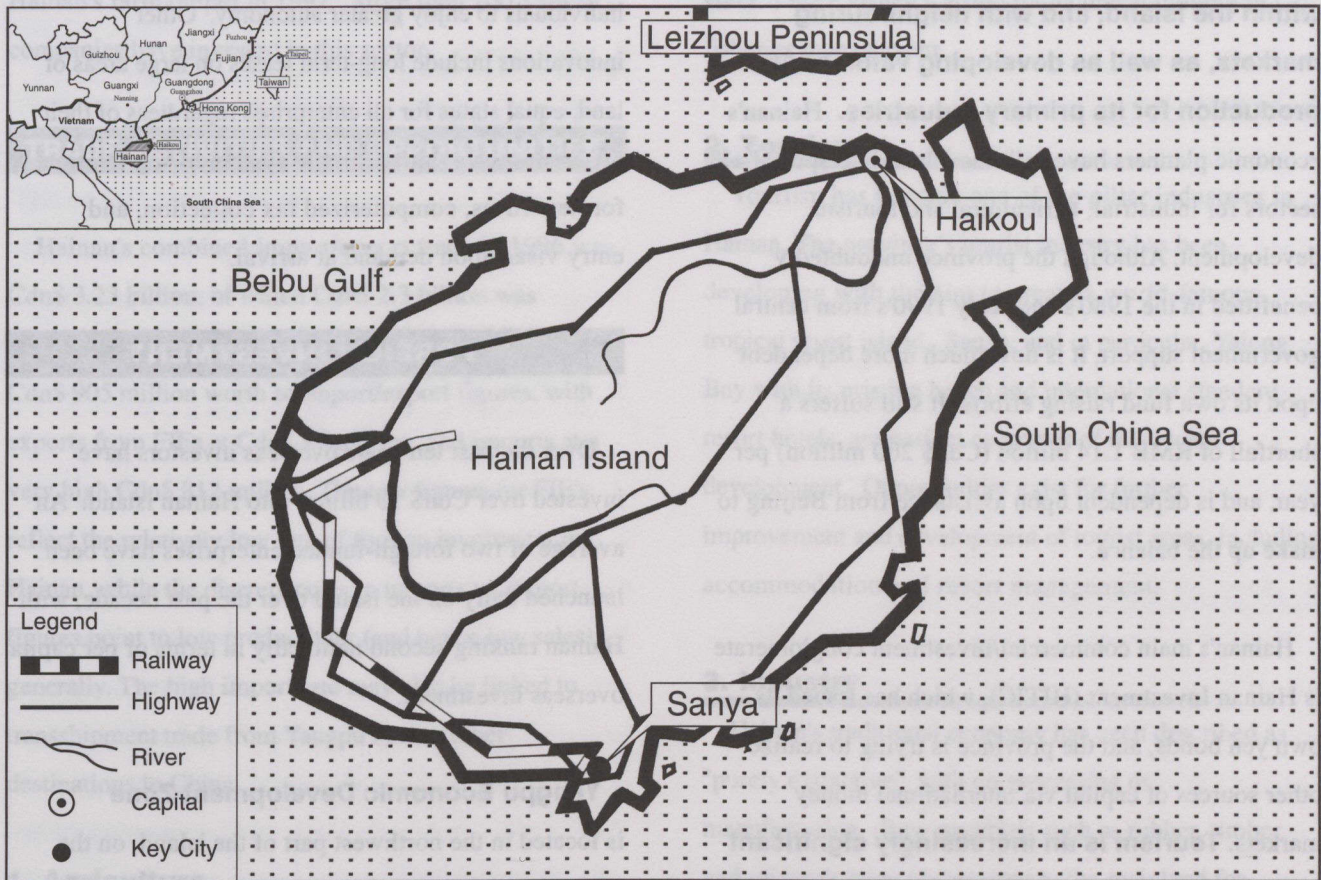


Hainan Map



BUSINESS ENVIRONMENT

Located in the South China Sea, facing the Leizhou Peninsula of Guangdong to the north, with a total land area of 34,000 sq. km, Hainan is China's second largest island. **It is also China's largest Special Economic Zone.** The provincial capital is Haikou (population 500,000), located at the northern end of the island. The province's second city is Sanya, which is located in the tourism region on the southern coastline. Hainan was declared a province in 1988, prior to which it had been administered by Guangdong province. Its population is approximately 7 million, of whom 2 million are considered to be local "Hainanese", with their own dialect.

Hainan's promotion to provincial status in 1988 was supposedly the realization of a long held dream for increased autonomy, but in reality has put into relief the problems of self administration. Unlike the other SEZ's which are allied with "natural" sources of investment capital (Hong Kong-Shenzhen, Macau-Zhuhai, Shantou with the Chaozhou speaking community in Singapore/Malaysia, and Xiamen with Taiwan) there is no logical "partner" for Hainan amongst the Overseas Chinese community, or close at hand in a geographic sense. Instead, Hainan has had to develop investment strategies that are sectoral based, and has, as a result, attracted a variety of capital sources.