

China Business Advisory

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China's PPI falls 7.9%, whereas retail sales were up 15.4% in August

China's producer price index (PPI), a major measurement of inflation at the wholesale level, fell 7.9 percent from a year earlier in August, the National Bureau of Statistics announced. The rate of decline was 0.3 percentage point lower than that in July. From January to August, the PPI dipped 6.4 percent compared with the same period last year. However, China's retail sales, the main measure of consumer spending, grew 15.4 percent in August to 1,011.6 billion yuan (\$148.1 billion) year on year. The growth rate was 7.8 percentage points lower than that in August last year, but 0.2 percentage point higher than July. The sales volume of the wholesale and retail sectors rose 15.4 percent to 849.5 billion yuan. Hotel and catering sectors rose 16.8 percent to 145.4 billion yuan. Other industries posted an overall growth of 2.8 percent to 16.7 billion yuan. Sales of grain and oil products were up 12.7 percent, meat, poultry and eggs 5.9 percent, garments 23.3 percent, daily necessities 15.6 percent, petroleum and petroleum products 6.8 percent, automobiles 34.8 percent, and construction materials 36.6 percent. The growth rate in August was 0.2 percentage point higher than July's figure, which was pushed up by strong sales growth in automobile and real estate markets.

China's economy going greener

China's economy is transforming in green revolution as the world's third-largest economy makes resolute efforts to save energy and reduce pollution. The Chinese government has ordered to eliminate out-dated production facilities and set stricter rules on new project approvals in a bid to meet its energy saving and emission reduction target. Last year, China blocked 156 energy-guzzling and high-polluting projects involving 473.7 billion yuan (\$69.3 billion) of investment, told by Zhang Lijun, vice environment minister. It also has allocated 210 billion yuan out of the 4-trillion yuan economic stimulus package for energy conservation, emission reduction, and environmental protection. China aimed to cut energy consumption per unit of gross domestic product (GDP) by 20 percent and cut emissions of major pollutants by 10 percent between 2006 and 2010. The energy consumption per unit of GDP dropped 10.1 percent from 2006 to 2008, official data showed. China is balancing economic growth and environmental protection as it has realized the economy should not grow at the cost of environment. China's economy has experienced dramatic growth over the past three decades, but this miracle came with degrading rivers, lakes and air quality. The government has shifted its policy for sustainable growth. As governments around the world focus on green growth, some experts even called it as an on-going Green Revolution, following major industrial revolutions of the mankind. The green business is expanding rapidly in China.

Shanghai Expo 2010 – The Expo Axis

A one-kilometer-long and 100-meter-wide walkway will extend across the Expo site in 2010. This is the Expo Axis, the largest single building of the Expo. The structure comprises two underground levels and two aboveground levels. Each layer has its distinctive functions. Six horn-shaped “Sun Valleys” open up to the sky, with the top as large as a soccer court for the introduction of the “essences” of nature – sunshine, air and rain drops. In addition, the “Sun Valleys” will provide tremendous possibilities of a diversified service provision within the Expo site, such as food catering, arts show, exhibition, and entertainment, for an adequate presentation of the Expo charm. Everyone who visits the Expo site under construction will be astonished at the “Sun Valleys” being shaped. The Expo Axis, as a permanent structure for Expo 2010, will serve as a traffic hub and commercial centre after the Expo, reminding people of the memorable days during the Expo in the midst of services tailored for their maximum comfort.

In the light of the huge business opportunities that could emerge from Shanghai Expo 2010, Sino-Bridge is in the process of developing programs to assist foreign companies to leverage this event for their business development. So please stay tuned for more news in this regard from us. Meanwhile readers of the CBA are welcome to approach us for any specific needs they may wish to have us attend to.

The New Chinese Special Tax Adjustments (“STA”) Rule - Cost Sharing Agreement (“CSA”)

Cost sharing allows parties to agree to pool risks and resources for the purpose of developing intangibles and to share the benefits of such developed intangibles. As a result, MNCs often put in place CSAs to manage their overall business operations, the costs associated therewith, and to optimize their available resources. The CIT Law and its Implementation Rules introduce the CSA concept to China for the first time and state that CSAs may cover the joint development of intangible assets and the provision of services. It should be noted that according to "Chapter 7 – Administrative Guidance concerning CSAs" of the STA Rules, an enterprise must file a CSA to the SAT through the local tax bureau within 30 days of the date when the agreement is signed. Local tax authorities need to report to the SAT for approval before determining whether a CSA is entered into at arm's length.

- Some policies regarding Individual Income Tax (“IIT”) clarified

A Circular, Guoshuifa [2009] NO.121, was issued by State Administration of Taxations (“SAT”) in August. It clarifies some policies about double pay (an additional month's salary at the year end), directors' fees, and income of overseas Chinese.

- Tax refund regulations for RMB cross-border settlement announced

SAT issued a notice, Guishuihan [2009] No.470, on August 25th, 2009 to introduce the new tax refund regulations for export which is settled in RMB under the newly implemented RMB cross-border trade settlement rules. Highlight information about RMB cross-border trade settlement could be found in our issues in April and July.

We would like to remind our clients to pay attention to the changes to the regulations we highlighted above and make any necessary arrangement therefor. Any requests or enquiries from you for further information or assistance are welcome.

Service Highlight

China has its own uniqueness. It is a fast-paced and fast-changing marketplace where you need more than experience to succeed - You need a trusted China partner who can help you build a cohesive China strategy and skilfully manage cross-cultural and cross-border differences to advance your company's success at every step of the way. Your search ends with us. Sino-Bridge is the partner you need to ensure your company's success in these demanding economic times.

Visit http://sinobridge-consulting.com/china_consulting.htm to find out how we can help you, or email me.

Sponsorship Package

Asia Pacific Conference, Beijing, November 4-7, 2009

In the month of November each year, DFK International hosts its Asia Pacific conference. The expected attendance for the 2009 conference in Beijing is 60 or more, with members attending from India, Pakistan, Malaysia, Singapore, Australia, New Zealand, Papua New Guinea, Japan, Korea, Indonesia, Thailand, Vietnam and China. In addition to these Asian countries, we expect delegates from England, Canada and the United States. By sponsoring this conference you and/or your clients and business associates can leverage it to promote your goods and/or services to a potential pool of customers of considerable size.

Details of the sponsorship are as follows:

Cost of sponsorship

The cost of sponsorship is \$US2,500. Number of sponsors will be limited to a maximum of four (4).

Benefits of Sponsorship

Each sponsor will receive the following benefits/opportunities:

- Signage on the floor of our conference room
- Recognition of their sponsorship from the MC each day
- A 15 minute time slot to introduce their company and products to the conference
- A table at the back of the conference room, or in the foyer, to place their brochures and promotional materials
- Opportunity to mix with delegates at morning and afternoon tea on the Thursday and morning tea on the Friday
- Opportunity to attend our conference dinner
- Access to delegates from many Asia Pacific countries.

Benefits to Delegates

- Opportunity to learn about new products/services
- Opportunity to refer sponsors to clients who could use their services
- Opportunity to increase general knowledge of products and services available
- Opportunity to network with other professionals in the business sector.

If you are interested in becoming a sponsor of the DFK Asia Pacific conference in Beijing, then please contact the following person for further details:

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Further details on DFK International can be obtained from www.dfkintl.com



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