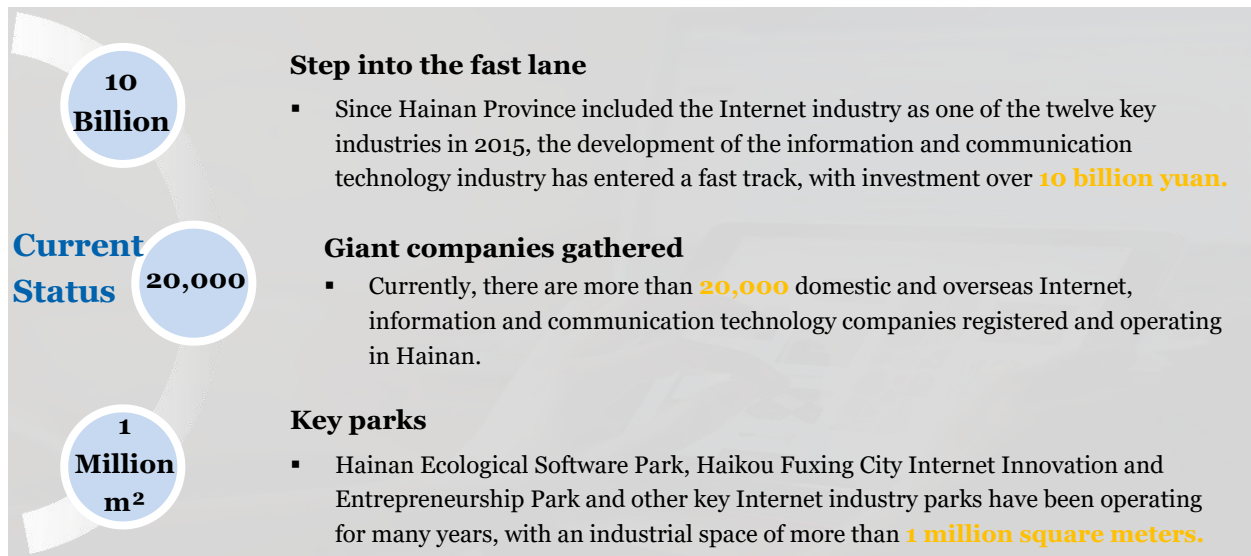
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New Opportunities for FTP Investment

- **Policies to accelerate financial innovation.** The central government encourages Hainan to develop Internet finance, maritime finance, cross-border finance and other innovative finance, and encourages domestic and foreign financial institutions to settle in Hainan.
- **Further deepen foreign cooperation and development.** Hainan will increase its cooperation and communication with other countries and attract overseas financial institutions. Hainan encourages foreign capital to set up various innovative institutions, explores equity cooperation between overseas investors and local financial entities, and supports international investors to participate in local financial factor market transactions.
- **Policies to support the finance industry have been continuously improved.** The policies focus on preferential finance, innovative finance and Internet finance, and provide rewards for financial innovation such as new financial subjects and new business forms and models.

2.11 Information communication technology



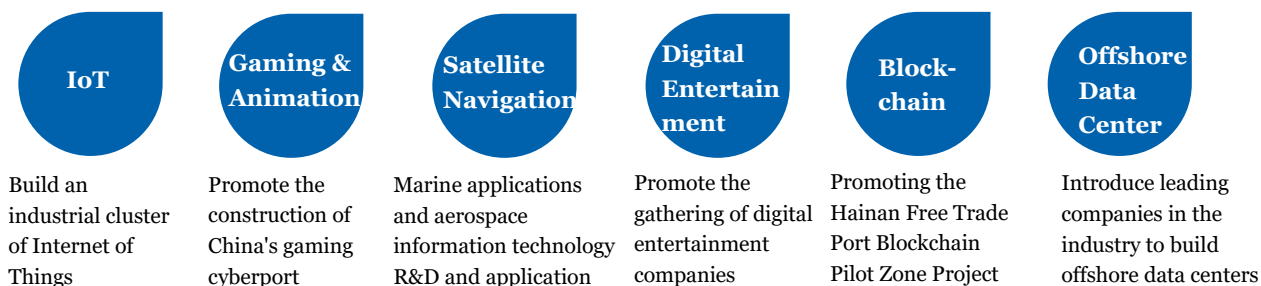
Development Advantages

Clear industry positioning

Strong industry support

- The whole island of Hainan is included in the pilot scope of cross-border e-commerce retail imports.
- Preferential policies of relevant key industrial parks help the development of enterprises.

Development Direction



New Opportunities for FTP Investment

- Expand the opening up of the data field, carry out international Internet data exchange pilots, set up international communication gateways.
- Expand the opening up of telecommunication resources and services, i.e. open up value-added telecommunications services, gradually remove restrictions on foreign equity ratios, allow online data processing and transaction processing services, and open up basic telecommunications services.

2.12 Advanced low-carbon manufacturing

Current Status

- Low-carbon manufacturing is one of the twelve key industries in Hainan, focusing on agricultural and side-line products processing, medicine, vehicle manufacturing, etc.
- In 2019, 59 out of the top 100 private enterprises in Hainan are green and low-carbon industrial enterprises. Nearly half of the province's high-tech companies are in low-carbon manufacturing.



Development Advantages

Resources

- Hainan is the only tropical province in China with abundant resources.

Ports

- Yangpu Port and Basuo Port in the west of Hainan are natural deep-water ports.

Location

- Hainan is backed by two major markets of mainland China and Southeast Asia, and the manufacturing industry can meet the demand of the both markets.

Policies

- Hainan will accelerate the reform of the ecological civilization system, control total carbon emissions on the top level and only control incremental energy consumption.



New Opportunities for FTP Investment

Development Direction



Emerging green food processing



Car Manufacturing



New Energy
New Material



Tourism manufacturing



Marine equipment manufacturing



Smart manufacturing



Medicine & instruments

- Snack foods
- Juice
- Deep processing of seafood
- New energy car
- Smart Car
- New energy industry
- High-end components
- Yacht
- Seaplane/multipurpose helicopter
- Energy development equipment
- Deep sea exploration
- Emerging intelligent terminal
- Smart sensors
- Advanced Biomedicine
- High-end medical equipment

Taxation system under the framework of free trade port policy

Competitive tax arrangements. Implement "zero-tariff" negative list management for self-use imported production equipment, and positive list management for raw materials imported for self-use in production. For the encouraged industries, companies registered and operated in Hainan Free Trade Port have a reduced income tax rate of 15%.

Free and convenient cross-border circulation of various factors

In terms of free, convenient, and orderly cross-border flow of trade, investment, capital, personnel, and transportation, new and more efficient measures will be studied and implemented.

Actively strive for the policy of origin

With reference to the policy of origin, for goods produced by encouraged industries that do not contain imported materials or contain imported materials and are processed in the Hainan Free Trade Port with a value-added of more than 30% (inclusive), will be exempt from import tariffs when entering the domestic market.

2.13 Medicine & Medical Technology



Current Status

- The medicine and medical industry is one of the key industries that the provincial government is striving to promote. The industry has started steadily and has grown rapidly with distinctive characteristics.
- In 2018, enterprises above designated size in Hainan's pharmaceutical industry completed an output value of 23 billion yuan, up 20% YoY.

Development Advantages

Resources

- Hainan has the natural advantages of developing the medical and health industry. Hainan is rich in medicinal animal and plant resources.

Policies

- The country has issued a series of policies to promote the development of the medicine and medical technology, providing a good policy environment for industry development.

Brands

- Hainan's "healthy island" regional brand effect is significant.

Development Direction



1st Southern medicine, green food and healthy food, planting and breeding, etc.



2nd Marine biopharmaceuticals, health products, medical devices, and new types of auxiliary materials.



3rd Healthcare services focusing on medical services, health tourism, health insurance, etc.



New Opportunities for FTP Investment

- **Build a demonstration zone of high-quality, integrated and concentrated development.** With the construction of Free Trade Port, Hainan will build a national health industry pilot test zone, a high-quality integration and development demonstration zone for health industry, an important strategic spot of the "Belt and Road" initiative, and a global health and medical tourism destination.
- **Unprecedented policies.** Hainan Free Trade Port will form an institutional highland for the development of the pharmaceutical industry; *The Implementation Plan for Supporting the Construction of the Boao Lecheng International Medical Tourism Pioneer Zone* has comprehensively "upgraded" the preferential policies of the Hainan Lecheng Pioneer Zone. Under the background of promoting the construction of the free trade port, the development of the health industry has incredible new opportunities.

2.14 Oil & Gas Chemical

Current Status

Hainan has formed a complete oil and gas industry chain integrating "exploration, development, processing, warehousing, pipeline transportation, and sales". Among them, Yangpu has developed 10 million tons of oil refining, 10 million cubic meters of oil and gas reserves, aromatic hydrocarbons, and polyester industries and chain, crude oil, refined oil, port logistics and other supporting industries, while Dongfang Port Industrial Park has developed natural gas, methanol industry chain, and fine chemical industry.



Development Advantages

- Vast sea area with abundant natural gas and oil resources, accounting for more than 1/3 of the total reserves of the country.

Resources

Location

Policies

- Hainan Free Trade Port policies
- Value-added rules for processing and other free trade port policies are pilot tested in Yangpu.

Development Direction

- The closest petrochemical and oil and gas reserves to the South China Sea oil and gas resources and the Middle East Petroleum
- Covering the two major petrochemical product markets around Northern Gulf and ASEAN



Oil and gas exploration



Oil and gas refining



Fine Chemicals



New material

Oil and gas reserves

- The downstream of the oil and gas chemical industry chain has broad development potential.** The 1 million ton ethylene project in Yangpu is under construction. New oil refining and ethylene projects are planned, bringing a lot of investment opportunities to the downstream industry.
- Encourage well-known overseas companies to participate in the exploration and development of oil and gas resources in the South China Sea.** Oil and gas exploration and development is no longer required to be carried out through a revenue sharing contract with a company who has obtained the foreign cooperation approval from the Chinese government since such limitation has been removed.
- Imported oil and gas exploration and chemical production equipment are exempt from tax.** Exemption of import tariffs, import value-added tax and consumption tax on imported production equipment for self-use will effectively reduce production costs of enterprises.



New Opportunities for FTP Investment

2.15 Deep Sea Technology

Current Status

- Hainan has a jurisdiction of approximately **2 million** square kilometers of sea area, and shoulders the important task of jurisdiction over 2/3 of China's sea area.
- While still in the initial stage of development, deep-sea technology is one of the future pillar industries nurtured by Hainan, with a deep sea tech zone already set up in Sanya.

Development Advantages

Location

- Hainan is closest to deep sea among regions in China.

Resources

- The seabed of South China Sea contains large amounts of metal minerals, oil and gas, and combustible ice resources.

Strategies

- With national strategies such as boosting maritime powers, Hainan will become the most important support base for the development of resources in the South China Sea.

Talents

- The research ability and talent reserve of research institutes such as Deep Sea Institute of Chinese Academy of Sciences makes it possible to develop the deep-sea technology industry in Hainan.

Development Direction

Investment opportunities



Deep sea equipment



Marine Biomedicine



Deep sea materials



Marine ship



Deep Sea Communications



Marine Public Services



New Opportunities for FTP Investment

- **Talent introduction policies.** Hainan provides support for deep-sea technology talents in terms of salary, child education, housing subsidies, achievement awards and entrepreneurial support, which helps attract talents from related companies to live and work in Hainan.
- **Platform construction service support.** Hainan will further actively promote the construction of science and technology platforms like the Deep Sea Institute of the Chinese Academy of Sciences in terms of land and policies. Similar platforms will become the output places for deep sea mineral, oil and gas exploration technology R&D, and provide related companies with technical cooperation.
- **Projects leading industry support.** Hainan continues to support industrialization of deep sea scientific and technological achievements, R&D of key generic technologies and core engineering equipment, to provide related enterprises with marine technology service capabilities and promote deep sea industry.

2.16 Tropical high-production agriculture



Current Status

- **Develop Sanya Nanfan Tech Zone:** Build the industrial system of the Nanfan Tech Zone focusing on scientific research, core industry of seed technology, and features of tropical agricultural science.
- **Build a transit base for the introduction of global animal and plant germplasm resources:** Build a transit base that integrates functions of quarantine, reserve protection, industrial applications and trade.
- **Industrial development status:** An industrial pattern has been in place with top domestic R&D teams such as the Hainan Seed Innovation Research Institute of the Chinese Academy of Sciences, and key players such as Sinochem for industrialization.

Development Direction

- R&D of crops, trees, flowers and plants, livestock and aquatic products in Nanfan

Fundamental Industry

Core Industry

Featured Industry

- Tropical crop technology, tropical agricultural service, tropical agricultural tourism

By 2030, achieve the goal of "five modernizations"

- Biological breeding technology
- Seed trade
- Seed technology intellectual property transactions

Industrialization

Specialization

Integration

Marketization

Globalization

New Opportunities for FTP Investment



Premium breeds rewards

- 50% of the introduction cost
- As much as RMB 3 million for raising high-efficiency premium seedings



Talent subsidies

- One-time subsidy of as much as 20 million yuan
- Rent-free venues or one-time subsidy on self-purchased houses



Loan subsidy

- Subsidy on loan as much as 50% of the benchmark interest



Facility subsidies

- Large research instruments
- Seed and agricultural industry related facilities
- Procurement of R&D equipment by research platform



Joint R&D subsidies

- Cooperation with foreign research institutions
- High-tech enterprise R&D projects
- Conference and exhibition projects
- Purchase of research results

2.17 Aerospace industry

Current Status

An important part of China's space map

- **With its unique location advantage, Hainan has become China's best satellite launch site.** Launching satellites near the quayside is already a consensus among space powers. Hainan is the only region in China that has this condition.
- **Wenchang Space Launch Site is China's most competitive site for commercial space launches.** As the only low-altitude coastal launch site in China, Wenchang Aerospace Launch Site is responsible for a series of major aerospace projects such as deep space exploration, manned moon landing, and transportation between space and earth.

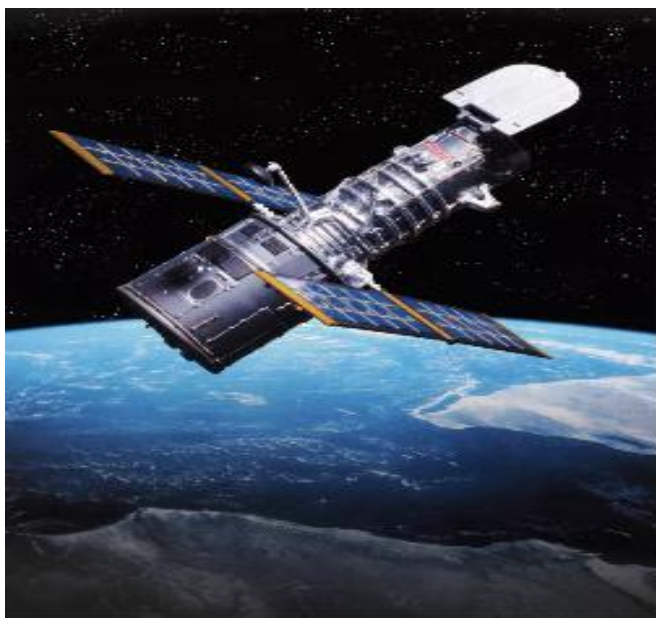
Development Direction

- Hainan will become a major scientific and technological innovation base in China's aerospace industry under the free trade port strategy.
- Formulate an industry structure of aerospace, satellite, and remote sensing in Hainan with Wenchang Space Launch in the North and Sanya Satellite Application in the South, and build a commercial aerospace industry chain.
- **Aerospace core industry:** key technology experiments, engineering technology research, R&D and production of infrastructure equipment, and applied aerospace technology.
- **"Aerospace +" extended industries:** aerospace big data application services, Smart Hainan, aerospace life sciences, aerospace technology exhibitions and transactions, aerospace tourism, etc.
- **Tech support industry:** new generation information industry, high-tech, new infrastructure construction.
- **Service support industries:** tech services, cultural innovations, business services, financial services, tourism services, and shared economy.



New Opportunities for FTP Investment

- **Zero tariffs on space equipment.** In order to reduce the operating cost of enterprises, Hainan will take the lead in zero-tariff import and export of various commodities used in space equipment.
- **Encourage foreign investment in the construction of Wenchang International Space Town.**
- **The industrial service platform is continuously improved.** In the future, Hainan will build a platform for the opening up and development of aerospace technology and international cooperation.



2.18 Headquarter Economy

Current Status

- As China's largest special economic zone, Hainan has become a hot spot of domestic and foreign investors. Many large enterprise groups have strong desire to set up their headquarter in Hainan.
- In 2019, there were 33 headquarter enterprises acknowledged by Hainan Province, with total assets of 577 billion yuan and tax contribution of 2.388 billion yuan.



Development Advantages

Transition hub advantage

Hainan is an indispensable hub for travel between Asia, Oceania and Southeast Asia. It is the forefront of maritime exchanges between China and ASEAN, South Asia, and coastal countries in the Middle East.

Rich marine resources

The waters around Hainan are rich in oil and gas resources, and various engineering vessel leasing and service providers will gain more development opportunities.

Vast hinterland market

Hainan is backed by the two major markets of mainland China and Southeast Asia. Entering Hainan will help to further enhance shipping companies' global layout.

Development Direction



2 major headquarter bases

- Haikou Jiangdong New District
- Sanya HQ Economy and CBD



Attracting international headquarters

- International headquarters, operational or regional headquarters of MNCs, especially Fortune 500.
- International headquarters of SOE and large private enterprises
- Regional headquarters of international organizations, etc.



New Opportunities for FTP Investment

A system environment in line with international standards

- Benchmarked against Hong Kong and Singapore, reduced corporate income tax rate and personal income tax rate in Hainan Free Trade Port will be very attractive to headquarters and high-end talents.

Increased government support

- In the process of building a free trade port, Hainan will further improve the headquarter recognition standard and policy system, and increase the rewards eligible headquarters.

Free access and exit of people

- Besides the current visa-free list of 59 countries, Hainan is exploring more convenient policies for entrance and exit so as to attract talents for international headquarters.

Improved supporting services

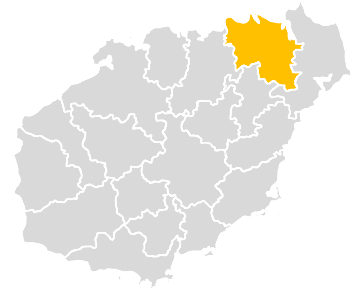
- Hainan will take advantage of the free trade port to attract well-known domestic and international professional service providers in the area of accounting, law, management consulting, training, etc. to provide headquarters with better services.

Part 3 . Investment Haikou

- 1 Introduction To Haikou
- 2 Major Industrial Parks

3

1 Introduction to Haikou



Overview



- Located in the north of Hainan Island, Haikou covers a total area of 3119 km² and has a regular population of 2.32 million. It is the political, economic, technological and cultural center and the largest transportation hub of Hainan Province.



- In 2019, the regional Gross Domestic Product reached RMB 167.193 billion, an increase of 7.5%, ranked the top in the province.

Major Industries

Aiming at high-quality development, Haikou continues to develop the real economy and new industries, new formats, and new momentum.

- **Steady growth of tourism:** The total tourism revenue in 2019 was RMB 32.06 billion, an increase of 7.6% over the previous year.
- **Rapid growth of convention and exhibition industry:** In 2019, a total of 324 large conferences and exhibitions were held in Hainan, a 3% increase over the previous year.
- **Rapid growth of the medical industry:** In 2019, the pharmaceutical industry above designated size achieved an output value of over RMB 25.23 billion, an increase of 3.6%.
- **Speedy development of the high-tech industry:** 27 incremental tech companies were registered in 2019, and 314 tech contracts were signed with a total amount of over RMB 559 million.

Target Areas

- Tourism
- Exhibition
- Low Carbon Manufacturing
- High-end Manufacturing
- Medical and Health
- Education
- Finance
- Logistics
- Tropical High-productive Agriculture

2 Major Industrial Parks

Haikou Jiangdong New Area



Location

Located in the east coast of Haikou, Jiangdong New Area is close to Meilan Airport, with an area of 298 km². The area has two parts: 106 km² of ecological function area in the east and 192 km² of industrial-urban integration area in the west.



Objectives

Jiangdong New Area will be the innovation area of 'the reform and opening-up pilot zone', the demonstration area of 'the national eco civilization pilot zone', the test area of 'the international tourist consumption center' and the demonstration area of 'the national strategic service support zone'.



Investment Targets

- Airport economy: aircraft maintenance & leasing, cross-border e-commerce, etc.
- Service economy: headquarters economy, modern finance, digital economy, etc.
- Eco economy: tourism, urban farms, health care, etc.



Haikou National Hi-tech Industrial Development Zone



Location

Located in the center of the Haikou Industrial Corridor, Haikou National Hi-tech Industrial Development Zone has an area of 85.42 km². It is the only national high-tech zone in Hainan Province and an important fulcrum for opening up.



Objectives

Focusing on the development of high-tech industries such as medicine and medical equipment, high-end low-carbon manufacturing, smart sensors and information technology.



Investment Targets

- High-tech industry
- Medical equipment and health care
- New material industry
- Tourism



3 Major Industrial Parks

Haikou Integrated Free Trade Zone



Location

Haikou Integrated FTZ is Hainan's only integrated FTZ and one of the two special customs supervision areas. It is close to the national Catutory-1 Port (Macun Port) and round-the-island highway, with three high-speed railway stations within 15 km. It is 30 km away from Xinhai Port, 40 km away from Meilan Airport and 90 km away from Yangpu Port.



Objectives

Aiming to build an internationally renowned manufacturing center, R&D design center, logistics and distribution center, inspection and maintenance center and sales service center.



Investment Targets

- Bonded warehousing, duty-free goods distribution and bulk commodity trading
- Cross-border e-commerce and international logistics and distribution
- Low-carbon manufacturing
- Jewelry processing and exhibition
- Parallel-import automobiles and exhibition of vehicles
- Financing lease
- Regional headquarters and offshore financial settlement center



Hainan Resort Software Community



Location

Located in the west of Haikou and along the Meilun River, Hainan Resort Software Community has a great location and is only a 30-minute drive from the Meilan International Airport. The Old Town Station of West-ring High-speed Railway is in the southwest corner of the community.



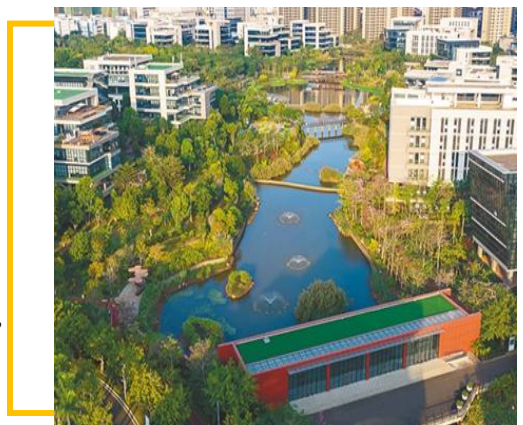
Objectives

Aiming at the next generation information technology, the community focuses on the development of "one zone and three industries", that is, Hainan FTZ Blockchain Pilot Zone, digital culture, digital services and digital health industry.



Investment Targets

- Next-generation information technology: blockchain, big data.
- Digital sports: gaming, e-sports products and platforms.
- Digital health: big data of medical and health.
- Trade and exhibition: business service platforms and exhibitions.



3 Major Industrial Parks

Fuxingcheng Internet Information Industrial Park



Location

Phase I is located in the coastal CBD of Haikou, and Phase II is located in the west coast, south of Haikou municipal government. There are currently 784 registered enterprises in the park.



Objectives

Building an international base for digital economy headquarters and offshore innovation and entrepreneurship.



Targets

- Intelligent IoT industries: chips and components, sensors, 5G, Internet of Vehicles, AI, etc.
- Digital trading industries: cross-border data flow, cross-border e-commerce, digital content, digital service outsourcing, etc.
- Fintech industries: blockchain, payment clearing, etc.
- International offshore innovation and entrepreneurship.

