

Hengqin Island - Area Overview



China's Newest Special Economic Area

Hengqin Island is the newest government endorsed new economic district to be granted special economic freedoms. Just the third such district (following Pudong in Shanghai and BinHai in Tianjin), Hengqin will focus on business services, tourism and recreation, clean energy, education, scientific research and development, high-tech, wellness services and other clean industries. Scientific research and development focus includes the bio-medical and bio-technology areas. Requirements for all businesses in the new area are that they must be innovative and high-end. This applies to both technology, finance, and service based businesses.

Hengqin Island boasts four distinct advantages over other locations in the area: location, policy, development, and ecology. The area blueprint articulates the 4-island concept:

- ▶ Open Island – connecting Hong Kong and Macau with the Mainland
- ▶ Energetic Island – lifestyle and prosperous business
- ▶ Intelligent Island – Knowledge-intensive and information-driven
- ▶ Eco-Island – Balancing resources with the environment

With a focus on co-operating, innovation and service, Hengqin will be a showcase for exploring and implementing innovative new working relationships between Guangdong, Hong Kong and Macau. It is a pilot region for deepening reform, opening-up, technical and financial innovation, and a platform for promoting industrial upgrades in the Western-bank areas of the Pearl River Estuary. In the area of financial reforms, Huang Wenzhong of the China Democratic National Construction Association Municipal Committee has noted: "... it is imperative to set up a pilot program in which large financial institutions can offer comprehensive services and offshore banking." The plan is for the area to implement more preferential policies and autonomy than previous new areas.

With the advent of the Hong Kong-Zhuhai-Macau Bridge, Guangzhou-Zhuhai Intercity Mass Rapid Transit (MRT), Guangzhou-Zhuhai Railway, Jinhai Bridge and other transportation projects, Hengqin emerges as a transportation hub for Guangdong, Hong Kong and Macau with new routes to elsewhere near and far.



Ideally situated between Macau, Zhuhai, Hong Kong and the Pearl River Delta area, the island is projected to have a population of 120,000 with per capita GDP of 120,000 yuan by 2015 and 280,000 with per capita GDP of 200,000 yuan by 2020. Infrastructure and building of the new University of Macau campus and Zhuhai Ocean World started in December 2009 with initial business and tourism sites scheduled to open in 2012.

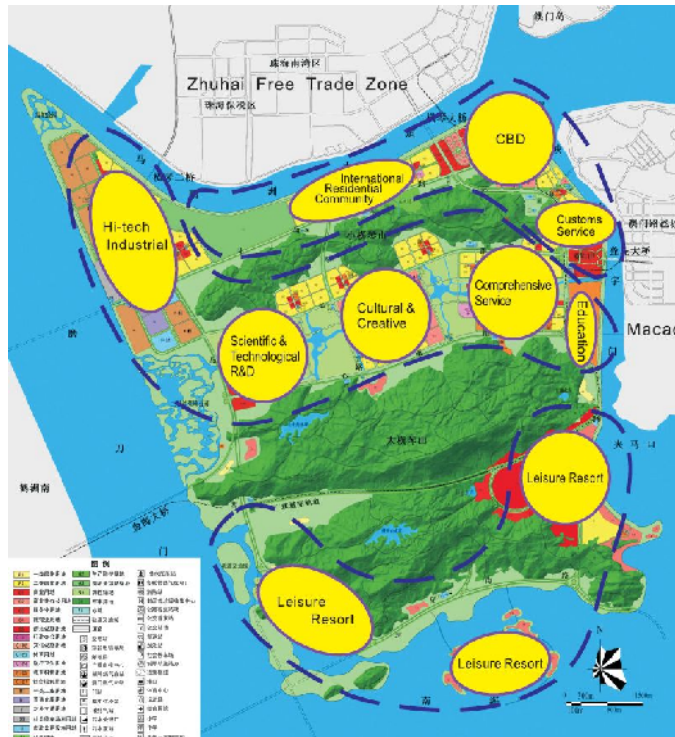
Industries Should Be Innovative and High-ended

The development and opening up of Hengqin Island represents totally new approaches toward area development, industry, and expansion of the “One Country, Two Systems” rule of law. Major industries in Hengqin can only be high-end service industries. These include financial services, meeting and exhibition facilities, logistics centers, scientific research and development centers of large enterprises, as well as headquarter economics. The HIBC focus on bio-medical R&D and Wellness services is a perfect fit with this commitment to high-end industries.



Besides these core industries, a world-class tourism industry will be established to complement the overall economic development. Hengqin will be built into a development zone focusing the nationwide and worldwide attention with higher standards of economic, political and quality of life than any other special economic zone.

Geographic Layout



Hengqin Island is divided into three-sections and ten-zones. The Business Service section comprises the Customs Service, Central Business and International Residential Community zones. The Leisure Tourism section is made up of the Leisure Resort and Ecological Scenery zones. Located between Big and Small Hengqin mountains, the Scientific & Educational R&D section includes Education, Comprehensive Service, Cultural & Creative, Scientific & Technological R&D, and Hi-tech industrial zones.

High-Tech Industrial Zone

Many high-tech and environmentally friendly technologies and facilities will be located in the High-Tech Industrial Park. These include high-end electronics, information technology, energy conservation,

software, IC design, wind power, solar power and similar technologies.

A biomedical industrial cluster is planned, including bulk and marine drugs, pharmaceutical intermediates, genetic engineering and biopharmaceuticals, industrial enzymes, synthesized drugs and the like. The pharmaceutical chain will further diversify into medical equipment, biopharmaceuticals and other hi-tech trades.

Scientific & Technological R&D Zone

As a center for scientific and hi-tech companies, this zone will contain a world-class R&D center promoting technological innovation for commercial products and industrialization. Cooperative programs will be encouraged between Hengqin businesses and top domestic and international universities. An open and merged innovation system will be established to help facilitate cooperation and technology transfer.



Shizimen Central Business District

The Hengqin CBD, covering 5.77 sq km in both Hengqin and Zhuhai, will be made up of the Convention Center, International Conference Center, a super five-star hotel, international five-star hotel and international A-level office buildings. Two companies have already committed investing 36B yuan by 2020.



Construction began in December 2009 and the first phase is set to be complete in 2012. An outsourcing service park will be set up. Background services for finance, logistics and other

industries in Hong Kong and Macau will be supported. A financial service base will be instituted to guide and encourage financial institutions from Hong Kong, Macau, foreign countries and inland areas in setting up support service institutions in Hengqin.

Cultural & Creative Zone

This zone focuses on design, advertising, media and other service industries to increase the cultural-added value of the traditional manufacturing industry. This includes animation, film and TV, advertising and other cultural products.

Customs Service Zone

Taking advantage of efficient flow of personnel, material supply and capital, modern warehouses, delivery and transportation logistics, this zone focuses on Hengqin Customs. In addition, famous stores, household name



brands, world cuisine, bar and tea feature streets will be built. This will encourage internationally known brand clothing, classic dining, Chinese brand catering and chain stores to locate here.

Tourism Zone

The Chime-Long International Ocean Resort has been under construction since April 2009. With an investment in excess of 10 billion yuan, the project is being built in three phases at Fuxiang Bay. Included are the International Ocean World, Ocean Theme Park, Night Zoo, Ocean Circus, Ocean Theme Hotel, Sports Leisure Park, the Commercial and Conference & Exhibition Center, Water City and supplemental structures.



The area is designed to complement the tourism draw of Macau (casinos) but not to simply be an expansion of the Macau gambling scene. Hengqin Island is positioned for high-end resort and healthy environment type holidays – tourism WITHOUT casinos. Over 15 million visitors are expected per year.

Education Zone - University of Macau



The University of Macau has more than 6,000 students on campus and an international faculty of almost 400, with over 60% holding doctoral degrees. UM offers studies in Business Administration, Education, Law, Social Sciences & Humanities, Science & Technology and Chinese Medical Sciences. The university will relocate to a new 6 billion yuan expansive campus in Hengqin. The campus will be to the south of Hengqin Port and

cover 1.1 sq km. Enrollment is expected to reach 15,000 students by 2012.

Infrastructure / Energy Projects

These include the Municipal Infrastructure (BT) project, the CNOOC gas terminal, gas-engine generators, and the wind power plant.

Municipal Infrastructure (BT)

At a cost of over 12.6B Yuan, the Municipal Infrastructure (BT) project is responsible for the building of the initial road network, underground pipe network and landscaping. It is part of a transport structure and service network embracing civil work, the environment, environmental protection and public service facilities that blend in with the development of the New Area.



Covering all 51.9 km of arterial roads, and 64.1 km of secondary roads, the designed speed is 40 – 60 kmph. The project also contains a 52.8 km A-Level waterfront seawall and landscaping configuration. The seawall is designed to be able to withstand the extraordinary tide that happens once a century.

Construction began on March 28, 2010 and is proceeding at a very fast pace. Nearly 10,000 workers are working day and night to complete the project by 2013.

Multiple Combined Supply Gas-Engine Generator

This 12B Yuan project will use eight sets of high-efficient natural gas-fired generating units to supply green energy to the island. Phase 1, scheduled for completion in 2012, will use two sets of multiple combined supply generators. Upon completion, the project will guarantee power, heat, cooling and water supplies to Hengqin New Area in addition to power for the China Southern Power Grid.



CNOOC Gas Terminal

Natural gas from the ocean and gas fields will arrive via pipelines for processing at the terminal. Initial production started in March 2006 providing high-quality natural gas to industrial and urban areas of Zhuhai, Macau, Zhongshan. Annual capacity is 1.6 billion cubic meters.

Wind Power

Naobei Mountain on Hengqin Island is home to China's second-largest wind power plant with 21 generators, each with 750kw capacity. With an eventual installed capacity of 15.75 mw, commercial operation commenced in January 2008, saving 11,000 tonnes of standard coal each year.



Pearl River Delta – Economic Summary

The Pearl River Delta (PRD) has long been regarded as the “factory of the world” due to its huge production capabilities. Made up of the nine municipalities of Guangdong Province, plus Hong Kong, and Macau, it has become one of the leading economic regions and a major manufacturing center of China and the world.

With a combined population of 55.3 million over an area of 42,831 sq km, the PRD (excluding Macau and Hong Kong) has a combined GDP of around USD 470 billion – placing it among the top 25 economies in the world. Combined GDP including Macau and Hong Kong is about USD 665.1 billion. In 2007 the region accounted for 11.2% of China’s total GDP.



The Guangdong economy has been showing continuing signs of evolving and maturing in recent years. This new economic growth is increasingly driven by factors such as consumption and investment instead of just exports. The industrial structure is shifting from mainly low-end manufacturing activities towards a combination of advanced manufacturing and modern service industries, including local product research and development (proprietary innovation). Major reforms have been implemented to the economic structure with more deep-seated reforms under way including cooperation among Guangdong, Hong Kong and Macau being expanded to cover a wider scope, elevated to a higher level and strengthened to produce more practical results.

Per-capita GDP in the region continues to increase at about 8% per year, making the PRD one of the most prosperous regions in China. As the economy continues to evolve and mature, the business makeup is being transformed from primarily a simple manufacturing base to more value added production and services. The abundance of employment opportunities has created a pool of wealthy, middle-income, professional consumers with an annual per capita income that puts them among China's wealthiest.

Under the “One Hour Living Circle” proposal, the PRD region is seeing rapid construction of infrastructure and transportation projects aimed to reduce travel times throughout the region to one hour or less. The Hong Kong-Zhuhai-Macau Bridge projects, started in 2009 and scheduled for completion in 2015/16 has an overall length of 50 km, 35 km of which will over the sea, making it the longest sea bridge in the world. Widespread rail and highway projects in the region will further greatly reduce PRD and Pan-PRD transportation times.

The Hengqin New Area is China’s newest and most aggressive showcase in accelerating the development of the region to incorporate world-class research and development and services industries, which further stimulate further per-capita GDP growth. Increases in the per-capita GDP are expected to continue at the same or increased rates as the economy continues its shift away from low-end manufacturing to services and R&D businesses like what is being put together on Hengqin Island.

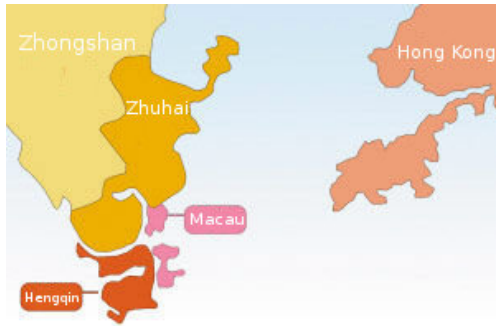
Quick Facts

Below is a summary of some of the key facts on Hengqin Island:

- ▶ Size: 106 sq km – about three times the size of Macau
- ▶ Total Build Up Area: 1,300 hectares
- ▶ Macau Connection: Lotus Bridge
- ▶ Zhuhai Connection: Hengqin Bridge
- ▶ Distance to Major Airport: 3km from Macau International Airport, 34 km from Hong Kong
- ▶ Population:
 - Current: 8,000
 - By 2015: 120,000
 - By 2020: 280,000
- ▶ Per-Capita GDP Predictions
 - By 2015: 120,000 yuan
 - By 2020: 200,000 yuan
- ▶ Form of government: One Country, Two systems
- ▶ Key Advantages: Location, Policy, Development, Ecology
- ▶ Incentives – several including:
 - International free port for goods
 - Favorable tax policies
- ▶ Blueprint – 4-Island Concept:
 - Open Island: connecting Hong Kong and Macau with the Mainland
 - Energetic Island: lifestyle and prosperous business
 - Intelligent Island: Knowledge-intensive and information-driven
 - Eco-Island: Balancing resources with the environment
- ▶ Themes: co-operation, innovation and service
- ▶ Intellectual Property Rights Protection
- ▶ High Quality of Life
- ▶ Government: Will be administered by a hierarchical legislative power like other special economic zones. A pilot region for deepening reform, opening-up and financial and technical innovation, on top of the one country, two systems approach currently in place in Hong Kong and Macau.

Hengqin Area Overview

How Do I Get More Information?



For more information on partnering with the HN Group, government incentive programs, the Hengqin New Area, and all other related issues, please contact:

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About the HN Group

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