

Unprecedented opportunities for Guangdong

By LAO ZHAN

The Guangdong High-Tech Service Zone for Financial Institutions, in Foshan, Guangdong province, is becoming more confident in its strategy to develop back-office operations while exploring front-office ones, a zone official has said.

The zone is in the Nanhai district of Foshan, just next-door to Guangzhou, the provincial capital, which is close to Hong Kong.

"The strategic adjustment of the global financial business, the economic integration between Hong Kong and Guangdong province, and the integration of Guangzhou and Foshan are all coming together to bring unprecedented historical opportunities for the provincial zone's development," the administrative committee official said.

"We'll be making a greater effort to remove the constraints of the existing system and place greater importance on innovation." As regards the back-office

operations, the zone will look for investment in such financial projects as R&D centers for financial products, clearing and settlement centers, financial information and consulting centers, and wealth management service centers.

It wants to set up a regional site for financial innovations in South China and increase the number of innovative financial products and innovation itself.

In the area of front-office operations, it intends to turn itself into a preferred destination in China for private-equity (PE) funds and venture capital (VC).

Another focus of the zone's administrative committee is incentives to attract high-caliber professionals, building up its human resources, and improving the infrastructure for financial information exchanges.

"We expect a modern financial back-office service center and a zone for the nation's top PE and VC companies that can influence the entire Asia-Pacific region to

take shape by 2015," the official remarked.

Also by 2015, zone officials expect to have 50 Chinese regional, or even global, back office facilities and more than 200 service outsourcing companies, contributing 20 billion yuan worth of value-added output.

Offshore business is also expected to account for more than 30 percent of the total business by 2015.

By the end of September, the zone had 67 finance institutions with nationwide or global renown and cumulative investments of more than 22 billion yuan, according to official statistics.

It also expects to have 200 innovative financial institutions in PE or VC by 2015. They are expected to raise funds or own registered capital of at least 100 billion yuan and to pay 30 billion yuan in taxes.

There are already 35 PE or VC firms in the zone, with funds totaling 8 billion yuan.



China's Vice-premier Zhang Dejiang (center) visiting the Guangdong High-Tech Service Zone for Financial Institutions, which has received tremendous support from the government.

PHOTOS PROVIDED TO CHINA DAILY

Government support really means a lot

By ZHAN JI

The Guangdong High-Tech Service Zone for Financial Institutions is a major national development project that has caught the attention of senior officials and has benefited tremendously from government support.

It was founded in July 2007, and has been visited by such high-level officials as Vice-premier Zhang Dejiang and Guangdong's Party Secretary Wang Yang — both of whom are members of the CPC central committee's political bureau — and Guangdong's Governor Huang Huahua and Vice-governor Song Hai.

Provincial government support has included getting the zone added to the list of key national projects and preferential finance and tax policies.

Local government support has included getting the Foshan municipal government and Nanhai district government to allocate 18 square kilometers of valuable land — worth as much as 30 billion yuan (\$4.7 billion) — for zone development at a time when the financial sector was not an important contributor to local taxes. It also got 6 billion yuan in infrastructure development funds.

To make it getting started easier, the district government also set aside at least 100 million yuan annually for a special fund to attract investors.

Those who benefit include:

- financial institutions in banking, insurance, securities, and others with headquarters in the zone, who can qualify for as much as 25 million yuan;
- back-office HQ of finan-



Guangdong's Party Secretary Wang Yang (third right), and Guangdong's Governor Huang Huahua (fourth right), visiting the Guangdong High-Tech Service Zone for Financial Institutions on May 19, 2011.

cial institutions and service outsourcing enterprises, who can qualify for as much as 10 million yuan;

- corporations, who can get income tax and sales taxes exemptions for outsourcing services;

- financial institutions and service outsourcing enterprises, who can get a subsidy of 1,000 yuan per sq m for

the construction or purchase of office space, or a subsidy equal to 30 percent of the rent, if they rent for the first three years;

- small and medium-sized enterprises (SMEs) in financing and service outsourcing, who can apply for rent subsidies equal to 50 percent of the rent for the first three years, for office space of no more

than 500 sq m, if they start a business in the zone's financial innovation and development base.

Other favorable policies include rebates in personal income tax for senior executives and major staff, and housing subsidies of up to 20,000 yuan if they buy a house, as well as subsidies for training initiatives.

'The location and investment climate are everything,' analysts explain

By LI SHENG

Several dozen Chinese and global finance giants and service outsourcing agencies now call a Guangdong financial service zone home, and this says a lot about its success in securing investors in the finance and service outsourcing sectors, local market analysts have said.

"The fact that 67 reputed financial enterprises home and abroad chose the Guangdong High-Tech Service Zone for Financial Institutions as their investment destination by late September speaks for its success," one analyst said.

Analysts attribute the growing glamour of the zone to its positioning and investment climate.

It originally attracted the southern information center of the People's Insurance Co (Group) of China, the business-process outsourcing center for France's Capgemini Group, and the service outsourcing center of IBM.

Those expected in the near future include the data center of Fujitsu (Guangdong) Technology Corp, the financial operations of the Guangdong Development Bank, and the American International Assurance (AIA)'s Asia-Pacific finance center.

The new Fujitsu center, which involves a capital input of about \$29.5 million, will become Fujitsu's first world-class data center in China.

The financial operations of the Guangdong Development Bank, which involve an investment of 2.7 billion yuan, will provide a comprehensive back-office service center that integrates information, operations, training, a call center, and credit card center with overall supervision.

The AIA's Asia-Pacific finance center, with a capital input of \$80 million, is expected to take over most of the back-office centers and auxiliary services in Guangdong including its phone marketing center and training center.

The zone deals in financial innovation R&D, data



Construction site of the AIA's Asia-Pacific finance center, in the Guangdong High-Tech Service Zone of Financial Institutions.

processing, real-time call answering, disaster recovery, training, insurance assets management, bank cards, private equity (PE) and venture capital (VC).

It has an outstanding investment climate, favorable geographical location, convenient traffic network, cost advantages, human resources and a competitive IT infrastructure.

Location

The zone is a 15-minute drive from the new Guangzhou railway station and 35 minutes from the city's Baiyun International Airport. It is connected to the Guangzhou-Foshan metro, the first intercity metro in China, with three stops.

And it will take less than one hour to reach Hong Kong when a new express train between Guangzhou and Hong Kong goes into service soon.

Its property costs are only 30 percent of those in Guangzhou while wages and related costs are about 60 percent.

It has plenty of human resources thanks to efforts by the provincial government to promote the integration of Guangzhou and Foshan.

And the zone's services are at least as good as those of any big city when it comes to telecoms and IT, power supplies, public facilities, and other support infrastructure.

Integrating finance with innovative science and technology

By SHENG JI

The Nanhai district of Foshan, Guangdong province is trying to integrate finance, science and technology, and industrialization to improve its industrial standing overall.

The district already has the Guangdong High-Tech Service Zone for Financial Institutions, but is hoping for stronger co-operative ties with Hong Kong. That is so it can cash in on Hong Kong's international finance and technol-

ogy advantages.

But it also wants to be one of China's first model cities in the area of innovative science and technology and finance integration, a district official has said.

In that regard, it will be applying for a pilot program of the so called new third board in the provincial high-tech financial service zone to improve the capital market system there.

This "new third board" program was set up as an experiment in transferring non-list-

ed company shares in the third market, but has gradually become an important part of the over-the-counter market for growth enterprises.

The official said that Nanhai also plans to hold an exposition on finance, science and technology to match private equity (PE) and venture capital (VC) agencies with high-tech firms to apply R&D achievements commercially.

The district is also trying to establish a province-level high-tech zone in the Nan-

hai Economic Development Zone and Nanhai Industrial Park, and, in the long run, a State-level high-tech zone, with focus on energy-efficiency, environmental protection, new materials, and IT.

Nanhai has seen some headway in setting up the financial services in the provincial high-tech financial service zone, and in science and technology development with a few industrial parks.

The district has also worked on a site to match fundraisers

with high-tech firms or R&D facilities.

The district held its first forum on finance, technology, and industrial integration last year, which attracted representatives of at least 200 PE or VC firms, and 300 growth enterprises and research institutes.

It has 67 financial projects in the provincial high-tech financial service zone and has had more than 100 billion yuan in investment in the past few years, according to official statistics.



Artist's rendering of the Guangdong High-Tech Service Zone for Financial Institutions.