

# BUSINESS TIANJIN

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GEMS  
WORLD  
ACADEMY  
TIANJIN  
ECO CITY

## Excellent International Education

Neil Hugo, Principal, GEMS World Academy  
Tianjin Eco City **20**

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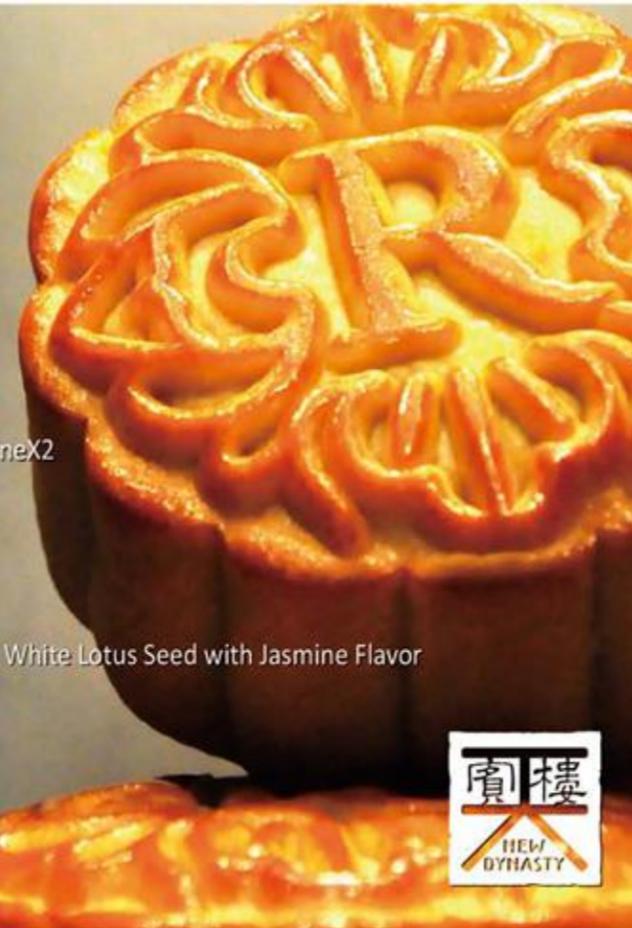
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## ▲ Excellent in International School: GEMS World Academy

The GEMS World Academy, which is located in the heart of the Sino Singapore Eco City, will be raising the bar in terms of international education in Tianjin and TEDA. Through strict adherence to its guiding principles, the organisation has earned a strong reputation for its child centred approach and by providing educational services fit for the 21<sup>st</sup> century. All GEMS schools worldwide offer unique and exceptional programs to both local and expatriate children. See P20



## ◀ International SOS: Bringing Elite Healthcare to Tianjin

For decades International SOS has been serving both the foreign community in China and Chinese clients who are working abroad. In order to truly settle whilst living in another country people must ensure that their healthcare needs are met without too much difficulty. Fortunately International SOS provides the best support network for expatriates and their families here in Tianjin and indeed, across the globe. See P24



## ◀ Global Marketing Strategies

In today's global economy, competition can come overnight from any corner of the globe. Gone are the days of yesteryear whereby companies only had to focus on competition within the borders of their own nation. A company which only focuses on the domestic environment and doesn't monitor the global competition could be blindsided when the industry leader on another continent decides to enter the local market. See P36



## ◀ Using Intercultural Intelligence: A Key Ingredient for Leading Your Team to Success

Once it was thought that the world was flat and ancient mariners were fearful of sailing too far and falling over the edge. Through the explorations of the intrepid, it was discovered that this worldview did not hold true. The globe was opened up in all its cultural splendour and complexity! Here in China, as globalisation is increasingly making inroads, there is a growing need to foster cultural awareness. See P49

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# Business Tianjin

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Dear Readers,

We are pleased to see that certain segments of the world economy are starting to look healthier and more geared towards sustainable growth. This is good news of course for China and has been reflected in the most recent PMI data which was up from readings in the previous months. As economic circumstances in the western world continue to improve, so too will the outlook for Chinese and multinational businesses here in Tianjin; many which have been hit hard by the drop off in external demand in recent years. Our team at Business Tianjin will certainly be tracking the broader developments as time goes on and you, as our readers, can expect to see informative, groundbreaking articles published in our upcoming editions.

Although many analysts are seeing China's credit situation as worsening, the government's movements towards freeing up bank lending rates are certainly a step in the right direction. Reforming the country's colossal financial sector will remain a major priority for economic planners over the remainder of 2013 and beyond. Our *Feature Story* this month digs a little bit deeper into some of the reforms and issues surrounding the Chinese banking sector at the moment. The approach taken by policymakers in steering China's financial sector will have a very profound effect on everyone in society. Therefore this article is certainly well worth a read.

Ensuring that our children receive excellent education is one of our main concerns as parents and as members of the international community in Tianjin. For this month's *Cover Story* we bring you the dialogue which our editorial team recently held with the new principal of GEMS World Academy, located in the Sino Singapore Tianjin Eco City, Mr. Neil Hugo. GEMS is a world-leading organisation when it comes to providing international education that equips students for life in the 21st century. We encourage our readers to find out more about this extraordinary school and the ways in which it will raise the standards of international education in Tianjin.

We are also sharing an informative *Dialogue* which we recently had with Mr. Tan Mui Huat, President and CEO of International SOS for North Asia. This fantastic organisation provides one of the most essential services for you and your families as you build your new lives in this part of the world: assisting you in acquiring world class healthcare and practical support. Read our interview to find out how International SOS can offer a great support network for you and your loved ones.

As per usual, you can also expect to find a great deal of useful and well researched information in our regular monthly columns. We hope that you will read our magazine and take away some important knowledge from our articles on *Investment, HR, Marketing, Management* and various other aspects of corporate operations.

For more information, please visit our website [www.businesstianjin.com](http://www.businesstianjin.com).

Yours sincerely

Josh Cooper

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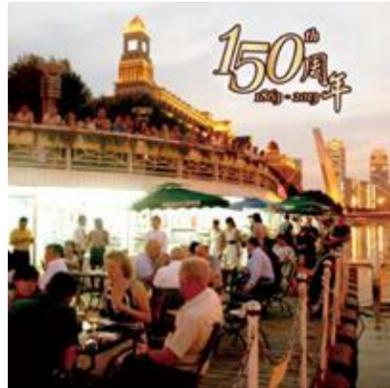
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**TIANJIN NEWS**

**JAZZ ON THE RIVER Night at the Astor Pier**

*Business Tianjin, 1 August*



On July 20, 2013, The Astor Hotel, A Luxury Collection Hotel, Tianjin has successfully presented the first JAZZ ON THE RIVER night at the Astor Pier. Guests can spend an unforgettable summer night beside Haihe River with timeless jazz performances, the international BBQ buffet as well as free-flow selected beer. JAZZ ON THE RIVER is also a part of Astor's 150th anniversary celebration which guides people to witness its 150 years luxurious experiences.

**Zodiac Aerospace officially opens its new seat assembly factory in Tianjin**

*Xinhua, 2 August*



Zodiac Aerospace has officially opened its new seat assembly factory in Tianjin, PR China. The first economy class seats ship set, assembled in this facility, has been delivered to Hainan Airlines, a major mainland China Airline. Up to now, the facility was used by Zodiac Services to support its aftermarket activities in China. The new assembly line, operated by Zodiac Seats, is providing the capacity to deliver Chinese Airlines with economy class seats assembled locally. It was a strategic but obvious decision for Zodiac Seats to be present with the right infrastructure in China to support the highest traffic growth for the coming decades in the most adequate manner.

**Tianjin builds 7 national truck roads to run inland**

*Business Tianjin, 3 August*



Tianjin is building seven national trunk roads, including three expressways (with the Haibin Expressway, the coastal highway already completed) as part of China's planned national road network. The Beijing-Qinhuangdao Expressway has started construction. The one linking Tianjin's Binhai New Area to Shijiazhuang is still in the planning stage. Beijing-Qinhuangdao Expressway extends from Beijing's No. 6 Loop road eastwards passing Sanhe, Jingxian, Zunhua to Qinhuangdao. It will later be connected to other expressways to link to the northeastern region and connect the northeast to eastern Beijing, Xinhua reported.

**Tianjin Florentia Village - High-end outlet mall in Tianjin eyes big expansion in China**

*China Daily, 5 August*



As belts tighten on luxury spending in China, Italian high-end outlet mall eyes big expansion. Though recent government austerity measures have dampened the expansion plans of several foreign luxury brands in China, it has not led to a decline in the demand for such products. Lower prices for the recognized brands are proving to be an irresistible draw for Chinese shoppers. No one knows this better than Florentia Village Jingjin Designer Outlets, a high-end outlet mall on the outskirts of Tianjin. The joint venture between Italy's Fingen Group and the Waitex Group of the United States recently celebrated its second anniversary in Tianjin and announced a slew of plans to further expand its presence in other Chinese cities. Florentia Village outlets have been planned in Shanghai and Guangzhou next year, along with more such facilities in second and third tier Chinese cities.

**The Astor Hotel, A Luxury Collection Hotel, Tianjin is awarded 'The Best Top Luxury Hotel' by 2013 Fashion List Awards of China Hotel**

*Business Tianjin, 7 August*

The 3rd Fashion List Awards of China Hotel 2013 award ceremony was successfully held in Qingdao recently. The Astor Hotel, A Luxury Collection Hotel, Tianjin was awarded 'Best Top Luxury Hotel'. Opened in 1863 and completely restored to its original beauty in 2010, the Astor Hotel located in Tianjin's progressive financial district evokes a bygone era. In July 2013, this "Diplomat Hotel" which witnessed many historic events and important international agreements celebrated its 150-year-old birthday. The general manager of hotel - Mr. Christian Metzner said: "We are honored to receive your acknowledgement for our hotel and past work especially during such an important period. And I would welcome all to visit the Astor hotel to witness our 150 years of luxurious experiences".



**ASCOTT is first serviced residence company to be conferred business super brands status**

*Business Tianjin, 9 August*

CapitaLand's wholly-owned serviced residence business unit, The Ascott Limited (Ascott), has secured contracts to manage three more properties, adding 567 apartment units in China, including its first serviced residence in Hefei. The 250-unit Somerset Swan Lake Hefei is slated to open in 2017 while the 150-unit Ascott Nanbin Chongqing and 167-unit Somerset Software Park Xiamen are both slated to open in 2015. The three new properties will further strengthen Ascott's leadership position as the largest international serviced residence owner-operator in China with more than 9,000 apartment units in 51 properties across 20 cities.



**Xian Nong Block - Time to witness the metamorphosis of a city**

*Business Tianjin, 11 August*



After seven years elaboration, the Xian Nong Block will be open to the public in October 2013. Xian Nong Block is located in Tianjin Five Avenues where Tianjin's historical architecture is most concentrated, north of Minyuan Stadium. So far, Starbucks' flagship store for North China, Kitchen IGOSSE and other high-end catering brands have moved in. After the completion of the project, Xian Nong Block will become an experiential community that combines catering, shopping and exhibition. It will become a cultural gathering place in Tianjin.

**Toyota starts construction on joint-venture R&D company in Tianjin**

*Business Tianjin, 12 August*



A Toyota Motor Corporation announces that FAW Toyota Research & Development Co., Ltd., a joint-venture R&D company between TMC and China FAW Group Corporation, held a ground-breaking ceremony here today at the site for its new facility in the Western Zone of the Tianjin Economic-Technological Development Area (TEDA). Attendees at the groundbreaking ceremony included visitors from the municipal government and the media, FAW Vice President Jin Yi, and TMC Senior Managing Officers Tadashi Yamashina and Hiroji Onishi. FTRD began operations inside the premises of TFTM's TEDA Plant in May. FTRD will move to the new 110,000 m<sup>2</sup> site in 2015, when the design building, laboratory building and other major facilities are scheduled for completion.

**Tianjin women encouraged to play more important roles in local development**

*Women of china, 14 August*



Vice President and First Member of the Secretariat of the All-China Women's Federation (ACWF) Song Xiuyan encouraged women in northern China's Tianjin Municipality to contribute more to the city's economic and social development while pursuing the 'Chinese Dream'. Secretary of the Tianjin Municipal Committee of the CPC Sun Chunlan also attended the event. Sun called for all women in Tianjin to promote a low-carbon lifestyle and contribute to social stability through building harmonious families. She also urged further cooperation between the government departments and women's federations in implementing the basic national policy of gender equality and raising public awareness of women's rights.

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**Japan's Aeon Mall to set up its China headquarters in Tianjin**  
*english.sina.com, 15 August*



Aeon Mall, a business unit belonging to major Japanese retailer Aeon, will set up its China headquarters in the northern port city of Tianjin, according to an agreement signed between Aeon Mall and the Tianjin Economic Technological Development Area. Aeon Mall will establish an investment company in Tianjin with initial registered capital totaling USD 226 million, according to the agreement, adding that the company will be in charge of the construction and management of Aeon malls in China.

**The CNOOC Gas builds first floating LNG project**  
*Xinhua, 16 August*



The CNOOC Gas and Power Group, a wholly-owned subsidiary of CNOOC, China's largest offshore oil and gas producer, said that its first floating liquefied natural gas (LNG) project has gone through government approval. The floating LNG terminal project, located in North China's Tianjin Municipality, will be the first of its kind to be built in the country. It said in a statement that it will spend CNY 3.3 billion (USD 534.7 million) to build the floating LNG terminal, which will ensure fast supplies and shorten the construction period for its Tianjin LNG project by up to four years. The floating LNG project will supply 3 billion cubic metres of gas each year, according to the company. However, the company did not say when construction on the floating facility will be completed. The company said it will expand its Tianjin LNG project by building more conventional LNG terminals upon completion of the floating terminal.

**Wedding@Holiday Inn Tianjin Riverside**  
*Business Tianjin, 17 August*



Holiday Inn Tianjin Riverside together with ShengShiJiaHe Wedding Ceremony Planners staged a perfect Wedding Show on August 17, 2013. The Grand Ballroom's flexible setting can accommodate dream weddings from lavish banquets to intimate private receptions. Our professional wedding team offers a one-stop service to assist you in organising successful and memorable wedding. The whole wedding show joined the stage play made the activity rather successful. Love needs no proof, everything is in your eyes.

**The Return of Hyatt Regency Brand to Tianjin – the legendary Hyatt Regency Tianjin East is OPENING SOON**  
*Business Tianjin, 20 August*



Hyatt Hotel Corporation will open its new property in the booming city of Tianjin. With the first Hyatt hotel in mainland China, Hyatt Regency Tianjin, opened in 1986 and closed in 2009, the opening of Hyatt Regency Tianjin East marks the return of the Hyatt Regency brand to Tianjin. Located on Weiguo Road in Hedong District, Hyatt Regency Tianjin East is a new landmark and part of a quickly emerging business hub connecting the east area of Tianjin and Tianjin Binhai New Area. As the first truly extraordinary five-star hotel in Hedong District, the hotel is within 20 minutes of the airport and 10 minutes of downtown Tianjin and with easy access to TEDA, Dongli, Beichen, Wuqing and Xiqing industrial zones.

**FINANCE**

**NBA courts Sina Corp**  
*China Daily, 7 August*



The US-based organization signed a strategic agreement with Chinese Internet giant Sina Corp to develop better services. Sina and the NBA signed an agreement and became strategic partners, three years after the two parties' first alliance in 2010. According to the document, the two sides will undertake deep cooperation in terms of mobile broadcasting, community interaction and live video. Sina said the partnership will for the first time cover all of its mobile Internet products, including sina.com, the micro-blogging tool Sina Weibo and Sina Sports application. China is the NBA's biggest market outside the United States, not just because of its size but also because of the country's success in sending players to the league, including global celebrity Yao Ming.

**Tesco to retreat from China**  
*China Daily, 12 August*



UK supermarket giant Tesco is in talks with China Resources Enterprise about merging both company's markets and stores. If the deal goes through, Tesco is going to bring its nine-year solo venture in China to an end at a cost of up to USD 2.3 billion making it the grocer's latest aggressive international expansion to unravel. The story comes courtesy of Reuters. After nine years, the chain has become the latest foreign retailer to give up on trying to crack the Chinese market on its own. It's now in talks to team up with state-run retail conglomerate China Resources Enterprise. A deal would leave Tesco with just a 20 percent stake, but bring their combined efforts close to the market leader Sun Art Retail Group Ltd. Analysts say it's difficult for foreign companies to negotiate with suppliers and regulators in a fast-growing market.

**Lenovo shoots for the stars in smartphones**  
*China Daily, 13 August*



Chinese personal computer giant Lenovo Group Ltd is aiming high to become a leading player in global smartphone sales, building up its branding and expanding abroad aggressively. Lenovo, already the world's top PC maker, isn't shy about its towering ambitions as it battles for market share against rivals such as South Korea's Samsung Electronics Co Ltd and United States-based Apple Inc. In a new marketing campaign, the Beijing-based company invited National Basketball Association star Kobe Bryant on stage in the capital this month to promote its flagship smartphone products. According to SINO Market Research, Lenovo has been the second-largest smartphone vendor in the domestic market for 13 consecutive months, behind only Samsung.

**CSRC probes abnormal stock market spike**  
*Xinhua, 19 August*

A securities commission spokesman said that the commission is probing abnormal deals made by Everbright Securities during Friday's morning trading. The China Securities Regulatory Commission (CSRC) and the Shanghai Stock Exchange (SSE) are jointly investigating a large number of purchase orders sent from the Everbright Securities' trading account. In late morning trading, the benchmark Shanghai Composite Index spiked by around 100 points, or 5 percent, within two minutes, with turnover totaling CNY 7.8 billion (USD 1.27 billion). A number of bank and oil shares, including the Industrial and Commercial Bank of China and PetroChina, rose near the daily limit of 10 percent. Everbright Securities Co., Ltd. said in a Friday statement to the Shanghai Stock Exchange that its investment strategy department encountered a problem in its arbitrage system while operating with its own funds during morning trading. Early gains for Chinese shares were almost erased during afternoon trading, with the Shanghai Composite Index closing down 0.65 percent. Following the abnormal deals, there was market speculation that Everbright Securities may have applied to cancel all morning trades.

**LAW & POLICY**

**Mainland, Taiwan sign cooperation deals at forum**  
*Xinhua, 14 August*



A total of 75 cooperation deals were signed, with an investment of USD 3.94 billion, by people from the mainland and Taiwan at a cross-strait forum on trade and culture. "Strengthening economic cooperation is in line with the common interests of compatriots from both sides," said Zhang Zhijun, director of the Taiwan Work Office of the Communist Party of China and director of the Taiwan Affairs Office of the State Council, in the city of Ganzhou in east China's Jiangxi Province. At the forum, experts also exchanged ideas on the development of the Hakka languages and culture, as Taiwan and Ganzhou are both home to Hakka people, a sub-group of the Han Chinese ethnicity. More than 1,000 entrepreneurs and experts across the Strait attended the forum.

TOP TEN  
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 1. 鼎泰皇  
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 3. 莲蓉  
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 6. 芝麻  
 7. 核桃  
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## Preparation starts on 13th Five-Year Plan

China Daily, 21 August



China may be bracing for structural slowdown in its 13th Five-Year Plan (2016-20) as the country's top economic planner starts its mid-stage assessment of the 12th Five-Year Plan (2011-15). The analysis sets the stage for preparing a blueprint for the next period of development. The economic development guidelines for the five years from 2016 are seen as the key to determine whether the target of "establishing a moderately well-off and harmonious society" by the end of 2020 can be achieved, they said. The target was set at the 18th National Congress of the Communist Party of China in November last year. It also aims to double its 2010 gross domestic product and per-capita income for both urban and rural residents by 2020.

## Foreign companies should adapt to better regulated Chinese market

Xinhua, 22 August



China's price regulatory and anti-trust authorities have been closely watching excessively high prices of cars produced by foreign companies and joint-ventures for over two years, sources in the National Development and Reform Commission. The monitoring, and potential investigation, aims at protecting consumers' interests and ensuring full and open competition in the Chinese market. Facing a diligent watchdog and a better regulated market here, foreign firms now need to do some homework to adapt to the new environment. In parallel with the pricing-regulatory measures, China is continuing the efforts to further open up to foreign businesses. All in all, the changes in the Chinese market are in the interests of foreign companies, for which an advisable choice is to alter their market practices and play by the rules.

## LOGISTICS

### China's logistics sector sees slower growth

China Daily, 6 August



China's logistics sector reported a 9.1 percent rise in the total value of goods transported in the first half of 2013, according to data released by the China Federation of Logistics and Purchasing. During the first half, new value created in the sector hit CNY 1.8 trillion (USD 291.4 billion), up 7.4 percent year on year. However, the growth rate retreated by 2.9 percentage points and the sector's total expenditures rose 9 percent to CNY 4.5 trillion, with the growth rate down 2.8 percentage points year on year, according to the data. The federation said that a sluggish shipping industry due to gloomy international trade and overcapacity in the commodities logistics sector were among the factors slowing the sector's growth.

### Korean Air launches service on Busan-Nanjing route

skynews.co.kr, 13 August



Korean Air has launched a new route between Gimhae/Busan, Korea and Nanjing, China. The Busan-Nanjing route will operate four times a week (Mondays, Wednesdays, Fridays and Saturdays). The flight departs from Gimhae International Airport in Busan at 10:50 a.m. and arrives in Nanjing at 11:50 a.m. on the same day, while the return flight leaves Nanjing at 12:55 p.m. and arrives at Gimhae at 3:55 p.m. The new Busan-Nanjing route is served by the B737-800 Boeing Sky Interior aircraft, which has 138 seats, all equipped with an AVOD (audio video on demand) system. With the inauguration of the Busan-Nanjing route, Korean Air is serving five routes connecting Busan to Chinese cities. The airline is now operating a total of 23 routes between Korea and China, more than any other airline in the world.

## Beijing airport starts airfreight service of finished vehicles

Xinhua, 20 August



Beijing Capital International Airport has for the first time imported two fully assembled Rolls-Royce sedans after they passed inspection by the quality watchdog. There are 14 ports for whole-car imports across China, and most of them are seaports. The two Rolls-Royce cars, worth more than CNY 20 million (USD 3.24 million), were imported by BMW China Automotive Trading Ltd. Compared with shipping, airfreighting can save about one month for the importer. The import station of BCIA is expected to receive more than 700 finished vehicles made overseas each year, which will be worth USD 230 million. The newly-added customs duty, import value-added tax and consumption levy are expected to reach CNY 2.16 billion, according to the municipal commerce commission.

## TELECOM

### China expects nationwide broadband by 2020

Xinhua, 12 August

China will strive to complete broadband coverage of both urban and rural areas by 2020, The State Council, China's cabinet, announced. The State Council elevated national broadband development as a national strategy and announced a implementation timetable for its development over the coming eight years. The strategy aims to achieve WiFi coverage in key public urban areas by 2013 and fixed broadband coverage for half of Chinese households by 2015, the announcement said. Families in some developed cities will enjoy a broadband speed of one gigabits per second in 2020, the announcement added. The strategy will be carried out in three phases. Fiber optic networks and 3G mobile coverage will be facilitated in 2013 while broadband coverage will be expanded from 2014 to 2015. Broadband network and technology updates will be the key task from 2016 to 2020.

## Sky-high cost by using Wechat abroad

Chinanews.com, 22 August



A Weibo microblog post showing the sky-high prices charged by mobile phone operators for the use of social networking service WeChat outside China, has attracted widespread discussion online. Insiders at China Mobile and China Unicom told a Beijing Youth Daily reporter that some operators will not inform their customers by SMS about their high prices in foreign countries or in Hong Kong, Macao and Taiwan, leaving many customers surprised to find such high bills after their trip. They suggest that smartphone users use WiFi and monitor their network flow during their trip, especially when traveling in a foreign country. An expert from China Mobile also recommended users to temporarily disable multimedia message capacities and mobile e-newspaper applications besides Weibo and Wechat when abroad.

## GENERAL

### Fonterra says sorry for 'anxiety'

China Daily, 10 August

Fonterra Cooperative Group, the New Zealand-based company at the center of a milk powder safety scare, apologized and pledged that all the contaminated material would be brought under control within 48 hours. Alarm bells started ringing when Fonterra announced that tests conducted on July 31 had discovered the bacterium *Clostridium botulinum* in whey protein concentrate manufactured at its Hauptau plant in Waikato in May. Food manufacturers use the whey protein as a raw material in baby formula and sports drinks. The bacterium can severely damage, and even destroy, the nervous system if ingested and can also trigger neural paralysis in infants under 12 months. However, the name of one of the companies that used the contaminated whey protein in its infant nutrition products remains unknown after the New Zealand-based dairy giant declined to identify the manufacturer concerned. More than 420 metric tons of Dumex baby formula produced with the tainted concentrate have been sold to consumers, according to the Shanghai Bureau of Quality and Technical Supervision.

## CHINA IN THE WORLD

### Bank of China and the Nedbank Group formalise alliance

People's Daily, 6 August

Bank of China and the Nedbank Group have entered into a strategic business cooperation agreement to grow business flows between the People's Republic of China and Africa. The alliance will support clients of the BOC as they look to grow and invest in South Africa and the rest of Africa by providing access to an African bank with a deep understanding of how to do business in Africa, and similarly providing support through the expertise of the BOC for Nedbank clients expanding into China. Nedbank is the fourth largest bank in Africa, with a strong focus on commercial and investment banking, and a leader on the African continent. Like Nedbank, the BOC has strong foundations in corporate and commercial banking. The China-Africa relationship is dynamic on many fronts. China is South Africa's most significant trading partner in terms of both exports and imports, and has been so for the past four years. As facilitators of the flow of capital, goods and services between geographies, the BOC and Nedbank will play a key role in growing and developing this relationship.



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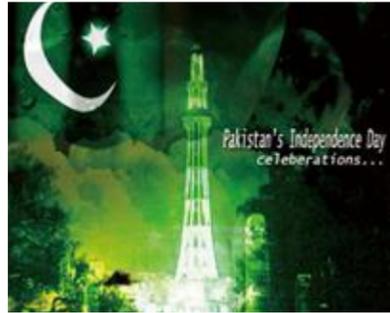
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## China helps out energy-starved Pakistan

China Daily, 8 August



With an ongoing energy shortage affecting nearly every household in Pakistan, the Shanghai Marine Diesel Engine Research Institute recently agreed to help build a power plant in Pakistan to convert the byproduct of processing sugarcane into electricity. The goal is for the plant to provide an annual capacity of 960,000 mWh. Chinese companies in Pakistan have also made strides to improve the nation's production in hydroelectricity. With an installed capacity of 17,400 kW, the hydroelectric plant will provide energy to about 25,000 local households, while the dam will help the country avoid annual economic losses of USD 2.6 million due to flooding.

## China's investment in UK is 'strong'

China Daily, 13 August

China's investment in the United Kingdom has maintained strong momentum this year, especially in infrastructure and real estate. So far this year, Chinese investment and acquisitions in the UK have exceeded USD 2 billion. Chinese companies are also expanding their areas of cooperation in Britain, moving from traditional finance, trade and telecommunications to advanced manufacturing, infrastructure, branding and research and development. Since the beginning of 2013, there has been a wave of deals between China and Britain. In May, Chinese commercial developer Advanced Business Park Holdings Group Co Ltd signed a USD 1.51 billion deal with Boris Johnson, the mayor of London, to develop a 14-hectare complex of offices and shops at the Royal Albert Dock. Infrastructure and real estate were "hot spots" for Chinese companies in the first half. Chinese companies are encouraged by Britain's open markets. They have either acquired strategic assets to boost their own brands and technology or scaled up their R&D spending in Britain. China's exports to Britain rose 2 percent to USD 21.7 billion, while imports from Britain jumped 4.4 percent to USD 8.6 billion.

## Chinese business owners empower Namibians

Xinhua, 21 August

Namibia has presented a competitive environment for growth for most Chinese-owned companies in the country. In return, the Chinese business owners are investing in empowering locals in efforts to achieve their full potential. Great Wall International Enterprises, Guangda Mattress Manufacturing Trading, Great Wall Chemical Products Industry/Trade and First Wall Commercial Development Investment, Chinese-owned companies operating in Namibia, have joined forces to support Namibian people by sharing their investment proceeds. The Chinese business community in Namibia is dedicated to improving livelihoods of Namibian people. In a letter addressed to the Chinese owned companies following their donation, Minister of Gender Equality and Child Welfare Rosalia Nghidinwa commended the Chinese business owners for their support and care towards the Namibian people.

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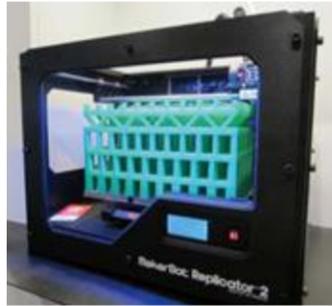


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# Numbers

## 3-D

3-D printing technology has found its way into the production of titanium alloy airframes, landing gear and engine parts, such as turbine blades and disks.



## 108 mln

Chinese authorities have issued fines totalling USD 108 million for six baby formula companies operating on the mainland following an anti-trust probe, the country's top economic planner announced.

## 502 km

Picture here, a train moves on the recently completed Xiashen Railway, or Xiamen – Shenzhen Railway. The 502-kilometer-long railway links Xiamen City in southeast China's Fujian Province and Shenzhen City in south China's Guangdong Province.



## 1,788

Yingqu Technology rolled out a smartwatch in Watch One with a price tag of CNY 1,788. The Android 4.2-powered in Watch One is made of metal materials, with a 1.54-inch touch screen, dual-core processor, 2 MP camera and battery capacity of 48 hours. The users can make phone calls, send texts or take photos with the gadget.



## 140,000

BMW-Brilliance Automotive Ltd., a joint venture between Brilliance China Automotive and German luxury carmaker BMW, is to recall more than 140,000 cars in China due to defects in their steering systems.



## 18

Askar, 40, from Xinjiang has set a new world record after walking on a tightrope between two moving balloons at high altitude in Shilin. With the help of a steel beam with a diameter of 50 millimetres, Askar covered a distance of 18 metres in the air on the rope.

## 400,000

More than 400,000 tourists enjoy the coolness at the No. 1 bathing beach in Qingdao City, east China's Shandong Province. As the scorching weather continues in recent days, tourists and citizens swarm to beaches in Qingdao.



## 63

China's leading train manufacturer China South Locomotive and Rolling Stock Corporation Ltd. has announced that it has secured orders for 63 internal-combustion locomotives from Pakistan.



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# Economy Report

By Justin Toy

According to the numbers recently released by China's official statistics agencies, GDP growth is down from 7.7% in Q1 to 7.5% in Q2 as industrial production and fixed asset investments continue to decline. While the decline in GDP is in line with most analysts' expectations, many are predicting a continuing decline in China's GDP through next year. Analysts at the Japan based Nomura Securities are forecasting an average of 7.5% GDP growth in 2013 and a drop to 6.9% in 2014. Of course, given the size of China's economy, this decline will have a significant impact on global growth going forward. A recent article in the Wall Street Journal suggested that China is now responsible for about 13% of global economic activity, compared to only 5% in 2006.

PMI data has shown an increase in August to 54.1 compared to 53.9 in July, which was the first acceleration since March. "The PMI is supposed to be a leading indicator so we are witnessing a stabilisation and a sign the economy isn't slowing down at a faster rate," said Steve Wang, Hong Kong-based chief China economist with Reorient Financial Markets Ltd. "A lot of economy-boosting measures have been put in place since the beginning of the year and there's a time lag for those to kick in, so we should see a bit of a rebound in the fourth quarter."

These reports help back up Premier Li Keqiang and indicate that his policies are in fact helping to prevent a sharp downturn in growth. This will in-turn allow the Premier to pursue reforms that will secure more sustainable long-term growth in the future.

Meanwhile, the National Development and Reform Committee, China's economic planning agency, recently stated that a number of transportation related infrastructure projects will be accelerated, increasing efforts to stimulate domestic demand. In all, the committee said that 10 transportation projects should begin in the second half of 2013. Construction of Beijing's new airport on the south side of the city was due to break ground next year but is now expected to begin later this year. Other projects that have gotten the approval of the Committee are two new rail lines in Shenyang and Wuhan.

## Trade Rebound Exceeds Expectations

A positive sign that China's economy is in fact stabilising after two quarters of decline is the latest trade data from July. According to the General Administration of Customs in Beijing, shipments abroad rose by 5.1% from a year earlier, compared to analysts' predictions of 3%. Imports did even better by gaining 10.9% compared to general predictions of 2% growth. The surge in imports left a smaller than expected trade surplus

of USD 17.8 billion. This growth in imported goods was led by a jump in commodities- including iron ore, which rose by 17% from June to a record high of 63.3 million tons, soy imports, which also hit a record high for the second straight month, and crude oil. The sharp increase in iron ore and crude oil is being attributed to low numbers in June as there was some "catch-up tonnage coming through" according to Graeme Train, analyst with Macquarie in Shanghai.

Exports to the US and EU, China's largest trading partners, grew for the first time since February. Exports to the US rose an annual 5.3% while exports to Europe were up 2.8%. "With the U.S. economy showing signs of a gradual recovery", Ting Lu, an economist at Bank of America-Merrill Lynch, said "Chinese exporters could benefit further in coming months."

## Liberalisation of Interest Rates

On 20 July the People's Bank of China (PBOC), China's central bank, took steps towards liberalising interest rates by ending restrictions on lending rates, where previously there was a

floor of 70% of the PBOC benchmark rate. It means that banks are now free to set lending rates (except for residential mortgages) at any price level they want. However, analysts were disappointed with the news as they were hoping for a liberalisation of deposit rates. "The scrapping of a ceiling on deposit rates would be the final step in China's interest rate liberalisation," Wu Xiaoling, a former PBOC vice-governor, said at a Beijing forum. "It is unlikely to happen either this year or the next." Wu went on to state that a sudden lifting of the deposit rate ceiling would likely result in a rate war between financial institutions, threatening the existence of smaller institutions. Before the deposit rate ceiling can be lifted, a deposit insurance system must be implemented to protect depositors.

S&P analyst Liao Qiang said the liberalisation of deposit rates must be gradual so that policymakers can strike "a delicate balance" between going ahead with the financial reform and maintaining banks' profitability that would allow them to absorb losses from bad loans. The balance is needed, because Chinese banks have accumulated relatively high credit risk in sectors including local government financing vehicles, real estate development, steel and other industries grappling with overcapacity," Liao said.

May Yan, an analyst at Barclays Capital, expects Beijing to liberalise rates for deposits of large amounts and large maturities first and then introduce new products, such as large certificates of deposit. "These measures should have a smaller impact on banks' net interest margin than a 10% parallel move."

Many commentators believe that the removal of the lending rate floor could lead to hard times for financial institutions. With the floor taken away, large stated owned enterprises (SOEs) will now be able to push for cheaper loans. Some suggest that non-

## The cost of cheaper lending

Chinese banks' return on equity, %



Source: ChinaScope Financial

\*02 2013 or latest

performing loans at SOEs could be rolled over at extremely low interest rates, effectively disguising what could be considered a state bail-out. In turn, the big banks would be forced to seek out higher-margin opportunities with small and medium-sized firms. As

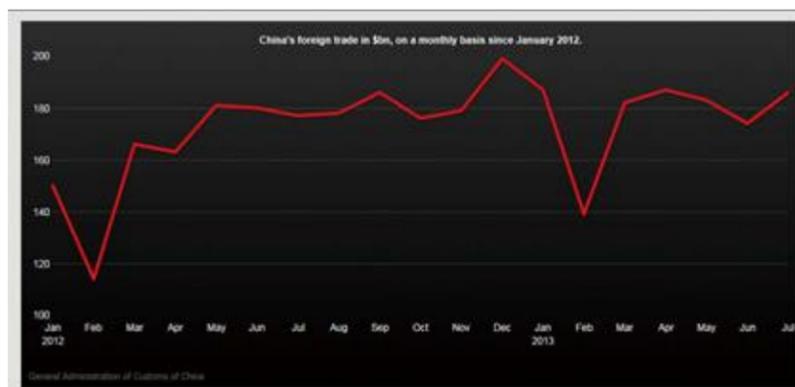
decrease, the industry will need USD 50 to 100 billion in extra capital over the next two years in order to keep capital ratios steady.

## Unemployment

Although unemployment remained unchanged during Q2 at 4.1%, one of the biggest challenges facing the Chinese leadership is lowering the unemployment rate. Wang Yujin, from the Ministry of Human Resources and Social Security estimates that the number of unemployed graduates has reached over 3 million. "The job market is unable to fulfil the demands of job hunters, with 30 per cent of new job vacancies coming from the retired" commented Professor Deng Dasong of Wuhan University. However, the government has already enacted several measures in order to combat unemployment such as cutting taxes for small businesses and promising subsidies to firms taking more workers. **E**

**Many commentators believe that the removal of the lending rate floor could lead to hard times for financial institutions. With the floor taken away, large stated owned enterprises (SOEs) will now be able to push for cheaper loans.**

a result, they would be competing directly with smaller private-sector joint-stock banks such as China Merchants and China Minsheng. China Scope Financial, a research firm, believes that as competition increases and net interest margins



# Excellent International Education: GEMS World Academy

By Josh Cooper

The GEMS World Academy, which is located in the heart of the Sino Singapore Eco City, will be raising the bar in terms of international education in Tianjin and TEDA. Through strict adherence to its guiding principles, the organisation has earned a strong reputation for its child-centred approach and by providing educational services fit for the 21<sup>st</sup> century. All GEMS schools worldwide offer unique and exceptional programs to both local and expatriate children. We spoke to the recently appointed principal of GEMS World Academy in the Tianjin Eco City, Mr Neil Hugo, to find out more about how his organisation will take the city's international education section to a new level.

## Can you please start by telling us a bit about yourself and your professional background?

I am originally from the UK and I have been on the international teaching circuit for 30 years now. During this time my work has taken me to various parts of the world, including different cities in China, the United Arab Emirates, Saudi Arabia, Kuwait, Kazakhstan and Malawi. I started my teaching career by working with primary/elementary level students, but since then I have also retrained to work with other age groups. I have taught 2-3 year olds as well, which is exhausting but it is the best job in the world! I have worked as a principal for the last 19 years.

## Why did GEMS choose this school as their first centre in China?

GEMS is a Dubai-based organisation which already has schools in the US, Europe, Africa and across the Middle East. The company wanted to open a new school in this part of Asia for some time, and after looking around for opportunities we found that this particular location was very attractive. The Eco City is a very exciting development indeed. The concept behind this residential area is very much in tune with what GEMS believes in as a company: addressing environmental issues and promoting clean living and social responsibility.

We will be an International Baccalaureate (IB) school and thus having clean surroundings and building a better environment are central to our teaching. For example, we have clean air classrooms using air filtration systems, we re-use 40% of our water, produce hot water from solar panels and heat our wonderful swimming pool using geothermal energy and we encourage our students to confront environmental issues throughout their studies at GEMS. So this area in particular is well suited to our organisation's philosophy and is therefore an ideal location for our first school in China.

## For our readers who haven't yet heard of GEMS, please give us a brief overview of what the company is all about.

The organisation started over

50 years ago in the United Arab Emirates. It builds, owns and operates international schools for all segments of the community. Around the world we have schools that are very affordable and provide the highest quality of international education for young learners. The brand now reaches a global audience; it currently employs 10,000 teachers and educates well over 100,000 students.

As well as being a private educational provider, the company is also very philanthropic. We do a lot of charity work through the Varkey Foundation, of which former US President Bill Clinton is the Honorary Chairman. Through our scholarship programs we also provide educational opportunities for children who would not have access to it otherwise. For every student we have at our schools we impact around 100 other children in some way through our charitable activities. We also partner with the Tony Blair Faith Foundation, the Clinton Global Initiative and many other organisations which share our goal of bringing better opportunities to young people around the world.

## Give us an insight into the GEMS approach to education and tell us what is unique about your schools in comparison to other organisations of this kind?

There are four key elements of the GEMS educational philosophy which guide our approach to teaching. These are as follows:





**World Citizenship**

Students in GEMS managed schools learn about the world and the people in it from an early age, developing an awareness of different cultures and countries. By exploring the world, they become socially, culturally, economically and environmentally aware and learn about their responsibilities as world citizens. They learn to adopt a global perspective and understand how they can make a difference in the global community.

**Universal Values**

Our Universal Values philosophy helps students to develop the

values, principles and ethics that are respected, admired and accepted in all cultures around the world. Students are taught to have healthy social attitudes and a spirit of humanity, providing them with the ethical foundation and solid social skills to guide them through life. A variety of activities and experiences based on the understanding of universal values teach students to make positive contributions to others, their schools and the community.

**Leadership Qualities**

From an early age, our education programs encourage students

to explore and question, to seek solutions, make informed decisions and solve problems. They learn to demonstrate tenacity and to express themselves confidently. Through the development of these skills and others, our Leadership Programs are aimed at developing each student's own individual potential for leadership—either as a motivator of others or of themselves, discovering and excelling in their own specialist area.

**Forward Thinking**

Information and Communication Technology (ICT) is underscored in our educational programs. ICT

is taught not only as a stand-alone subject, but it is integrated throughout the curriculum both as a teaching and learning tool. Emphasized as an essential skill, students learn to become proficient in the use of Information and Communication Technology and it is applied right from the time they start school.

Also, as I mentioned before, we will be an IB school, and therefore we strive towards instilling the ten core aspects of the IB Student Learner Profile. This involves aiming to develop students who are: inquirers, knowledgeable, thinkers, communicators, principled,

open-minded, caring, risk takers, balanced and reflective.

The IB curriculum is an outstanding tool for educating pupils. It is a skills and concepts based framework. Although it does contain some knowledge learning aspects, it mostly focuses on inquiry and on students working independently and cooperatively to find solutions to problems by utilising their critical thinking skills. We believe that this best equips young learners for life in the 21st century.

**Since your organisation last spoke to Business Tianjin at the start of the year, what developments have taken place at your centre?**

At that point in time we had just opened our kindergarten section of the school, which is now fully operational and we have some students enrolled onto our programs. We have an international teacher working within that part of the school and we are excited to be welcoming several more staff members to our centre over the coming months.

More recently we have been focused on getting our primary school opened to students and adding the finishing touches to our world class facilities. We are due to open on 28 August, with a grand opening being held on the 29th. We have hired a full team of well qualified and experienced international and Chinese teachers to deliver the full curriculum.

**Which groups of learners are you aiming to attract for your school in Tianjin at the moment?**

Our kindergarten is open to both international and local Chinese pupils. We welcome people from the local community to bring their children here to enrol with us. In terms of the primary school, however, we cater exclusively to learners from Tianjin and TEDA's international

community, who are aged between 6 and 11 years old. So for international students we run a full programme for 2 – 11 years olds.

**As a global company, how does GEMS maintain its levels of consistency in educational excellence when opening a new centre?**

We aim for similar learning outcomes, of which I have previously mentioned, throughout all of our schools around the globe. However, given that we are using the IB framework, our approach is pragmatic and is guided by a philosophy- as opposed to having a strict schedule of teaching points to follow. Our teachers have their learning objectives, but they are also required to use people, resources and their surroundings to teach in the most suitable way relative to the location of the school. Each of our schools is allocated a Chief Education Officer who visits regularly. Our teachers follow procedures which have been put in place to ensure that the quality of our education is consistently high and we abide closely with regulatory bodies such as IB and the Council of International Schools.

**What would you like to tell anybody who is reading this dialogue and is interested to learn more about your school?**

We are very well priced in comparison to our competitors. Our teaching is excellent and our facilities are also outstanding. Come to our school and enrol your children here because we will be offering the best international education available through our exceptional programs that prepare students for life in the 21st century! **E**

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# International SOS: Bringing Elite Healthcare to Tianjin

*Business Tianjin speaks to Mr. Tan Mui Huat CEO*

For decades International SOS has been serving both the foreign community in China and Chinese clients who are working abroad. In order to truly settle whilst living in another country people must ensure that their healthcare needs are met without too much difficulty. Fortunately International SOS provides the best support network for expatriates and their families here in Tianjin and indeed, across the globe. Through their services you can receive assistance 24 hours per day, 7 days per week, and get access to the best healthcare available!

We spoke to the company's CEO, Mr. Tan Mui Huat, to gain an insight into the work which this outstanding organisation does and to find out how International SOS can help our readers.

**Firstly, please can you tell us a bit about yourself and your current role?**

I originally come from Singapore. I graduated from the National University of Singapore and I also hold an MBA from Strathclyde University in the UK.

I joined International SOS in 1995, and since then I have held various leadership roles across Asia. Currently, as the President and CEO of North Asia, I am based in Beijing, where I am responsible for growing International SOS' business and service network in North Asia.

During my time in China I have worked with our clients to provide

critical assistance and support to help them fulfill their duty of care to their employees. This includes many international crises such as the 2011 earthquake in Japan, Bali bombings, SARS, Swine Flu and H1N1 epidemics.

**You have a great deal of experience as a business leader. Please can you tell us about some of your accomplishments as the CEO of North Asia for International SOS?**

The past few years have been eventful for International SOS in Asia. One of the key business highlights has been the development of the organisation within the Chinese market. This has included forming partnerships with the Chinese Ministry of Foreign Affairs to provide medical assistance to their employees abroad, as well as large Chinese companies expanding their business to Africa, the Middle East and elsewhere.

We have also been privileged to have been the chosen medical provider at high profile international sporting and business events like the Beijing 2008 Olympics and Paralympics, as well as the Fortune Global Forum held in Chengdu this year. It was exciting for us to be involved in the Olympics and we were proud to work with our clients to support their activities during the games. As the medical partner for the Fortune

Global Forum we were honoured to support the health and wellbeing of the delegates to this significant event.

An important achievement for us recently was the launch of our Assistance App. This App is one of our newest developments and it supports our clients and their staff around the world through the power of their smart phones. Using the App, our members have access to the latest medical and security information globally, as well as have a direct dial through to the International SOS assistance centre closest to where they currently are for routine medical or travel advice, or in the event of an emergency.

During my tenure as CEO of North Asia, it has been my privilege to lead the organisation's diversification and growth strategy to further support the needs of our clients. Over the years our services have expanded to include International SOS doctors and nurses providing emergency and general medical support on over 40 client sites. In the past year we have delivered 350 days of first aid training to over 3,000 trainees around China.

Another area where we are also seeing increasing demand is our health consulting services. China is now the third largest consulting region for International SOS globally. Last year we provided consulting services to over 60 clients in China ranging from occupational health support, to Site Health Reviews and Ergonomics assessments.

**For those of our readers who don't know what International SOS does, can you please provide a brief insight.**

International SOS has been in China since the late 80s and therefore we are very well established. Today we employ over 650 people in China, more than half of which are medical professionals.

International SOS' mission is to look after the needs of our clients and their demand for international-standard healthcare. Health risks in China can vary based on location and these risks need to be recognised and managed. One of the fundamental things that we do for our clients is provide them with information and guidance. We can advise which hospital to go to, which doctors to see, arrange appointments, help with translation and also accompany patients. We have a 24/7 assistance centre that directly connects to the other 27 assistance centres we operate globally and we provide on-site medical services on 32 client sites in China.

Our security services provide our members with support in the event of a security issue. From a lost passport

to a natural disaster, through our assistance centres members can get advice, emergency translation and logistical aid.

At our clinics, we provide the high quality international standards of healthcare that you would expect abroad. In Tianjin we operate two clinics for the benefit of our members; one in downtown Tianjin and one in the economic development area (TEDA).

**Tell us about the roles you have played during the major health crises of the past decade.**

We have always provided a strong information and support platform for our clients throughout the recent health crises. From addressing individual concerns to providing actionable advice through our Pandemic Information Services, we work with our clients to help minimise the risk to their employees, as well as minimising the potential impact to their business that could result from the latest health concerns to pandemics such as Swine Flu or SARS.

Examples of the kinds of support we

provide are advisory email alerts, up to date advice through the assistance centre and support for continuity planning for companies to protect their business.

Presentations with Q&A sessions to individuals have been a key part of keeping people informed and we have held community talks in Tianjin on the recent air pollution and how it could affect your health, as well as a session on the latest Bird Flu outbreak. The Fukushima Earthquake and Tsunami were other situations whereby we kept our clients and their staff updated, through our dedicated website, on the situation and the potential impact it could have on people as well as their businesses.

**What are some of the health related challenges facing expats in China and why is it important to have a support network from organisations such as International SOS?**

Expats and travellers in China face many healthcare related challenges as they live and work in China. These challenges range from varying levels of care in different cities, to language





barriers as well as cultural differences in the way medicine is practised.

The foundation of our service offering is our network of Assistance Centres. These Centres are staffed by experienced doctors and operational staff and can provide immediate medical and security help and advice. So wherever you are and whatever problem you have, you can call us. We provide the full spectrum of support, from pre travel advice, to general medical enquiries, to emergency Air Ambulance evacuations.

### Why should people choose your company over your competitors?

International SOS has the strongest presence in China of any global assistance company. With offices and clinics around the country, a dedicated air ambulance, as well as the Beijing and Hong Kong assistance centres, International SOS has the infrastructure and resources in place to provide effective, practical and informed medical and security advice and support in China.

Unlike many other companies in the market, International SOS provides a comprehensive, integrated medical and security assistance solution. Together with our travel tracking and online services, International SOS is able to support our clients throughout the travel and expatriation process of their staff. From providing pre

travel advice to employees before they leave their home countries; to over the phone support when they are in need; to tracking, locating and assisting in the event of a crisis or natural disaster. International SOS provides continuous support and care from before they depart until they are safely home.

Our global presence and local knowledge, combined with our network of professionals, enables us to protect our members and offer them help and support wherever they may be in the world.

### Do you see International SOS diversifying its services in the coming years?

Along with our medical and security assistance services, International SOS is also growing our Concierge brand, under the newly launched Aspire brand. Aspire works with financial institutions such as banks, to provide concierge and personal assistance services to their high net worth individual clients. These services can range from arranging tickets to a sold out event to purchasing the latest limited edition Luis Vuitton bag from Paris to orchestrating elaborate birthday celebrations for their child.

This is an area whereby we expect to see continued strong growth as China's appetite for lifestyle products increases.

### Is the demand for your organisation's services still growing in China?

We are still seeing significant growth in the demand for our services in China. Foreign companies are increasing their investments, not only focusing on the eastern seaboard, but also investing deeper into China where support services are less developed.

There is also increasing demand from Chinese companies rapidly expanding overseas and sending their employees to places like Africa and the Middle East. Chinese companies face many challenges when dealing with the healthcare systems, and safety systems abroad and we are working with many Chinese companies to help them navigate the barriers.

### Where do you see most of International SOS's clientele coming from in the future?

As a global organisation our clients come from all over the world. We expect this trend to continue with stronger representation from Chinese clients.

### Can you tell our readers about some of the schemes your company offers that are particularly valuable to members of Tianjin's international community and their families?

In Tianjin our two clinics provide international-standard health care to our members. These clinics are staffed by foreign and national doctors, bi-lingual nurses, and have an international standard pharmacy. Members are also supported by our global 24 hour emergency assistance platform that allows them to speak to a doctor anytime, day or night for routine advice, or emergency support. **E**

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# Tianjin economic logical forum

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# The Rise and Reform of China's Risk Prone Banking Sector

By Melvin Shaw



Towards the turn of this millennium the Chinese authorities set about paving the way for a 21st century banking sector fit for a rising economic superpower. 1995 was the year in which the government enacted the Commercial Bank Law, an act which essentially led to the commercialisation of the so called 'Big Four': the Bank of China (BOC), the International and Commercial Bank of China (ICBC), the China Construction Bank (CCB) and the Agricultural Bank of China (ABC). Today, these colossal banking institutions are some of the biggest in the world. Whilst they have returned enormous amounts of profit over the past decade or so, they are not too dissimilar to their counterparts in

Europe and North America in that they are now also fraught with toxic assets and risky balance sheets. As a number of reforms are currently underway, that will change the nature of the system significantly, we take a look at the ins and outs of the Chinese banking sector.

## China's Rise to Banking Dominance

There are many reasons why Chinese banks have risen to the very top of the global earnings list. Statistics for 2013 released by Relbanks indicate that ICBC is still the world's largest bank with a market capitalisation of USD 234 billion. Slightly behind them is China Construction Bank, which boasts a behemoth balance sheet and has a market cap of

just over USD 207 billion. The Agricultural Bank of China and the Bank of China also made the world top ten list, coming in at 6th and 9th respectively. There is little doubt that Chinese banks are now incredibly important to the overall balance in the global financial system.

It is no surprise that China's boom from the start of the century to the present day has sent profitability within the country's banking sector through the roof. The nation's construction activities, as well as the rise of China's middle class consumers, have brought a great deal of revenue to the Big Four and other, smaller financial organisations. What's more, the Chinese banking sector did not take a significant hit after the global financial meltdown of 2008.

## Risky Business

Up until the last couple of years, the Chinese government had seemingly been very happy to fuel the banking sector's robust growth by providing liquidity and policy support. More recently, however, the authorities have started to tighten their regulatory belts when inflation and asset bubbles have become an increasingly significant threat to the sustainability of the country's long-term economic growth.

Amongst the major threats to the banking sector is the red hot real estate market. Estimates for the historic growth of property prices in China vary substantially. Official statistics indicate that property prices have risen by around 155% over the last 8 years. However, research conducted by the National University of Singapore and Tsinghua University in Beijing shows that prices rose more than 250% between 2004 and 2009 alone. Added to this, the easy credit policies which followed on from the government's stimulus injection after the 2008 crisis have caused an enormous run up in property investment over the last few years. As a result of this lending and spending frenzy, the number of so called 'bad loans' or 'toxic assets' on Chinese banks' balance sheets has risen to levels which many analysts are saying could bring down the entire economy in a similar fashion to the US subprime mortgage crisis.

A number of commentators around the world are even going as far as to say that the banking situation in China is much worse than that of most western countries. Muddy Waters Research analyst Carson Block has argued that "the domestic Chinese banking system is a mess, with an enormous amount of bad loans, or loans waiting to go bad. The problems of China's lenders are greater than those of Western banks on the eve of the financial crisis". Furthermore, economists at Nomura recently released a report saying that the triple whammy of too much leverage in the banking sector, elevated real estate prices and an economic slowdown

would lead to a financial crisis in the country sooner rather than later. The current situation is definitely giving investors, policymakers and business owners plenty to get anxious about.

**The central government and the People's Bank of China are determined to reinvigorate the current banking system and set up a framework which is more in line with their overall economic objective of maintaining growth.**

## Shadow Banking

To add fuel to the financial fire, policymakers' attempts to slow down speculative borrowing are being counteracted by the country's thriving 'shadow banking' sector. Whilst this activity may sound somewhat sinister, it simply refers to non-bank creditors lending money through private channels. The truth is that whilst the People's Bank of China can tighten the mainstream credit market, it has limited scope to prevent any of its cash flush citizens and institutional lenders from offering their own financing schemes.

Many of these private lending organisations are very much in the public eye and are operating very openly with little oversight from the central authorities. The largest of these is Citic Trust, which turned over a staggering CNY 2.7 billion in 2012. Ping An Trust, which is a subsidiary of the insurance giant Ping An Insurance Group, is another example of large firms with venture capitalist-style arms to their businesses.

Shadow banking activity is currently

causing a great deal of concern in relation to both the public and private sectors. Former IMF chief economist Ken Rogoff suggests that "the main concern is that 'hidden debt' will come flying out of the woodwork on to public balance sheets in a slowdown, ultimately leading to a problem". Unlike the banks which operate directly under state supervision, these shadow lenders may well be concealing a key part of the overall puzzle in terms of how much debt there really is.

## The Long Road to Reform

Reforming such a complex and colossal sector of the economy is no easy task. Nevertheless, the central government and the People's Bank of China are determined to reinvigorate the current banking system and set up a framework which is more in line with their overall economic objective of maintaining growth.

The most recent high profile policy development has been the so called 'liberalisation of bank lending rates'. From July onwards commercial banks in China have been allowed set their own lending rates and can now compete against other market players. But this may only be the start of things to come. According to Danske Bank analyst Flemming Neilsen, "China is moving towards a fully convertible currency and floating exchange rates. Their next step will be to widen the daily trading band for the RMB (yuan). They should do that within the next three months."

It is hoped that such market orientated policies will give the economy a much needed boost. However, only time will tell how far policymakers are willing to go in reforming the banking sector. Moreover, it remains to be seen how much of an effect these changes will have. One thing can be certain though, the reforms won't happen overnight. **E**

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# Assessing the Global Financial Outlook: What the Experts are Saying

By Josh Cooper



If you were an alien who had just landed on Wall Street or outside any of the world's major stock exchanges, you would probably think that we are in the midst of a raging bull market and that the economic future is very bright. A quick glance over the statistics and news headlines would certainly indicate that this is the case. However, considering a range of less than favourable underlying factors, such as the tapering off of quantitative easing

policies, weak growth in the western world and the troubling economic situation in China, the recent run up in equities could well be a bubble rather than a sustainable bull market. For this edition of our investment column we will examine what some of the experts from the world of money management have to say about what lies ahead and we will give you our own verdict on what moves you should be making to increase your own financial prosperity in the coming months.

## The Bulls

The US economy is improving, not at a rapid clip, but the country has done well since 2008, at least compared to the rest of the world. The period from 2008 until now has been a much better time to buy stocks than it will be 10 years from now.

**Warren Buffett**, the most successful investor of all time, Chairman of Berkshire Hathaway

It's not going to be a straight line upwards. There will definitely be some consolidations on the way up. But we are betting that if you take a longer term view, this will remain a good year for equities.

**Edward Painvin**, CIO of Chase Investment Counsel

The fact of the matter is that the global economic picture continues to show signs of growth. There are some shrinkages going on in Europe, but the rest of the world, particularly the Asian markets, are still growing rapidly. No matter how you slice the current figures, stocks are still set for an upward trend. When you compare the yield you can get from owning government bonds or savings accounts these days, people are really thinking hard about where to park their money for retirement, and stocks are the best option.

**Ben Willis**, leading analyst at Albert Fried & Co.

I see the overall market continuing to pick up substantially. This is in contrast to the last two years whereby you had to pick individual stocks and take a risk on long term growth. This year you can really 'throw some darts' and see some good bounces. I am seeing a lot of positive trends, with employment picking up in the US and even just going out to the bar listening to people being interested in stocks.

**Jason Raznick**, founder of financial news website [benzinger.com](http://benzinger.com)

## The Bears

We are not in the early stages of a bull market because it began back in 2009. We are now 4 years into a very weak economic expansion because it is being pumped up by central banks 'printing money' (QE). This policy doesn't do much for businesses but it boosts equity markets. Sure, the corporate sector is very liquid at the moment, but nobody feels like building a new factory. Added to that, consumption has only remained

high because people are continuing to get into debt. The next crisis will come soon and it could lead to a huge deflationary bust which will be worse than 2008.

**Dr. Marc Faber**, prolific investor and editor of the *Doom, Boom & Gloom Report*

**Now may be a good time to hold on to your growth stocks, but it is certainly risky to be buying more equities given the amount of uncertainty and the current valuations of blue chips.**

The big point to understand is that unlike past economic recoveries, government stimulus has been massive. They are trying to inflate the economy back through propping up the banking sector, but because firms are not lending they are simply creating an artificial rise in stocks and blowing up a bubble that will burst at some point in the future. We will see a massive crash in 2013-14. The Dow Jones index could easily go as low as 3-500 very soon.

**Harry Dent**, financial writer and founder of *HS Dent Investment Management*

Real assets, commodities and currencies are the best bet if and when the world economy does recover. Interest rates will have to go up to combat inflation, which we all know is going up-despite what the official figures are saying. Keeping rates near zero is wiping out sensible savers and is rewarding risk takers. This has never had a positive effect on an economy. It is beyond doubt that we will see an even bigger economic collapse than before, most likely towards the end of 2013 or 2014.

**Jim Rogers**, legendary investor and author

If you adjust the stock market for inflation we are nowhere near an all time high. Stock market investors are oblivious to the problems that we are facing in the real economy, just like they were in 2007 before the last major crash. They think that the problems have been solved and that the Fed has a credible exit strategy from its quantitative easing programs, which it doesn't. I think we are still heading for a bigger crisis than we had in 2007-8.

**Peter Schiff**, prolific author and president of *Euro Pacific Capital*

## Business Tianjin's Verdict

There has clearly been a lot of bullish sentiment for some time now and it probably won't stop until either economic circumstances in the US and/or China take a turn for the worse or, more likely, the Federal Reserve announces a significant reduction of its monthly liquidity injections. Given the catch 22 situation central banks are in at the moment, it is hard to say when the monetary pullback will kick off, but the point is that it will happen at some point in the next year or so.

It is probably harder now to predict the markets and investor sentiment than it has been for decades. Our conclusion is that now may be a good time to hold on to your growth stocks, but it is certainly risky to be buying more equities given the amount of uncertainty and the current valuations of blue chip equities. If and when the major stock indexes undergo a big correction there will be ample buying opportunities which will allow you to tap into better long term capital growth! **B**

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# Investment News

## Stocks and Shares

### Insurance giant Aviva springs back into profitability

British insurer Aviva said it had swung back into profit during the first half, recovering from a huge write-down suffered the previous year. Net profit stood at GDP 693 million (USD 1.07 billion) in the six months to the end of June compared, with a losses after tax of GBP 688 million during the first half of 2012- also on reduced costs and a jump in new product sales. Last year, Aviva tumbled into a net loss owing mainly to a massive write-down following the sale of its US business.

Source: AFP

### Infonetics forecasts DDoS prevention market to grow by double digits through 2014

Market research firm Infonetics Research released excerpts from its DDoS Prevention Appliances report, which tracks distributed denial of service (DDoS) vendors and analyses DDoS appliances built to protect enterprises and carriers. According to the report, DDoS prevention for mobile networks will see strong growth, with a 25% CAGR from 2012 to 2017, thanks to the transition to IP and data, massive increases in capacity, and a new role as a juicy and highly visible target for attacks.

Source: Business Wire

### U.S. steps up probe of JP Morgan over Bear Stearns mortgage bonds

The U.S. Department of Justice has stepped up a probe in recent weeks into Bear Stearns & Co's mortgage dealings in the run-up to the financial crisis, according to two sources familiar with the situation, raising the possibility that JP Morgan Chase & Co may face yet another case over mortgage bonds.

Source: Reuters

### Rio Tinto stops sale of aluminium business as prices fall

Mining giant Rio Tinto says it has given up trying to sell its aluminium business and has reported an 18% fall in underlying half-year profits. Rio said it had not found a buyer and it was "not possible" to sell Pacific Aluminium in the current environment. Many commodity prices are well below the record highs of recent years as China's economic growth rate slows. Rio said lower iron ore, copper and coal prices all contributed to the fall in profits. Pacific Aluminium, which has five aluminium smelters, a bauxite mine and an alumina refinery in Australia and New Zealand, was put up for sale in 2011.

Source: BBC



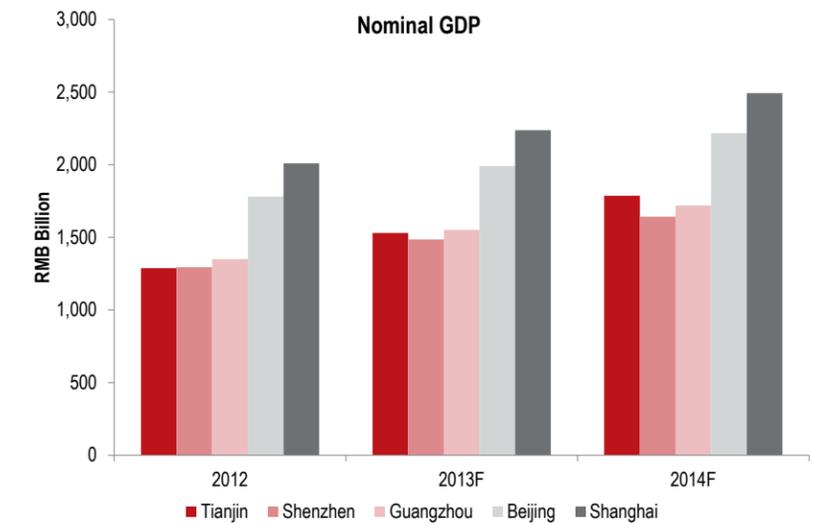
# Lack of Stock Keeps Tianjin from Ranking as a Tier 1 Real Estate Market

By Durrell Mack, Head of Tianjin Research, Jones Lang LaSalle

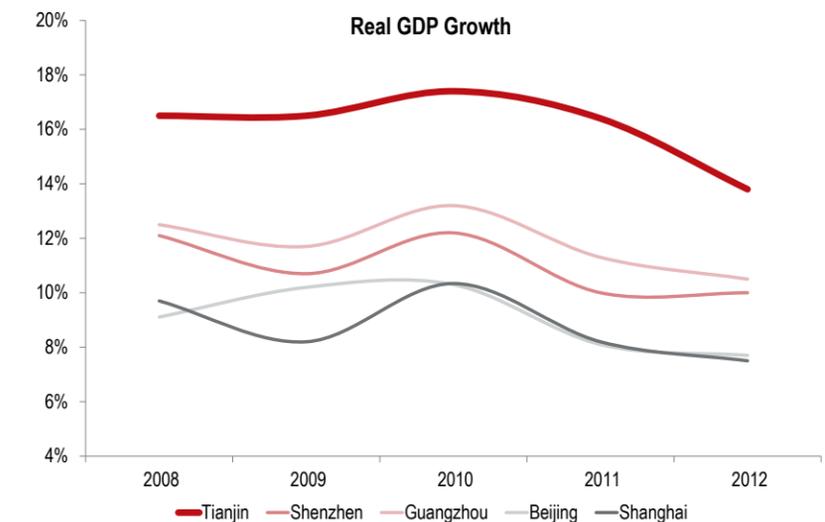


Based on how Jones Lang LaSalle (JLL) categorises cities and their property markets, Tianjin is on the cusp of being China's fifth Tier 1 city. At present, the four Tier 1 cities are Shanghai, Beijing, Guangzhou and Shenzhen. As explained in JLL's report, China50: Fifty Real Estate Markets that Matter, these Tier 1 cities have the highest levels of economic activity, strongest connections to international markets, significant numbers of international office and retail tenants, the most well-developed international grade stocks; as well as the most transparent and liquid markets. In terms of economics and markets, Tianjin is as good as its peers and is on the verge of surpassing a few cities, but from a real estate stock point of view, the city is still playing catch up.

The economy of Tianjin is already on par with some of the Tier 1 cities. At the end of 2012, the gap between Tianjin's and Shenzhen's economies was approximately CNY 7 billion, but by the end of 2013, Tianjin will be poised to eclipse Shenzhen as the city with the fourth largest GDP in China. Moreover, by the end of 2014, that gap will widen, not only putting Tianjin ahead of Shenzhen, but Guangzhou as well. Foreign direct investment (FDI) in Tianjin has also been robust; in 2011, Tianjin bested all Tier 1 cities and over the past few years has only lagged behind Shanghai, indicating that this city is a top destination for global investors. FDI in the city has grown at the same time that the government has been



Source: CEIC; Economist Intelligence Unit (EIU)



Source: CEIC

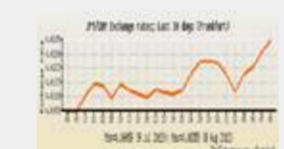
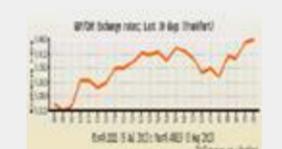
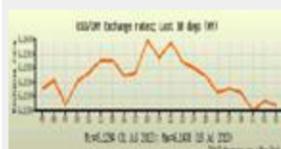
## Currencies

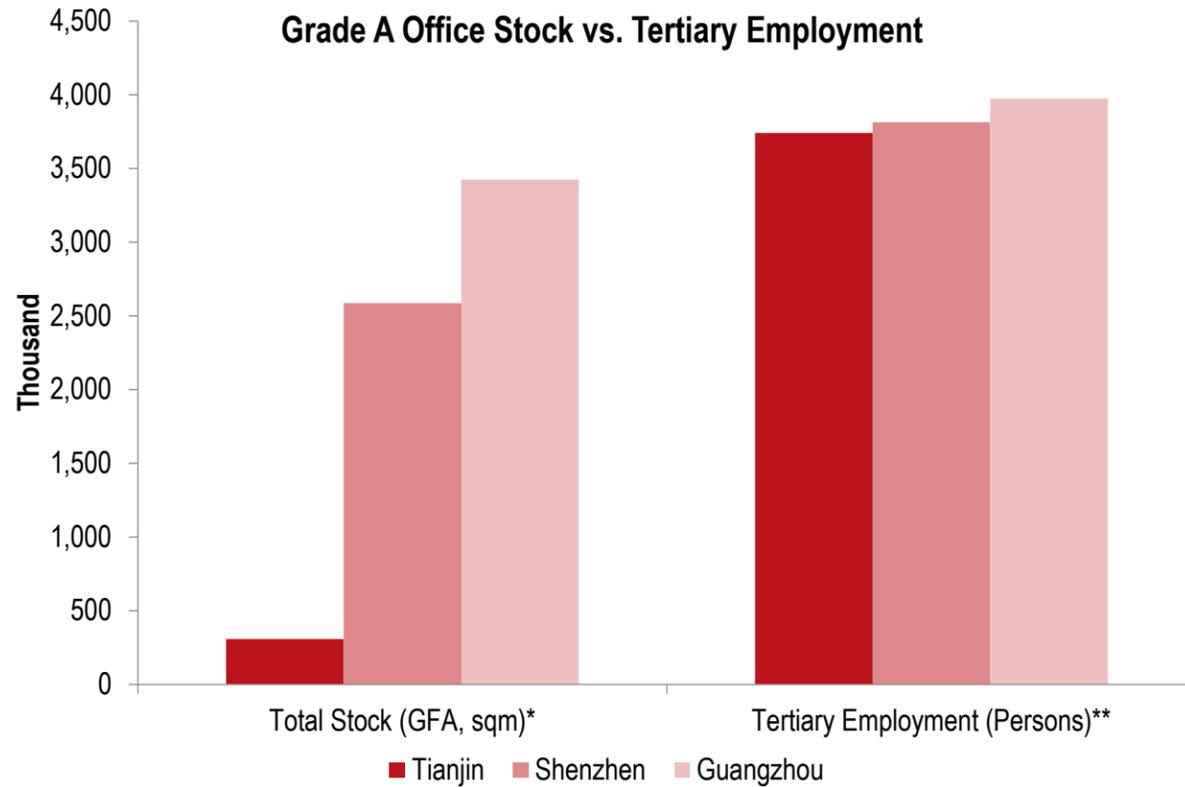
### Dollar - Chinese Yuan

### Euro - Chinese Yuan

### GB Pound - Chinese Yuan

### Japanese Yen - Chinese Yuan





Source: CEIC, Jones Lang LaSalle Research  
 Note: \* Total Stock is 2012 numbers; \*\* Tertiary Employment is 2011 numbers

working to be more transparent and efficient. Recently, the China Institute of City Competitiveness ranked Tianjin first in government efficiency.

As is highlighted in our forthcoming white paper China's City Winners: Tianjin City Profile, driving Tianjin's expansive growth and high levels of FDI have been the city's active international trade port and its move up the value chain, with its burgeoning aerospace and new energy sectors- as well as maturing service sector. The tertiary industries now account for nearly half of the city's economic output, whereas five years ago, it represented less than 40%. Helping to advance the rise of the city's economy has been international companies that have come to leverage the cities proximity to Beijing, its highly educated workforce and rapidly improving infrastructure. By the end of 2012, approximately 150 fortune Global 500 companies had set up

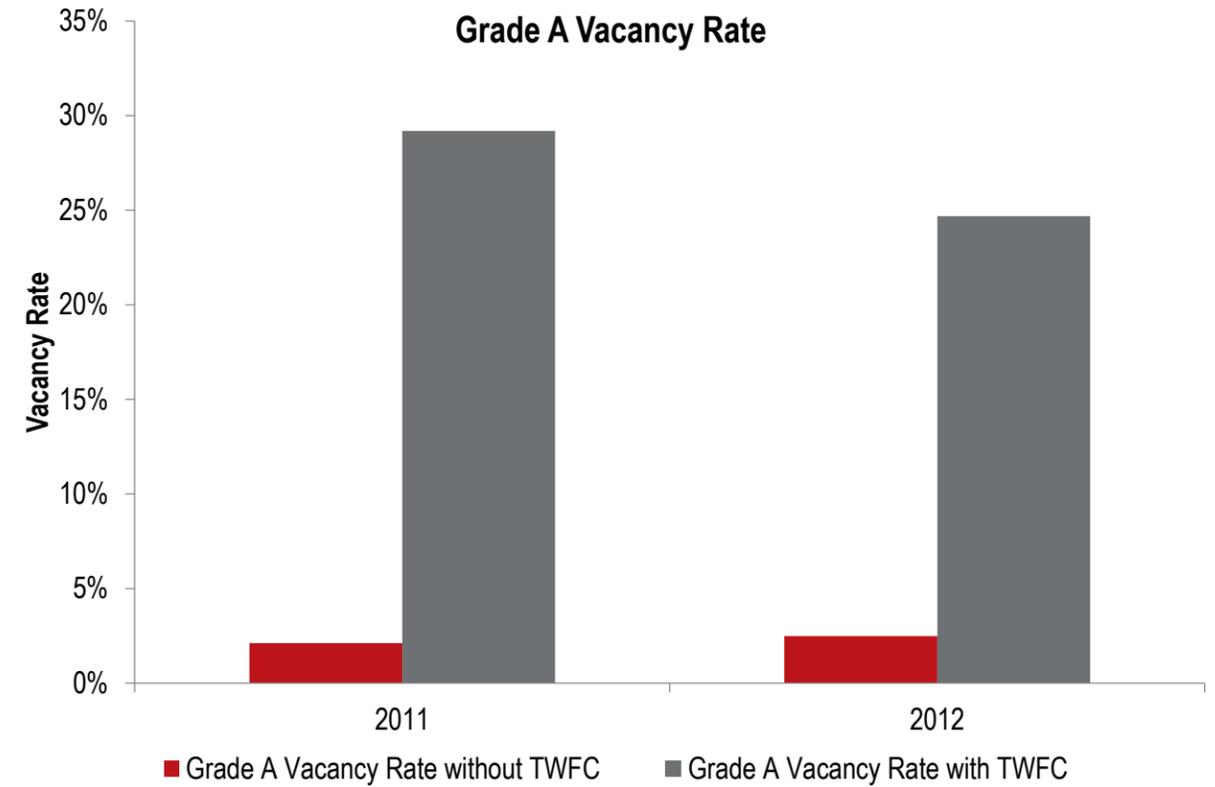
subsidiaries or manufacturing bases in Tianjin. These economic structural

**Tianjin's best Grade A office buildings hold occupancy rates above 95% and many tenants, particularly multinational corporations, in these buildings have had to delay expansions due to a lack of quality Grade A space in the market.**

changes and strengthened ties to the international business community, in addition to Tianjin's minimal reliance

on the export market (Tianjin is a net importer), have allowed the city to experience GDP growth rates that on average far exceeds its peers.

But, even as the city grows and becomes more international, its real estate stock has yet to reach the levels of the Tier 1 cities. The Grade A office market is where the difference between Tianjin's real estate market and Tier 1 cities' is the clearest. Despite having approximately the same number of tertiary industry workers as Shenzhen and Guangzhou - tertiary employment is a key barometer of office demand, Tianjin has only about a tenth of those cities' total Grade A office stock. The dearth of quality Grade A space in Tianjin becomes more perplexing in the face of Grade A office demand. Tianjin's best Grade A office buildings hold occupancy rates above 95% and many tenants, particularly multinational corporations, in these buildings



Source: Jones Lang LaSalle Research

have had to delay expansions due to a lack of quality Grade A space in the market. Anecdotally, the Jones Lang LaSalle Tianjin office has been wanting to expand for several months (we really need more space, I do not think I am able to get out of my desk without ramming the back of my chair into my colleague's behind me); however, until recently there has been no space in our building to allow for further expansion. Thus, with supply limited and demand strong, you would think developers would be clamouring to build more Grade A buildings in Tianjin, helping to push the city into the Tier 1 bracket.

So why are developers and investors so reluctant to build more Grade A buildings in this city? A significant reason for this is the perception that Tianjin's office market is oversupplied and there is not enough demand to support new projects. These perceptions are a little overblown, as even the Grade B market in

Tianjin has been experiencing strong demand; nearly all the Grade B projects in the city have occupancy rates of 90% or better. The main force behind the misconception of the Grade A office oversupply story is the iconic Tianjin World Financial Centre (TWFC).

The TWFC was completed in 2011 and immediately tripled the size of Tianjin's Grade A office stock. Initially the developer of the project planned to retain ownership over the whole building, but over time, the company changed its plans and began selling part of the building strata-title. Once the developer started to sell the project strata-title, demand for the project eroded, as most Grade A office tenants prefer to be in buildings that have a single ownership structure. With less of the TWFC's target tenants interested in the building, occupancy has been slow to increase, and because the office tower accounts for two thirds of the total Grade A

stock, the Grade A overall vacancy rate has become "overly inflated." Overly inflated because the building no longer attracts the same tenants as the rest of the Grade A office towers, which all have single ownership structures.

Looking at the chart above, you can see that TWFC is solely responsible for the high Grade A office vacancy rate. Hence, developers need not fear constructing new high quality Grade A buildings in the city, as long as they develop office towers that fit the demands of the Grade A office tenants. As soon as developers squelch their fears of oversupply and return to the market, Tianjin will be alleviated to Tier 1 status. **B**

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# Global Marketing Strategies

By Justin Toy



In today's global economy, competition can come overnight from any corner of the globe. Gone are the days of yesteryear whereby companies only had to focus on competition within the borders of their own nation. A company which only focuses on the domestic environment and doesn't monitor the global competition could be blindsided when the industry leader on another continent decides to enter the local market by opening 30 retail stores at once.

With globalisation making the world smaller, many firms both large and small must market their product to a global audience in order to keep up with the competition and to realise significant economic growth, especially in emerging markets.

However, developing a global marketing mix can be a much more complicated process than in the domestic market. The root of this complexity comes from the simple fact that people around the world have different needs and expectations; i.e. values, languages, customs, rules, and currencies. Language and miscommunication alone can be the source of many marketing mishaps. For example, the KFC slogan "finger-lickin' good" was mistranslated into Chinese as "eat your fingers off." When Ford launched the Pinto in Brazil, they were surprised when the car flopped. It wasn't until later the company found out that pinto was slang for "tiny male genitals." After that, the company quickly pried off all of the nameplates and substituted

them with Corcel, which means horse. Finally, Apple's incredibly popular iPhone, which comes equipped with the voice activated search tool, Siri, makes people in Japan laugh every time they hear the name. In Japanese "shiri" (which sounds a lot like Siri) means "ass".

## A few things to consider when bringing your product to the global market

### There's a lot in a Name

There are a number of humorous examples of a company's brand name or marketing messages being

lost in translation. A recent example is Windows Vista, where "vista" translates to a 'frumpy woman' in Latvian. Getting your name right can be a big challenge, especially in some languages like Chinese. A study by Auckland University of Technology and Hong Kong Baptist University found that only 22% of major foreign brands had optimised their names for the Chinese market.

When entering the Chinese market a brand's name should be changed so that the sound and the meaning of the name relate to the origin. Nike is one company that has optimised its brand name in China. 'Nai ke' sounds similar to Nike, and its meaning in Chinese is 'endurance conquer'. Forty-three percent of international brands in China simply adopt a phonetic approach to their brand name without regard for meaning. This strategy works well for brands, especially those that rely heavily on advertising while highlighting the brand's global identity. However, the lack of meaning can lead to confusion and miscommunication. The car company Audi is pronounced "Ao Di" which can be translated to 'profound enlightened' and Sony is 'Suo Ni' which translates to

'exploring nun or priest.' About one in four companies (24%) entering China adopt a naming strategy that has a good meaning but does not

## A study by Auckland University of Technology and Hong Kong Baptist University found that only 22% of major foreign brands had optimised their names for the Chinese market.

sound anything like the original-General Electric (tongyong chiche), and General Motors (tongyong dianqi). 11% of brand names in China do not have a resemblance to the original meaning or sound. This strategy allows the company to customise the brand identity and avoids problems regarding local dialects. However there is a risk that the brand may be perceived as local. Heineken is "Xi Li" in Chinese which means 'Happy Power.'

## Go Local Online

Many companies put up a website and believe that they can sell their product to people from all over the world. But just because you build a website, doesn't necessarily make your product global. Of course, having an online presence is a necessity when trying to reach a global audience. However, a report by Forrester Research on multilingual websites showed that international visitors are three times more likely to explore and make purchases from a website that is in their native language. Localising your website goes beyond translating the text. Depending on the product, the localisation process for each version of the website should be holistically built from the ground up. Everything from the colour schemes to the layout should be picked to match the preferences and tastes of the local market.

When considering online marketing strategies don't forget to optimise your website so that it can be viewed on a mobile device. In 2010, smartphones outsold computers for the first time ever. In many countries, mobile phones account for a large proportion of internet connections. This is especially true in





developing countries where mobile internet connections far outnumber fixed broadband connections. Not developing a fully optimised mobile site can lead to a large loss of potential sales.

## Avoid Miscommunication

Finding the right translation for marketing materials can be a difficult challenge for even the most experienced marketing teams. In a study conducted by Forrester in 2007 it indicated that only 1 in 4 US organisations provided a consistent customer experience across all languages. The most effective way to avoid embarrassing mistranslations is to simply enlist the help of native speakers. Integrating native speakers into the workforce and inviting input from real customers on an ongoing basis is the best way to localise efforts and to better tailor your product to the needs of the local market.

## Localise Marketing

Marketing campaigns don't always translate into good results. Using one advert to reach a worldwide audience is rarely ever a success. A Millward Brown study from 2009 indicated that popular adverts in one country rarely achieve the same success abroad; in fact only 1 in 10 did at least equally well. Cross-border campaigns are usually not the most cost-effective option.

Large global brands often succeed using the strategy of being "globally local". For example, McDonald's has long been praised for its dominant position as the world's largest food chain through its ability to successfully adapt to local environments in order to maximize profits. Beef has been at the heart of McDonald's business model in its domestic market, the USA. However, McDonald's has been able to thrive in global markets by localising according to tastes and preferences. In China,

consumers prefer to eat chicken, and while you can still get its trademark Big Mac in China, the menu is noticeably more chicken based. In India, where beef is not eaten for religious reasons, McDonald's has localised the menu by excluding beef and including local flavours and vegetarian options.

Regardless of which market one enters, it is important to create communication that can cross borders effectively while implementing creative ideas with sensitivity to differences across cultures. Only after building a cohesive brand position around the world can a firm fully leverage its multi-country economies of scale. **B**

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# Reform of Foreign Exchange Control over Trade in Services



Manuel Torres



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## Background

The foreign exchange control system in China is one of the legalisation methods established by the State Administration of Foreign Exchange (“SAFE”) under the guidance of the State Council to restrain or boost the international transactions and/or investment by regulating the cross-border flow-in and flow-out of foreign exchange under the foreign direct investment, trade in goods and services and other kinds of transactions. From 2011 onwards, SAFE has successively launched its reform in relation to the trade in goods and foreign direct investment to satisfy the rapid economic growth and to accommodate the investment environment in China.

For the trade in services, since 2002, cross-border remittance or reception of foreign exchange is subject to the prior examination and approval of the local counterpart of SAFE or its authorised banks depending on the types or amount of the transactions. To apply for the said approval, enterprises or individuals are required to present various documentations, which might be time-consuming and causes inconvenience in practice.

In light of the above situation and as per the requirement of the State Council, to accelerate the development of service industry which accounted for around 44.6% of China’s GDP in year 2012, SAFE rolls out the nationwide legislation reform of trade in service by releasing the Guidelines for the Administration of Foreign Exchange Under Service Trade (“Guidelines”) and the Implementation Measures of it (“Implementation Measures”) on July 18, 2013 as part of Huifa [2013] No. 30 (“Circular 30”). According to Circular 30, around 50 previous regulations are abolished, and the Guidelines and the Implementation Measures shall be effective upon September 1, 2013.

## Overall Evaluation of the Reform

Generally, the Guidelines and the Implementation Measures aim to facilitate enterprises and individuals carrying out foreign exchange business under the service trade in China. According to the new rules, the examination and approving authority will be decentralised and all devoted to the banks, and documentation formalities required for the examination by banks will either be cancelled or streamlined. To further benefit the service trade operator, enterprises in China including enterprise groups are allowed to deposit their foreign exchange earnings under service trade overseas.

For the purpose of this article, we would like to further introduce the following key features under this reform:

## Key Features

- Devolution of Power to Banks and Overall Supervision of SAFE

Enterprises and individuals can perform remittance or receipt of foreign exchange payment before relevant banks directly.

SAFE and its local counterpart will monitor the performance of enterprises as per the data reported by relevant banks. In the event of unusual circumstances detected by SAFE, an off-site or on-site inspection could be triggered. For such a purpose, Circular 30 requires the enterprises or individuals as well as relevant banks shall keep the transactions documentations for 5 years for future reference and for possible inspection purposes (before reform, operators are only required to keep documents for 3 years).

- Cancellation or Simplification of the Examination Procedures of Banks
- According to an online Q&A released by SAFE on July 24, based on the statics of year 2012, the considerations in around 88% of transactions are below USD 50,000, thus, in order to benefit most of transactions in practice and increase the efficiency of foreign exchange administration, the USD 50,000 has been chosen as the benchmark for establishment of below mechanism:

**under the new rules, for most transactions, banks will not be required to examine the registration or certificates issued by other authorities, such as patent registration certificates and technology import/export certificates.**

1) If the transaction amount being USD 50,000 or less

The banks are in principle not required to examine and verify any transaction documents for receiving and paying foreign exchange under services trade where the value of such funds is the equivalent of USD 50,000 or less, unless banks detects the nature of such funds being unclear.

2) If the transaction amount being over USD 50,000

If the consideration of per transaction exceeds USD 50,000 the enterprises or individuals will be requested to present agreements, invoices or other transaction documents as per the nature of the concerning transactions.

Compared to the requirements before the reform, the documentation formalities have been simplified. We hereby provide below comparison table in relation to certain types of

transactions usually faced or concerned by foreign investors:

Item	Required Documents	
	Former	Now
Dividends Distribution	<ol style="list-style-type: none"> <li>1. Written application;</li> <li>2. Foreign exchange registration certificate;</li> <li>3. Board resolution on the profit distribution;</li> <li>4. Capital verification report;</li> <li>5. Annual financial audit reports;</li> <li>6. Tax certificate</li> </ol>	<ol style="list-style-type: none"> <li>1. Board resolution on the profit distribution;</li> <li>2. Capital verification report; and</li> <li>3. Annual financial audit reports.</li> </ol>
Payments under Technology Import/Export	<ol style="list-style-type: none"> <li>1. Written application;</li> <li>2. Import/export agreements;</li> <li>3. Invoice or payment notice;</li> <li>4. Patent registration certificate;</li> <li>5. Technology import/export certificate issued by the Ministry of Commerce or its local counterpart;</li> <li>6. Tax certificates.</li> </ol>	<ol style="list-style-type: none"> <li>1. Import/export agreements;</li> <li>2. Invoice/Debit notes; and</li> <li>3. Technology import/export certificate (only applicable in the case of import of restrict technology)</li> </ol>
Royalties under Trademark Import/Export	<ol style="list-style-type: none"> <li>1. Written application;</li> <li>2. Import/export agreements;</li> <li>3. Invoice or payment notice;</li> <li>4. Trademark registration certificate;</li> <li>5. Tax certificates.</li> </ol>	<ol style="list-style-type: none"> <li>1. Import/export agreements; and</li> <li>2. Invoice/Debit notes.</li> </ol>
International compensations	<ol style="list-style-type: none"> <li>1. Written application; and</li> <li>2. Court decision, arbitration awards or mediation letter issued by qualified mediation institution.</li> </ol>	<ol style="list-style-type: none"> <li>1. Original agreements, together with the compensation agreements or statement; or</li> <li>2. Court decision, arbitration awards or mediation letter issued by qualified mediation institution.</li> </ol>

It can be concluded that under the new rules, for most transactions, banks will not be required to examine the registration or certificates issued by other authorities, such as patent registration certificates and technology import/export certificates. In other words, application of certain registration or certificates before other authorities will not be the pre-conditions of cross-border remittance or receipt. In such sense, the simplified procedures will be time-saving and meet the need for transaction of efficiency in China.

- Cancellation of Tax Certificate of Outbound Payment

This reform is also implemented in collaboration with the State Administration of Taxation ("SAT").

Before the aforesaid reform, prior to remittance of over USD 50,000, enterprises or individuals shall firstly obtain the tax clearance certificates by performance of tax declarations and tax payments, and then upon the tax clearance certificate, enterprises or individuals shall further apply for tax certificate of outbound payment. The whole tax-related procedures usually may take months.

Upon July 9, 2013, SAT and SAFE jointly issued the Announcement on Issues Concerning Tax Filings for Outbound Payments under Services Trade ("Circular 40") to abolish the tax certificate of outbound payment previously required. Instead, individuals or enterprises are required to conduct record filing with the in-charge local counterpart of SAT by providing standard filling form, corresponding agreements and other proving documents as may be required, which may take 15 working days.

- Overseas Deposit of Foreign Exchange Earnings

After the aforementioned reform of foreign exchange system of goods trading, enterprises in China are allowed to deposit their export incomes under goods trading in its overseas account. However, the foreign exchange regulations



remain silence on the overseas deposit of incomes deriving from the trade in service.

Until now, Circular 30 expressly provides that enterprises can deposit their foreign exchange incomes from service trade overseas, on the condition that the following requirements can be met:

- 1) Enterprises have foreign exchange income from trade in services and continually have demand of outbound payment;
- 2) Enterprises have no violation of foreign exchange regulations within recent two years;
- 3) Enterprises have established good internal control system in relation to the overseas deposit;
- 4) The concerning trade in service is related to trade in goods;
- 5) For enterprise groups who intend to deposit their incomes outside and implement centralized collection and payment, it shall have realized centralized management of their foreign exchange in China.
- 6) Other requirements may be raised by SAFE.

If the enterprise groups have implemented centralized management of their foreign exchange in China, it can appoint one of its member

companies (including financial company) as the in-charge company to implement centralised collection and payment of overseas deposit.

### Our Recommendations

Through the above introduction, there is no doubt that Circular 30 is designed to facilitate the international trade in service by introduction of efficient administrative procedures and reduction of the transaction cost.

However, it shall be noticed that although Circular 30 cancels or streamlines the documentation requirements for banks' inspection, it does not exempt those transaction operators from compliance with relevant requirements of other authorities under applicable laws and regulations. Therefore, from the point of compliance management, before or after the remittance or receipt, enterprises or individuals shall still perform applicable procedures and/or apply for corresponding certificates or registrations required under the PRC law. **E**

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## A Civil War of Arbitration Institutions in China



Simon Bai  
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### Background

Established in 1956, the China International Economic and Trade Arbitration Commission (CIETAC) is the most renowned and long standing arbitration institution in China for arbitrations with an international element, which handled 1060 cases in 2012. CIETAC, headquartered in Beijing ("CIETAC Beijing"), has four Sub-Commissions across China. In addition to the Shanghai and South China Sub-Commission which is based in Shenzhen ("CIETAC Shanghai" and "CIETAC Shenzhen"), it also has offices in Chongqing and Tianjin.

In early 2012, CIETAC amended its arbitration rules which came into effect on 1 May 2012. On the same day, CIETAC's Shanghai Sub-Commission announced independence from CIETAC Beijing, declaring itself an independent arbitral institution. In the same period, CIETAC's Shenzhen (also known as the South China Sub-Commission) also declared its independence.

A fierce rhetoric war then started between CIETAC Beijing and its two Sub-Commissions, i.e. CIETAC Shanghai and CIETAC Shenzhen and news releases followed during which each organisation claimed the legitimacy of its actions and in the meantime accused the illegality of the others.

The dispute which astounded the legal community was prompted by changes to CIETAC's Arbitration Rules. Under CIETAC's amended 2012 Arbitration Rules, absent specific nomination by the parties of a named Sub-Commission in their arbitration agreement, all cases submitted to CIETAC should be administered in Beijing. Thus "CIETAC" as such when used without specifying any Sub-Commission that appears in any dispute resolution clause of any commercial contract refers only to "CIETAC Beijing" and excludes all other Sub-commissions. This is a major departure from previous versions of the CIETAC Arbitration Rules and past practices, which allowed cases to be allocated by taking into

account of regional connection, party convenience, or cost. In its previous version of the Arbitration Rules, effective as of 2005, Sub-Commissions were described as an integral part of CIETAC with the power to administer cases independently.

For example, under the CIETAC 2012 Arbitration Rules, if an arbitration agreement simply designates CIETAC as the arbitration body and in the meantime requires that the hearing shall take place in Shanghai, the past practice was that the CIETAC Shanghai Sub-Commission would administer the case. However, the amended 2012 Arbitration Rules now suggest that such an arbitration agreement would require the case to be administered by CIETAC Beijing, with the hearing held in Shanghai. The same applies to Shenzhen, Chongqing and Tianjin Sub-Commissions. This new amendment certainly diverted many cases towards CIETAC Beijing that would otherwise have been administered by other Sub-Commissions under the 2005 Arbitration Rules.

To date, the Tianjin and Chongqing Sub-Commissions of CIETAC have not taken any action or made any statements similar to those of the former CIETAC Shanghai and Shenzhen Sub-Commissions.

The subsequent high-profile open dispute between CIETAC Beijing and CIETAC Shanghai and CIETAC Shenzhen highlights the fact that each of the three is financially independent, although the latter two have traditionally been addressed as Sub-Commissions of CIETAC Beijing. Over the years, as the amount of cases substantially increases, they have all become a growing source of revenues for local governments. Unlike the court system, there does not exist a substantive hierarchy with a uniform administration within the CIETAC arbitration system. Moreover, CIETAC remains a semi-government organization with major officials to be appointed by local governments rather than by CIETAC Beijing, in spite of being the headquarters.

The key issue at play is that Shanghai

and Shenzhen objected to the centralising effect of the amended 2012 Arbitration Rules simply because that would take away the revenue as a result which otherwise would have been theirs. In addition, many arbitration agreements in practice

**It has been confusing for those who have been watching the development of the turf war amongst the three institutions that gave rise to widespread concerns about the legal status of arbitration agreements and awards rendered.**

simply refer to CIETAC and do not specifically provide for arbitrations to be administered expressly by either Sub-Commission.

## Impact of the Dispute

On October 22, 2012, CIETAC Shenzhen changed its name to

the South China International Economic and Trade Arbitration Commission, or SCIETAC, with its own set of arbitration rules that became effective on December 1, 2012. In the meantime, SCIETAC also adopted a second official name: the Shenzhen Court of International Arbitration (“SCIA”), which has a more modern flavour. Then on April 18, 2013, CIETAC Shanghai also changed its name to the Shanghai International Arbitration Centre (“SHIAC”), with its own set of arbitration rules that went into effect on May 1. Similarly, SHIAC does not intend to give up its former name completely as it has gained good reputation over the past decades so it slightly changed its former name and now also keeps a second name, which is: Shanghai International Economic and Trade Arbitration Commission (SIETAC). Meanwhile, CIETAC Beijing opened up new offices in Shanghai and Shenzhen.

It has been confusing for those who have been watching the development of the turf war amongst the three institutions that gave rise to widespread concerns about the legal status of arbitration agreements and awards rendered where CIETAC Shanghai or Shenzhen are selected in the arbitration clause.



It was recently reported that a court in Ningbo, Zhejiang Province, has just affirmed the legality of an award rendered by CIETAC Shanghai and threw out an application by the opposing party for setting aside the same award on the basis of the recent development and change of names. Nonetheless, another court in Suzhou has recently delivered an exactly opposite ruling in relation to another enforcement case whereby the court refused to enforce a CIETAC Shanghai arbitration award because the court takes the view that the tribunal failed to inform the parties of the change in the Shanghai Sub-Commission's status which is in breach of the principle of party autonomy. The decision adds further uncertainty to the enforceability of awards rendered by the former Sub-Commissions of CIETAC.

## Conclusion

In light of these recent developments, parties of a commercial dispute wishing to arbitrate in CIETAC should make sure that the arbitration clause specifically provide that the arbitration be administered by CIETAC Beijing according to its 2012 rules notwithstanding that hearings may be located in Shanghai or Shenzhen so as to avoid any unnecessary confusion and potential challenges with regard to the validity of awards. If they wish to arbitrate before SCIA or SHIAC, then they should take care to identify the correct arbitration commission as both of these commissions are not part of CIETAC anymore. In an event whereby the arbitration clause is vague under Chinese law, Article 18 of the PRC Arbitration Law states that an arbitration agreement shall be null and void if it “contains no or unclear provisions concerning the matters for arbitration or the arbitration commission.”

It remains uncertain whether any Chinese courts would hesitate to enforce an award from any of these institutions. In particular it will be intriguing to see whether awards from SCIETAC and SHIAC will be enforced anywhere outside Shenzhen and Shanghai.

Parties should also be aware that apart from SHIAC, there is a new CIETAC Sub-Commission in Shanghai and the existing Shanghai Arbitration Commission. The same applies to Shenzhen. This can cause confusion since the parties of a commercial dispute need to identify expressly the correct institution. Therefore, the parties must clearly agree on the selection of a particular institution of the one of the three. Otherwise the parties run the risk of having the arbitration agreement being found invalid. 

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# Enforcement of Intellectual Property Rights in China



Philippe Healey,  
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## 1. IPR and enforcement in China

The intellectual property rights (IPR) available in China are now very similar to those available in Europe. The registered rights available are invention patents, utility patents, design patents and trademarks. Copyright can also be recorded. There are unregistered rights derived from the law on trade secrets and unfair competition, but these are difficult to rely on (the consensus is that only 30% of trade secret actions are successful) and it is therefore advised that rights owners register their IP with the relevant authorities.

## 2. Enforcement proceedings:

There are four main enforcement options in China: administrative actions, civil litigation, criminal sanctions and customs seizures.

### 1) Administrative actions:

The key Chinese administrative bodies are the Intellectual Property Offices (IPOs), the Administrations for Industry and Commerce (AICs), the Copyright Office, and the Quality and Technical Supervision Bureaus (QTSBs) (local divisions of the Administration for Quality Supervision Inspection and Quarantine). These are empowered to take certain actions against companies that are infringing intellectual property rights. These bodies between them have the power to:

- Raid defendants' premises and to seize and destroy infringing items;
- Impose injunctions to force the infringing party to desist; and
- Levy fines on the infringing party for TM infringement, copyright infringement and counterfeiting patent certificates, (but not patent infringement).

Administrative bodies offer a relatively fast and cost-effective way to deal with trademark and copyright infringements, and to gather evidence for patent infringements. They are generally comfortable when dealing with trademark cases because it is usually an easy matter for the AIC officials to compare the trademark with the counterfeit or allegedly infringing product and decide whether there is infringement, as well as simple copyright cases. However, administrative bodies are less confident when it comes to analysing the scope of protection of a patent and the infringement thereof. The main use of an administrative action in a patent infringement case or complicated copyright case is to obtain evidence.

In the event that a right holder cannot collect sufficient evidence to pursue administrative or civil action against an infringer, it may still be possible to apply to QTSB to impound the infringing goods on the grounds of breaching quality or safety standards.

A right holder wishing to file an administrative action will need to instruct a lawyer to file evidence about the existence and ownership of the right as well as evidence of the infringement. Your lawyer will provide further details if you decide to pursue this type of action.

A simple trademark, copyright or QTSB administrative action lodged with a local administrative body would likely last between three and six months and cost CNY 20,000-50,000.

An application to an IPO to obtain evidence in relation to the infringement of a design patent would cost in the region of CNY 30,000-80,000, with a civil action to follow.

### 2) Civil litigation

Civil litigation is equivalent to a court case in Europe. The usual remedies sought are injunctions, damages, delivery up and destruction (of tools/products). A civil action will generally take six to 12 months from the issuance of proceedings until handing down of the judgment.

Infringing acts under Chinese Patent law include sale, offer for sale, use, manufacture and export. It is usually easiest to obtain evidence of sale or offer for sale, but even this is not entirely straightforward because Chinese courts require this type

**Administrative bodies offer a relatively fast and cost-effective way to deal with trademark and copyright infringements, and to gather evidence for patent infringements.**

of evidence of infringement to be given by a notary public figure. In practice, this means that the purchase of, or offer for sale of, the allegedly infringing item must be witnessed by a notary public figure who then certifies that the particular unit was purchased from, or offered for sale by, the particular entity. This type of sample purchase, or witness of an offer for sale, only proves that one sample was sold, or offered, and so may not be sufficient to persuade a court to grant a worthwhile damages

award. An Evidence Preservation Order (EPO) may be used to obtain evidence of manufacture.

An EPO is an action in which the court will seal and/or take photographs of infringing articles at the defendant's premises. A bond of between CNY 20,000-1 million to the court might be payable, depending upon the size of the claim and the requirements of that particular court.

Once evidence of infringement has been obtained, either by way of a sample purchase or an EPO, then the main proceedings can be commenced. The conventional rules apply on jurisdiction and the defendant must therefore be sued either in the place where the tort (a civil wrong i.e. an infringement) was committed, or in its home city or province. If the home province of the defendant is known to have an inexperienced court system then it is best to try to ensure that the sample purchase is completed in another jurisdiction with more experienced IP judges (such as Beijing, Shanghai, Shenzhen or Guangzhou).

### 3) Criminal sanctions

Criminal sanctions are only used in relation to patents where the counterfeiting of the patent certificates themselves has taken place. Such actions are rare; criminal proceedings are more common in



relation to trademark and copyright infringements. There are three methods of bringing criminal sanctions:

- IP owner reports to the Public Security Bureau (PSB);
- An administrative agency transfers its case to a criminal agency when it comes to suspect the damage inflicted by the defendant exceeds certain thresholds; or
- A trademark owner can choose to file a criminal lawsuit with the court known as a private prosecution.

The PSB has sole discretion on whether to accept a criminal case and if the PSB accepts the case it will begin proceedings by collecting evidence. Once it has sufficient evidence then the PSB will pass the case to the prosecution agency which assesses whether the case may proceed to trial or not.

The prosecution agency presents the case at trial. The Court will decide liability and the appropriate sentence. Punishment may include imprisonment of up to seven years and/or penalties. It is important to bear in mind that the IP owner cannot recover damages through this process, but of course a favourable ruling would be a valuable deterrent to potential future infringers.

4) Using customs to halt exports and gather evidence

While practice, as ever, varies across China, many Chinese customs authorities will proactively enforce trademarks registered with them. However, generally they will not do the same for patents nor copyright owners wishing to have infringing goods seized by customs must inform the customs officers of the precise details of each shipment to be seized (including the container number). In practice, obtaining this information entails extensive use of private investigators.

Goods seized by customs are strong evidence of extensive infringement. This means that even though customs release the infringing goods on payment of a counter-



bond, claimants can use the evidence to claim a high damages award. Further, the damages award will be paid out of any counter-bond posted by the defendant, thereby mitigating the risk of non-payment.

### 3. Enforcing a judgment

If the defendant does not comply with the terms of the court judgment or a court endorsed settlement then the claimant should apply to court to enforce the judgment. In these circumstances it will benefit the claimant greatly if it had obtained an APO earlier in proceedings because the damages award will be paid out of the preserved assets.

Case study: combining administrative and civil actions for trademark infringement

It is possible to combine administrative actions with civil litigation. As always, the first step is to register the IP rights that your company wishes to protect. Then put in place procedures to monitor trade fairs, online sellers, and any other areas where infringing products might be sold or marketed.

If you then come across infringing products you will need to gather some evidence in the form of a sample

purchase with an official receipt. You should then instruct your lawyers to file an administrative action with the competent local AIC, at the same time as filing a civil action for trademark infringement.

### Take away messages

The important points to remember are:

- 1 Register your intellectual property rights. Unless you have registered your rights you have almost no recourse in China.
- 2 Be vigilant. Patrol trade fairs and surf the various b2 band b2c websites (such as Alibaba and Taobao) on the lookout for infringing articles.
- 3 When you identify infringement, enforce your rights. If you build a reputation for being litigious then companies will be less likely to infringe your rights in future. The resources required to achieve such a reputation very much depend on the extent of the infringement.
- 4 Build your case carefully. Ensure that you are taking action against the right company in the right form. **E**

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## Using Intercultural Intelligence: A Key Ingredient for Leading Your Team to Success



Andrea Klopper, MSc, is an experienced Intercultural Coach, working as a senior consultant in Intercultural Training at LDi Training ([www.lditraining.cn](http://www.lditraining.cn)).



Once it was thought that the world was flat and ancient mariners were fearful of sailing too far and falling over the edge. Through the explorations of the intrepid, it was discovered that this worldview did not hold true. The globe was opened up in all its cultural splendour and complexity! Here in China, as globalisation is increasingly making inroads, there is a growing need to foster cultural awareness. This may be referred to as intercultural intelligence, or ICI in cross-cultural arenas. It is not something with which one is naturally imbued, but can be learnt over time with openness to the wealth found in all cultures.

### Cultural Knowledge + Awareness + Cultural Skills

(facts and cultural traits) (yourself and others) (behaviours)

= Intercultural Intelligence

'Culture' does not simply apply to national cultures, but also to organisational and personal cultures; all stemming from values that are based on beliefs and worldviews. There is an understandable, but less than helpful tendency to overlook these and focus on the behaviours that are more obvious and often become areas of tension and misunderstanding. As a result, teams may struggle.

The seminal author on culture back in the 1950s, Edward Hall, observed that: "Culture hides much more than it reveals, and strangely enough what it hides, it hides most effectively from its own participants. Years of study have convinced me that the real job is not to understand foreign culture but to understand our own".

An excellent starting point in ICI is to take a long hard look at our own culture and to develop a self awareness about what we do and why. It is helpful to begin to ask how our own culture, at whatever level, be it family, faith adherence, organisational or national, influences our expectations of both ourselves and others. Similarly we should be considering how what we do and say is perceived by others and the effect it may have on them. When we are more practised in this, we can begin to notice the effects on us of what others do or say and begin to unpack why that might be.

## D.I.E. tool

We are inclined to have kneejerk reactions which lead us to make interpretations and value judgments or explanations from our own standpoint rather than stepping back and describing what is happening; who has done or said what and how, eliciting what response. A simple mnemonic to remember is "DIE": Describe, Interpret, Evaluate (See Stringer and Cassiday, 2003, Activities for Exploring Values Differences). We begin with what we can see and then begin to consider what we think about it and finally, what we feel about it- which is usually where values

and judgements come into play. For example, I might dislike a member of my team (evaluation) and consider her rude (interpretation) because

**As others give us feedback about how we come across or ask us questions about our culture, we can become aware of our 'blind spots' and areas that we have simply taken for granted or not thought about because we have assumed that it is a universally held value or view.**

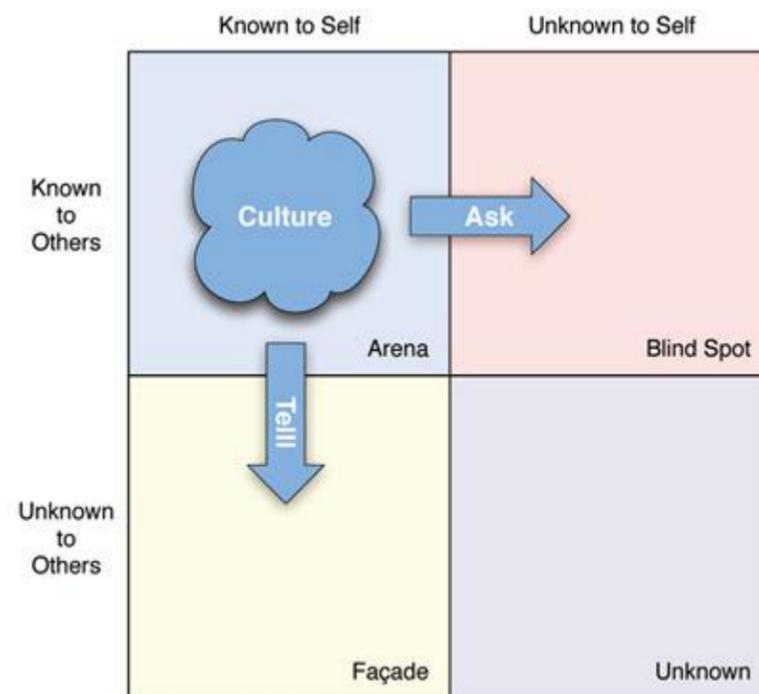
she doesn't greet me in the morning (description). I might stop her one day and make the observation, using a neutral tone, that she doesn't greet

me when we pass and ask her to help you understand why that might be. It may transpire she is unaware of it and is merely trying to think through all the tasks for the day ahead. In other words, we most likely will not understand someone's behaviour unless we ask!

## Johari's Window

Another tool that can be applied here is called Johari's Window after two American psychologists, Joseph Luft and Harry Ingham in 1955. They proposed that there are things known and unknown to both self and others and that dialogue between self and others, leads to greater self knowledge.

As others give us feedback about how we come across or ask us questions about our culture, we can become aware of our 'blind spots' and areas that we have simply taken for granted or not thought about because we have assumed that it is a universally held value or view. We may also take the risk of asking others to give us such feedback. We may likewise take the initiative to tell people why we do



certain things a certain way so that they have a greater understanding and get to look beyond the 'façade' that is presented and can be easily mistaken as arrogance. For example, as a South African, I have found some of my fellow South Africans to be self-confident to the point sometimes of brash arrogance. They may not be aware that this is how they come across and others may have no clue that this is a product of the apartheid era when white students received a favoured education that taught them to lead in whatever field in which they were. The all-round benefit of giving/receiving feedback and disclosing information rather than hiding it, means that the unknown area is gradually diminished.

## Critical Incidents

We can further develop our ICI by taking note of what are called critical incidents. Whenever one goes into another cultural setting whether it be going to work in another country,

or another quite different part of the same country (such as south and north China), or being in a foreign business environment within one's own country, one will certainly come into contact with people different culturally from oneself. When these encounters go wrong, according to Craig Storti who has done extensive research on cross-cultural issues, these are cultural incidents that can prove critical. They are fertile grounds for learning if we choose to use them rather than letting them become a serious threat to effectiveness. When incidents happen that cause strong emotions within us, we need to pause and DIE (see above). We need to examine the deeper causes and ask questions that can provide insight.

Various examples are given in the useful but now dated book Bricks into Jade by Wang, Brislin et. al. (2000), which presents scenarios from the workplace on topics such as relating with colleagues, motivation and negotiations. It usefully suggests various possible explanations for

these scenarios which help to increase intercultural insights into the underlying dynamics that are at work. Let's ace it! No sane sailor would embark on a journey round the treacherous Tierra del Fuego at the tip of South America without map, navigational instruments s/he knew how to use, a good crew, a willingness to take risks and a sense of adventure and an awareness of the dangers of unseen rocks etc. Similarly, teams comprised of people from different cultures require much the same: clear goals, intercultural tools that are put to good use, able teammates willing to take risks in asking questions and exploring their own cultures, and an appreciation for the way in which different, unspoken values can shipwreck any project. Take to the high seas and enjoy the adventure!

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# Something You Must Know about Layoffs in China

By Robert Parkinson, CEO and Founder of RMG Selection



After the 'Gradual Model' program of enhanced early retirement was put forward last year, IBM decided to reduce cost by laying people off. For cutting down USD 1 billion costs, IBM plans to get rid of 6000 to 8000 employees. Many companies consider layoffs as one of the most efficient methods to save themselves. However, have you considered the questions below before you did it? How will massive layoffs influence companies in both short and long-term, and how should a company handle the process to reduce the negative consequences to the lowest level? It is always a

tough problem for HR departments. Therefore, a professional plan with logical steps and enough communication are necessary when you are going to let people go.

The first step of massive layoffs is to make sure you know the targets. Obviously, enterprises would like to cut down on employees who work ineffectively or have low KPI. Based on the Chinese law, however, employees cannot be fired under the following circumstances:

- Employees who have occupational disease.
- Female employees who are

pregnant or in maternity leave.

- People who are disabled from working for your company.
- Employees who have worked in the company for more than 15 years and will retire in 5 years.

Quite a few enterprises do not actually really care about these rules and regulations, especially small and private companies. In this regard, it is necessary for employees to enhance their legal consciousness to protect their benefits.

The first step to be discussed is whether it is proper to give the sack to employees who bear heavy

economic pressure. Let's say if the employer knows that there is an 8 year old little girl going to primary school in the family. Besides paying off the mortgages for the apartment, unfortunately the parents of the employee are sick in the hospital. Wouldn't it be of mercilessness of the boss to fire this employee at the moment? I would say it is much easier to pull the trigger between the two parties during the tough period. In fact, these people normally have strong motivation to work hard for the company. And most importantly, they may show more eager reactions than others when they face the issue of being laid off. Therefore, if the company insists on dismissing this kind of employee, the result is usually a big loss for both sides. As for the company, bad influence will be exerted if the company is not able to handle the layoff well. One of the negative influences is that the company might lose the trust of its employees once they find out that their colleagues have been dismissed without reasonable payment. Therefore, it is not smart for companies to fire employees who are suffering from a lot economic pressures or encounter emergencies. If it has to be done, the way the company does it and the related social welfare and benefits package must be proper.

The second step of the process is to inform employees who you have decided to lay off. This is a difficult step for most companies because it is a piece of bad news and no one feels good about telling it to employees. However, it is an essential aspect that lots of companies actually ignore. That will hurt your organisation very hard. Being honest with your staff is always a good way to build mutual understanding and trust. Announce the layoff news openly and clearly, but there is no need to publish the name list within the company.

Next step, as the emotional factor is important, it is better to ask their direct manager to talk with employees closely, because this makes it easier to find out what they really care about after they leave the company. The announcement must be fair and

clear. For instance, there is a company which decides to dismiss some of its employees. The management department issues an announcement which says that in order to take good care of employees the company has decided to provide more time to some employees in order to make

**Many people see layoffs as a terrible experience, but it can bring benefits for companies if you treat it in the right way. It is a good time to demonstrate welfare, care and a sense of responsibility from your company.**

sure that they have enough time to spend with their families. Obviously, it is an absolutely terrible excuse. If employees feel that the company is cheating or attempting to fool them, the layoff process will be very tough, and may even cause some conflicts.

Actually, fairness and sincerity are basic factors when the management personnel are communicating with employees. If a company considers this problem from a long term perspective, it must show respect to its employees.

In addition, HR needs to cooperate with the management department to deal with payment issues and aftercare work. As it is stated in Chinese law that companies need to pay extra salary to employees who are dismissed. The payment function is  $(n+1) \times$  monthly salary. Employees' working years equal to  $n$ , which means that the company needs to pay a monthly salary for each year the employee worked there. Besides, the monthly salary is the average level of the monthly salary during the past year. These are the basic conditions to layoffs. However, a lot of companies would like to pay more than the standard rates to their downsized workers to reward their contribution. For example, Siemens paid their employees a  $(n+3) \times$  monthly salary in 2012, and Dell paid as  $(n+3) \times$  monthly salary too during the layoffs in Xiamen in 2009. The fact shows that added payment is helpful for companies to go through layoffs process smoothly.



Furthermore, career guidance is also useful for employees who have just lost jobs. Compared to the payment, most staff members care greatly about what they will do in the future. In this regard, employees will be grateful if the company provides career guidance for them. In 2009, Hitachi cut down a number of employees. Most of them were worried about their future career. However, through the discussion of their management department, they decided to try their best to recommend these employees to other companies. In this way, instead of getting too many complaints, Hitachi's employees felt very grateful for the careful consideration. It is a striking example to prove that layoffs can be managed in a peaceful and effective way. However, if your company really cannot afford higher payment and career guidance, a recommendation that explains the reason clearly would also be helpful.

In addition, psychologists are playing a more and more important role in a company, especially in the laying off process. Because of the high pressure in modern society, someone may be stressed out if he or she is dismissed. In this case, a psychologist is very necessary. The psychologist can talk with employees about their work burdens, what they worry about and what they care about most. Subsequently he can report these problems to the management department who should think carefully about how to solve these problems in a proper way. Actually, some companies tend to use a third-party HR team help them to dismiss employees. Companies who choose this method avoid facing their employees directly. However, how can a company expect a third party HR team to take all the responsibility? If the leaving employee feels unsatisfied about the process, they will not complain to the HR team, but to the

company itself. Organisations cannot push all responsibilities away by hiring third-party HR teams to help them with layoffs.

Many people see layoffs as a terrible experience, but it can bring benefits for companies if you treat it in right way. Actually, layoffs usually happen in times of economic crisis. Instead of only seeing the negative effects, it can be seen as an opportunity to enhance the company's brand. It is a good time to demonstrate welfare, care and a sense of responsibility from your company. As we know, economic crises do not occur all of the time, so the benefits will return to companies and employees sooner or later. **B**

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# E-Cigarettes: There is Smoke Without Fire!

By Stephen P. Ashton



The smoking of tobacco began in the Americas around 5000 B.C. whereby the indigenous people utilised the tobacco plant as part of many religious and medical rituals. It wasn't until Christopher Columbus' voyage to the Americas that the smoking of tobacco began to spread globally. After witnessing the pleasure which the natives received whilst smoking the leaves, many of the explorers became smokers themselves.

Upon returning to Europe, smoking as a social habit quickly became popular throughout all levels of society. It wasn't until the 1950s that health problems were finally linked to smoking. Lung cancer, heart disease and strokes were all eventually linked to smoking. With the evidence of harm mounting, governments around the world

had no choice but to take actions, including banning advertising, restricting and banning smoking in places such as work, aeroplanes and eventually restaurants and pubs. Also, health warnings became mandatory in most territories. The World Health Organisation stated in recent reports that approximately 6 million people die due to tobacco related causes each year, with around 600,000 of these deaths due to second-hand or passive smoke. Despite these measures, Marlboro remains one of the most valued companies in the world.

At this point you may be asking why anyone would want to smoke. There are no simple answers to this question. Many smokers quote a feeling of relaxation and empowerment when smoking as their main motivation. Whatever the reason for starting, it is stopping

which causes the most trouble—mainly because of tobacco's addictive ingredient nicotine. To combat this, health organisations provide nicotine patches and gum to try and combat the cravings whilst smokers try to cut down and eventually quit smoking. Unfortunately many of them state that these quitting aids are just too different from the habit they are trying to stop to be effective. However, modern technology could have provided a viable alternative. This article will take a look at the E-cigarette and see if this could be the answer to the smoking epidemic.

## What are E-cigarettes?

E-cigarettes, also known as electronic cigarettes, have been around as a concept since a rudimentary version was created in the 60s, but it wasn't until recently, probably due to the

continuing crack-down on smoking tobacco, that the e-cigarette became popular and commonplace as a smoking alternative.

E-cigarettes do not burn tobacco to produce smoke. Instead they vaporise a liquid (e-juice) to produce vapour. So it would technically be incorrect to describe yourself as smoking one of these devices; instead 'vaping' would be more accurate. E-juice contains a mixture of the following ingredients: liquid nicotine, propylene glycol- which is generally regarded as safe in moderation to humans, vegetable glycerine (a sugar alcohol) and/ or polyethylene glycol 400 (this is thought to be low in toxicity). According to the manufacturers of these devices, as no combustion takes place, the toxins associated with combustion are absent from e-cigarette vapour. This is said to create a vapour which contains no carcinogens, is odourless and much safer than tobacco products. As this technology is not classified as a tobacco product in most countries, the components are not taxed as such, therefore they remain cheap to purchase, especially when compared to a comparative amount of traditional cigarettes.

There are a few designs of e-cigarettes, but most have three sections: a cartridge, an atomizer and a battery.



In more recent designs the cartridge and atomizer are combined to create what they call a 'cartomizer' to make things even easier. When combined, these two or three parts are similar in size to actual cigarettes, but heavier due to the materials they are constructed of a combination of metal and plastic.

**As there haven't been any long term or meaningful studies into the health effects of these devices, no health organisations feel comfortable supporting them as an alternative to traditional cigarettes.**

**Cartridge** - This acts as a mouthpiece. It also holds the e-juice, the substance from which the smoke-like vapour is created. The cartridge can either be re-usable and topped up with fluid or disposable and discarded once the contained fluid is used.

**Atomizer** - This vaporises the e-juice using an electronic filament. Cartomizers consolidate the cartridge

and atomizer, which cuts down maintenance as less cleaning is required. Cartomizers also have a tendency to be disposable.

**Battery** - A re-chargeable battery powers the entire mechanism. The LED is lit on the end when in use and a switch turns the power on when a drag is taken. These batteries are usually USB chargeable with mains adapters or separate charging cases available as extras.

### E-Cigarette in-use

Using an E-cigarette will be a very familiar experience to smokers. The act of dragging on the device is very similar, if not a bit more strained. When activated the vapour hits the back of your throat, just as you would expect. The quality of the experience at this point is completely dependent on the quality of the device and e-juice. Cheaper device users will be left wanting, with the vapour bearing very little resemblance to the taste of smoke. Premium devices may surprise you with their realism, but they are never going to be mistaken for the real thing; much like Quorn can trick you into thinking it is meat, the e-cigarette can be a realistic supplement for a traditional cigarette. As you exhale a smoke-like vapour is ejected and this creates a feeling of closure to the act which I believe would be missed had the vapour not been exhaled.

There is a huge wealth of information on these products from a thriving online community. They share deals, tips on getting the most out of their devices, which products to buy, what to avoid, custom modifications and reviews. The people on these forums are very enthusiastic and willing to answer questions and help out new users.

### The Downsides

If this sounds too good to be true, it probably is. As usual, there are some downsides. Firstly, the quality of devices varies greatly. Whilst more

reputable companies obviously put a great deal of time and thought into the construction, some cheaper alternatives are lacking in terms of build quality and usability. The half-life of devices varies wildly also. Some can last years with proper maintenance whilst some should be disposed of after a few uses.

The e-juice quality varies greatly also, and whilst most vendors explain what exactly is in the e-juice, some are vague and quite frankly could put anything in them they want. Some studies have found damaging substances in some e-juice tested. However, due to the limited testing carried out, the results are anything but definitive.

Nicotine is a main ingredient in e-juice and is known to be addictive. By switching to e-cigarettes, you are essentially swapping one addictive habit for another. Depending on the strength of nicotine you choose for the e-juice you could actually be ingesting as much, if not more, nicotine than a regular cigarette. Apart from its addictive properties not much is known about nicotine, although on its own it is not thought to be a carcinogen.

Social smoking has become such an antisocial act that people using e-cigarettes receive the same feelings of contempt as normal smokers.. This has led to many pubs, shops, supermarkets banning their usage indoors, and some countries have even gone as far as banning them completely, labelling them as a poison.

### The Future

Whilst the legalities of the e-cigarette may change in the future it seems that for now they are legal and more socially acceptable way of ingesting nicotine in most countries. However, as there haven't been any long term or meaningful studies into the health effects of these devices, no health organisations feel comfortable supporting them as an



alternative to traditional cigarettes. Some companies have even stopped advertising their products as quitting aids, but as a healthier alternative. As there is no governing body in charge of the quality of these products, potentially damaging chemicals could be used in them. To combat this, I would suggest that further research into these products must take place, and governments should take responsibility for ensuring that safe manufacturing standards are implemented to safeguard consumers.

It is also apparent that a social stigma is attached to anything associated with smoking- rather than celebrating that people have switched to a healthier alternative in an attempt to quit. Many users report that they are forced to use their devices in smoking shelters at work and are treated with contempt when using their devices inside, which is still legal in most countries and harmless to others.

A problem I do believe needs to be addressed is the fact that all these different flavours and less harsh taste could appeal to children. Strict

safeguards need to be put in place to stop children from using these devices, as they are addictive and not regulated, so could be harmful. These problems are up to adults to decide whether the risks are worth it for them, but children are not mature enough to make this decision.

Whilst I don't see the e-cigarette as a miracle cure for smoking, it does appear to be a step in the right direction. As the nicotine is added, surely a course of descending strength nicotine e-cigarettes could be developed to wean hardcore smokers off their nicotine addiction. And as the act of using an e-cigarette is so similar to traditional smoking that should help with the psychological side of the addiction. If done properly this technology does have the potential to save millions of self imposed deaths a year worldwide. **B**

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## Metropolitan Interschool Polo 2013

University of Cambridge Takes the Championship With Harvard University in Second Place

Metropolitan Interschool Polo 2013, which was held from 23 to 28 July at Tianjin Goldin Metropolitan Polo Club, saw representation from polo teams from the University of Cambridge, the University of Oxford, Harvard University and Yale University.

The Club hopes that the tournament will raise the awareness of polo amongst the region's youth and widen the horizons of young Chinese people and allow them to experience the beautiful game of polo as well as instil in them the values being driven off the back of polo. To inspire and groom young people by promoting the sport of polo to the next generation has been the Club's polo development initiative.

The opening match of the day saw University of Oxford play Yale University who were third and fourth on the league standings. His Excellency Mr Gustavo A. Martino, Argentinean Ambassador to China, did the honour of throwing the ball to begin the match.

The University of Oxford started strong, the first chukka had hardly begun when George Allen swiftly guided in a goal within seconds of the start of the match. Having been trounced by their opponents on the second match day with a score of 10-1, Yale University fought hard to take back the grounds they had lost as spectators were kept on their toes with several near goal attempts.

It was clear that Yale's attempt was futile as the lead was too great with the University of Oxford scoring another nine goals in the following chukkas, six of which were scored by Oxford's star scorer George Allen. Undefeated, the youngsters from Yale pushed on with great tenacity, their efforts paid off with Rebecca Smith scoring Yale's consolation goal two minutes before the end of the last chukka. The match ultimately ended with a 10-1 win for the University of Oxford.

In the final match, the University of Cambridge and Harvard University faced off in a fierce battle. Mr Peter Yunghanns, Guest of Honour, threw the ball to start the exciting match. The University of Cambridge was the first to score with Casra Labelle directing two goals in the first five minutes of the first chukka. Although the Americans tried to strike back, the English team intimidated their opponents in the second chukka with a goal by Sam Browne. Undeterred, the Americans made a comeback quickly with their first goal of the match, resulting in a score of 4-1 in favour of Cambridge after the first two chukkas. Bumping shoulder to shoulder, the teams continued combat with each team scoring a goal almost one after the other in the third chukka. The University of Cambridge's James Marshall scored the final goal of the tournament just seconds before the end of the last chukka to end the match-play with an 8-3 score line.

In the closing ceremony, all four teams were presented with tournament medals and souvenirs from Tianjin Goldin Metropolitan Polo Club. The prize for Best Pony went to 'GURI', a beautiful pony that facilitated many of Sam Browne's goals at the tournament. The crowd cheered as their favourite player Sam Browne of the University of Cambridge was named 'Most Valuable Player'.



## Parmigiani Fleurier's Super Deluxe Watches Opened Tianjin Concept Studio

Luxury watch brand Parmigiani Fleurier has opened a shop in Tianjin. The shop's formal opening on 8 August at Tianjin Sparkle Roll Luxury World (located in the prime complex of Tianjin World Financial Centre) gathered people together from the media, businesses, as well as luxury watch collectors, to look at the brand's shop display. The COO of Tianjin Sparkle Roll Mr Zhao Xiaodong and Parmigiani Fleurier Asia Pacific GM Ms Shan Wei attended the ribbon-cutting ceremony.

In this grand activity, the professional performances introduced the history story and modern factories about Parmigiani Fleurier. Parmigiani Fleurier is over-the-top in terms of technology, the movement, the finishing and also the exclusive production. The brand is quite young compared to its competitors that claim to have 100 or even 200 years of history. Parmigiani Fleurier was started in 1996 by its founder Michel Parmigiani, a genius in the world of restoring watchmaking artefacts who also has unparalleled knowledge of the mechanical wonders of the past. Parmigiani conceived the entire brand's spirit, resulting in watches that are the rarest and most precious in the world; hand-crafted and created with precious metals and stones with calibres that are developed in-house. Its complete autonomy means that Parmigiani Fleurier is currently the only independent production house with a strong presence in luxury watchmaking.



## Finding the Right Way Be Successful

Tianjin University Management and Economics College outstanding alumni reunion salon

Tianjin University of Management and Economics' alumni reunion salon was held on 27, July. There were many outstanding alumni members who had studied at Tianjin University of Management and Economics attending this activity. Now they are working in different fields in Tianjin and Beijing, even in some cases people had gained overseas work experience.

During the activity, Professor Zhao discussed the importance of developing management skills, as well as using examples of success and failure to prove theories. The recruitment supervisor of Tianjin University of Management and Economics Mr. Huang also introduced the IMM project to conventioners.

The IMM program is an advanced executive program designed for experienced professionals while maintaining their full-time job responsibilities. During the course, students will go to the top seven universities that are famous for their Management and Economics. The diverse culture and managing concepts bring more ideas to these senior managers. Tianjin University has been chosen as the latest partner of the IMM MBA Project, which has been described by the Financial Times as 'one of the world's most senior international MBAs'. This is truly an international collaboration, as seven leading business schools worldwide participate in this programme. A unique criteria for joining the programme is that a student obtains not one, but two degrees, a Purdue University MBA and an MBA from Tianjin University.



Finally, the entire alumni had a free talking session with each other. Some of them introduced their management experiences and some of them gave an insight into their overseas business experience around the world. The activity had a relaxed and pleasant atmosphere. The organiser, Tianjin University of Management and Economics' Vice Dean Christy Chen expressed that due to the success of this activity, they would consider holding other alumni reunion salons aimed at communicating different management skills and experiences.

## Listening to the 'Music of Time' in Min Yuan Terrace

On 21 July 2013, an event called 'Music of Time', which was sponsored by the Tianjin Historical Architecture Restoration and Development Co. was held in Min Yuan Terrace Cultural Creative Block. The event included 'Memory of Music' themed exhibitions, 'Vinyl Record & Wine' music guided tours and a Creative Bazaar. Min Yuan Terrace brought guests a marvelous music experience.

At the same time, the 'Music of Time' theme exhibition had many eager viewers. During activities, people could see more than twenty precious vinyl records which here more than one hundred years old.

During 'Vinyl Record & Wine' music guided tours, wooden gramophone played classic Vinyl Record music such as Swan Lake, The Nutcracker and Shape Of My Heart, etc. There was also a lecture by a professional Vinyl record collector.



## "Delicious Food with Hot Spring" Feeling Taiwan Around You – Feeling Taiwan Culture Activity at ZAIA Spa & Hotel

The door of Mainland people going travelling in Taiwan has already been opened for five years. There are more than six million people travelling Taiwan and it is also become a new destination for the global travel market. But for the people who have never been to Taiwan, it is a dream for people to experience Taiwanese culture. Feeling Taiwan Culture Activity was sponsored by ZAIA Spa & Hotel on 2 August.

Tianjin ZAIA Spa & Hotel is located in the corner of Jintang Road and Longtan Road (Mailing ADD No.2 Guang Hua Road, New City Plaza) it is the most special spring theme hotel combining privacy and business together in the downtown area. The guests could experience the folk dance of Ali Mountain, Mt. Yangming's super hot spring and Shiling night market's delicious foods. During the activity, guests not only got a feeling for Taiwanese culture, but also attended activities at the site.

During the activity, guests received favourable tickets and experienced the hot springs, Taiwan cultural show and delicious Taiwanese food buffet.



## Holding Hands with Starwood “Loving in Summer” 2013 Summer Wedding Fairs in Tianjin

A wonderful wedding is one of the most important things for a couple. Therefore, knowing how to deal with problems and personalise the event are the most important aspects of the wedding preparation.

Two grand wedding fairs were recently held, both of which were sponsored by Starwood Hotels and Resorts on July 20 and 27, 2013 respectively; one in the Tianjin Gold Ingot Shopping Mall and Hisense Plaza offers a successful platform of one stop wedding preparation. As the centre of presenting couples, the show provided a perfect wedding moment in different stages. Five top-level hotels in the Tianjin area of Starwood Hotels and Resorts fully displayed its excellent qualities and unique taste in hardware facilities and software services; especially in the banquet reception aspects.

Starwood's "love in summer" big wedding fair is a collaborative effort between: St. Regis Tianjin Hotel, the Astor Hotel, A Luxury Collection Hotel, Tianjin, the Westin Tianjin, Sheraton Tianjin Hotel, Tianjin Binhai Sheraton Hotel.

After finishing the wedding fair in Tianjin Gold Ingo Shopping Mall, five upscale hotels came together in the Hisense Plaza on 20 July, 2013 to take part in a grand exhibition. Reasonable and functional partitioning of the display hall and the carefully put together site layout not only showed different wedding plans, but also demonstrated the most comfortable discussion environment for the luxury wedding show. Hundreds of couples and their families attended this wedding fair.



### 芭蕾舞剧 《安娜·卡列尼娜》《天鹅湖》

马林斯基剧院 Mariinsky Theatre

乌里安娜·洛帕金娜 Ulyana Lopatkina  
叶卡捷琳娜·康朵洛娃 Yekaterina Kondalurova  
欧克萨娜·斯科里科 Oxana Skorik  
叶甫盖尼·伊万钦科 Yevgeny Ivanchenko  
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## Wellington College International Tianjin appointed Mr Murray Fowler as the Master of Wellington College Tianjin

Wellington College International Tianjin has recently announced the new appointment of Mr. Murray Fowler as the Master of Wellington College Tianjin from August 2013.

As a member of the founding team, Mr. Fowler started with Wellington College International Tianjin in August 2011 as the Second Master. After obtaining a degree in Geography from King's College, London, and training as a teacher in Oxford, Mr. Fowler taught at two top British schools, St. Edward's, Oxford, and Charterhouse, before moving on to Wellington College UK in 1991. During the 20 years at Wellington College UK, Mr. Fowler was Head of Geography, Housemaster of a boys' boarding house, and latterly both Deputy Director of the IB Diploma and CAS Coordinator, as well as Head of a Year 12 group of 220 pupils.



## CBRE has announced the new appointment of Mr Tong Wang as Acting Managing Director of CBRE

Tony Wang is a specialist in the retail sector with nearly 20 years experience in operation and management. He has taken part in the development, operation and management of various retail complex projects and the preliminary positioning and planning of retail projects, specialised in the retail property management and operating management of the department store and shopping mall, with the high skills of retail negotiation, communication and analysis. He also fully understands the situation of the retail property market, including areas such as department stores and shopping malls, with a substantial amount of experience in retail planning, store layout, stream of consumers design, operating management, investment invitation and so on.



## Tianjin Saixiang Hotel has announced the new appointment of Mr Kevin Zhang as General Manager of Tianjin Saixiang Hotel

Mr Kevin Zhang started his hospitality career from the Sheraton Tianjin Hotel, Sales & Marketing Department, in 2000. He served the Starwood Hotels & Resorts Worldwide more than 13 years, and gained the rich experience of hotel operation, which especially on Sales & Marketing. He has been appointed on various management positions of different Starwood hotels, he used to be the director of Sales & Marketing of Sheraton Changsha Hotel, Executive Assistant Manager of Four Points by Sheraton Beijing, Haidian and Aloft Beijing, Haidian. Before this appointment, he was the Executive Assistant Manager of The St.Regis Tianjin.



## Tianjin Saixiang Hotel has announced the appointment of Mr Andi Gu as Deputy General Manager of Tianjin Saixiang Hotel

As of August 2013, Andi Gu will be responsible for the Food & Beverage Department, Quality Control Department and Training Department. Mr Gu has abundant education background, he used to study at University of Otago, New Zealand (Bachelor of Commerce in Management), Curtin University, Australia (Postgraduate Diploma with Human Resource Management specification). He used to work at Nikko Hotel Tianjin, Radisson Blu Plaza Hotel Tianjin. Mr. Gu has previously served as HR manager, assistant of GM at Tianjin Saixiang Hotel, and contributed to building hotel training systems, as well as brand and core value development.

# 2013 European Business Gala Dinner One Night in Europe

### Time & Date

18:30-22:30 onwards  
11<sup>th</sup> October, 2013

### Entrance Fee

Individual: Rmb450  
Corporate table for 10: Rmb4000

### Ticket purchasing

022-23741122  
tianjin@european-chamber.com.cn

### Venue

The ST. Regis Tianjin



European Chamber  
中国欧盟商会

Every October since 2006, members of the European business community will converge at the European Chamber Gala Ball in Tianjin to enjoy an abundance of typical European food, beverage and performance. It's the large scale annual gala dinner organized by European Chamber, supported by multiple media and organizations. Drawing in many of the member companies and business partners, this event has grown into one of the paramount gatherings in the Tianjin social scene.

The European Chamber Tianjin Chapter is now inviting you to get involved in this year's European Business Gala Dinner – "One Night in Europe". At this event, we welcome you to dress up for this special occasion and join us in celebrating the annual success of the European Chamber and enjoying a quality networking time with our members and invited guests.

Come to European Chamber "One Night in Europe" Gala Dinner, where we take you on a First Class journey to Europe on the night. You can meet friends and enjoy our evening of delicious European cuisine, wines, classic cool cocktails, great entertainment and prizes! We look forward to welcoming you to what will surely be "a night to remember"!



## Past Events:

### Book Presentation: "The 4 Disciplines of Execution" in China

July 23rd, 2013

"Strategy is one thing, but execution is everything".

In cooperation with Right Management, the European Chamber Tianjin Chapter successfully invited one of the authors of "The 4 Disciplines of Execution" shared his insights for key points written in his book.

The 4 Disciplines of Execution (4DX) is a simple, repeatable, and proven formula for executing on your most important strategic priorities in the midst of the whirlwind. By following "The 4 Disciplines":

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- Acting on Lead Measures
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4DX is not theory. It is a proven set of practices that have been tested and refined by hundreds of organizations and thousands of teams over many years. When a company or an individual adheres to these disciplines, they achieve superb results—regardless of the goal. 4DX represents a new way of thinking and working that is essential to thriving in today's competitive climate. Simply put, this is one book that no business leader can afford to miss.



### F&T workshop: Sharing and discussion regarding the common accounting issues and summary of the latest development of B2V reform

July 26th, 2013

What kind of the accounting issues does the enterprise encounter during the annual accounting work? How to make the proper accounting treatment regarding these issues? The professionals from PwC shared their observations regarding those finance and accounting practical issues encountered by the enterprises during their daily work through Chamber's regular F&T workshop on July 26th, 2013.

Separately, effective from 1 August 2013, the B2V reform has been implemented nationwide. The tax professionals from PwC also shared with finance leaders the latest development of B2V in Tianjin and summarized the common practical issues and its tax treatment during the B2V implementation.



### InterChamber Breakfast Briefing: Achieving Business Success in China - The Power of Systemic Management

August 9th, 2013

The European Chamber of Commerce in China, in cooperation with AmCham Tianjin Chapter and German Chamber Tianjin Chapter hosted an informative and practical breakfast briefing on August 9th, 2013 Astor Hotel Tianjin by inviting Mr Weert Jacobsen-Kramer, Owner and CEO of Team Think, experienced Psychologist and Systemic Organizational Consultant from Germany.

Mr Kramer gave an "introduction of systemic management - successful business management through modern leadership styles - into China's businesses and organizations." He also shared the lessons learnt in China and a business case from Asia Power Systems - a sister company of Caterpillar and a leading manufacturing company in Tianjin. Almost 50 top executives participated this event.

Room 2415, Suite 17, Magnetic Plaza, BinShui Xi Dao, Nankai District, Tianjin 300381.  
Tel: +86 22 2374 1122 Fax: +86 22 2374 1122 Email: [tianjin@european-chamber.com.cn](mailto:tianjin@european-chamber.com.cn) Website: [www.european-chamber.com.cn](http://www.european-chamber.com.cn)

## Past Events:

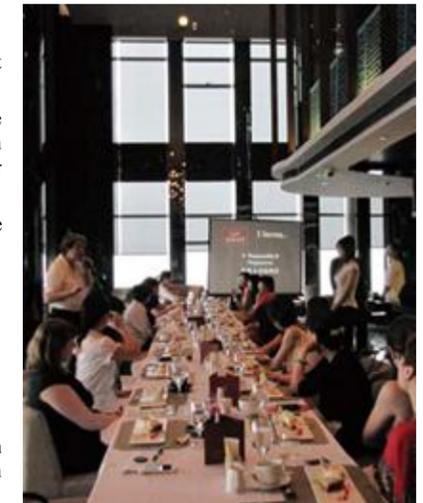
### Monthly Tianjin Women's Professional Committee Executive Lunch

Thursday, August 1, Tangla Hotel Tianjin

The Women's Professional Committee (WPC) held its monthly networking lunch on August 1 at 49F of the Tangla Hotel, Tianjin.

The event kicked off with refreshments and a meet-and-greet of more than twenty female professionals from a variety of industries. Ruth Lycke, co-chair of this committee gave a warm welcome to all of the attendees which was followed by a presentation on how to improve your position at work and how to make yourself indispensable.

Everybody enjoyed the fantastic western set lunch provided by the Tangla Hotel, as well as the opportunity to network with old and new friends!



### Inter-Chamber Breakfast Briefing: The Power of Systemic Management

August 9, the Astor Hotel

Nearly 50 executives from different industries attended the Inter-Chamber Breakfast Briefing on August 9, organised by AmCham China Tianjin, the European Chamber Tianjin and the German Chamber Tianjin. During the breakfast, the guest speaker Mr. Weert Jacobsen-Kramer, owner and CEO of Team Think, gave an informative and practical talk on the basics of systemic management and leadership development in China. His presentation also covered principles for team building, the nature of process facilitation and a recipe for organisational development. He also shared the lessons learned in China and a business case from Asia Power Systems. Attendees were given the opportunity to network and ask questions.



## Upcoming Events:

### Toyota Kata – from "Lean Implementation" to "a lasting Lean Transformation"

7:15-9:30 AM, Friday, September 6 – The Astor Hotel

### Tianjin Monthly Executive Breakfast Briefing

7:15-9:00 AM, Thursday, September 12 – The St. Regis Tianjin

### The New Exit-Entry Administration Law and Its Impact on Foreign Companies in Tianjin

2:30 AM - 4:30 PM, Thursday, September 12 – the St. Regis Tianjin

Does simplified tax clearance procedure for remittance means a relaxation in handling tax matters?

Room 2918, 29F, The Exchange Tower 2, 189 Nanjing Lu Heping District Tel: +86 22 2318 5075 Fax: +86 22 2318 5074 [www.amchamchina.org](http://www.amchamchina.org)

## Past Event:



### InterChamber Breakfast Briefing: Achieving Business Success in China - The Power of Systemic Management

Friday, August 9, 2013

The German Chamber of Commerce, in cooperation with the EUCCC and AmCham, invited participants to an informative and practical breakfast briefing on business practices in China on August 12, 2013. Speaker Weert Jacobsen-Kramer, owner and CEO of the German organisational consultancy TeamThink, introduced the basics of systemic management and leadership development. Building on a business case of an international company in Tianjin, he explained how to create leadership and release individual potential in businesses in China. The breakfast briefing was attended by more than 40 managers and executives of international companies in Tianjin.



## Upcoming Events:

September 4, 2013: Kammerstammtisch Binhai, Delights Bar and Restaurant TEDA

September 6, 2013: Breakfast Seminar – Toyota Kata – from “Lean Implementation” to “a lasting Lean Transformation”

Room 1502, Global Center, No. 309 Nanjing Road, Nankai District, Tianjin 300073 Tel / Fax: +86 22 8787 9249 [tianjin@bj.china.ahk.de](mailto:tianjin@bj.china.ahk.de)

### 4th German Chamber Oktoberfest Tianjin

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### 02

MON  
星期一

#### The 13<sup>th</sup> China (Beijing) Medical Devices Exhibition 2013

第十三届中国国际医疗器械博览会  
China International Exhibition Center  
中国国际展览中心  
+86 21 6488 0851  
Sep 2-4



### 05

THU  
星期四

#### The Second China Helicopter Exposition

第二届中国天津国际直升机博览会  
AVIC Helicopter Base  
中航直升机基地  
09:00-14:00  
400-610-3721(ticket)  
Sep 5-8



### 05

THU  
星期四

#### Aeromart Summit Tianjin 2013 (International Business Forum)

2013天津航空航天国际供应链峰会  
Binhai International Convention & Exhibition Centre 滨海国际会展中心  
+86 22 6530 2888  
Sep 5-7



### 07

SAT  
星期六

#### Stravinsky Opera - Oedipus the King

斯特拉文斯基歌剧《俄狄浦斯王》  
Opera House, Tianjin Grand Theatre  
天津大剧院歌剧厅  
19:30  
¥40-380  
+86 22 8388 2000  
Sep 7-8



### 05

THU  
星期四

#### The 13<sup>th</sup> China Photovoltaic Conference and International Exhibition

第十三届中国国际光伏产业展览会  
China International Exhibition Center  
中国国际展览中心  
+86 21 6488 0851  
Sep 2-4

### Special Days

7 Sept White Dew (bái lù)  
10 Sept Chinese Teacher's Day

19 Sept Mid Autumn Festival  
23 Sept the Autumnal Equinox (qiū fēn)

### 13

FRI  
星期五

#### China International Auto Parts Expo

中国国际汽车零部件展览会  
China International Exhibition Center  
中国国际展览中心  
+86 10 5711 0218  
Sep 13-15



### 21

SAT  
星期六

#### Whisper of the Autumn

- Oboe, Basson and Piano Trio Concert

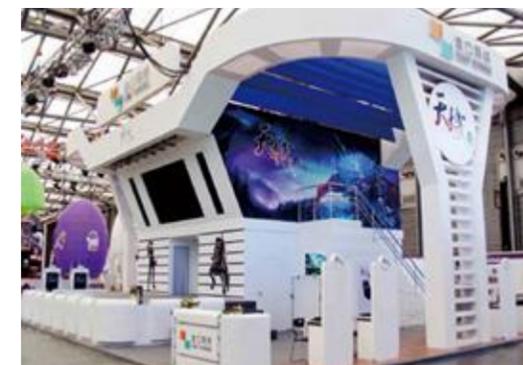
秋之私语——双簧管、大管、钢琴三重奏  
Western Shore Art Salon 西岸艺术馆  
20:00  
¥100  
+86 22 2326 3505

### 24

TUE  
星期二

#### P&T Expo Comm China 2013

2013中国国际信息通信展览会  
China International Exhibition Center  
中国国际展览中心  
+86 10 6862 9949  
Sep 24-28



### 15

SUN  
星期日

#### The 4<sup>th</sup> China (Tianjin) International Eco & Aquatech Exhibition

第四届中国(天津)国际环保与水处理展览会  
Binhai International Convention & Exhibition Centre 滨海国际会展中心  
+86 10 5823 6562  
Sep 15-19

#### The 4<sup>th</sup> China (Tianjin) International Eco-Building & Material Expo

第四届中国(天津)国际生态建筑与新型环保材料展览会  
Binhai International Convention & Exhibition Centre 滨海国际会展中心  
+86 22 6622 4086, 6622 4066  
Sep 15-19

### 15

SUN  
星期日

#### International Modern Agricultural Fair

国际现代农业展览会  
Shanghai World Expo Theme Pavilion  
上海世博会主题馆  
+86 21 63841462  
Sep 15-17



### 30

MON  
星期一

#### Ma Linsky Theatre Ballet - Anna Karenina

马林斯基剧院芭蕾舞剧《安娜·卡列尼娜》  
Opera House, Tianjin Grand Theatre  
天津大剧院歌剧厅  
20:00  
¥180-2,280  
+86 22 8388 2000, 8388 2002



# Signing the Contract

签订合同  
qiān dìng hé tóng

VOLUME 64



**A:** Here is our contract draft. It has English and Chinese versions, and both should be equally valid.  
这是我们起草的合同。有中英文两种版本(1), 两种版本同等有效。  
zhè shì wǒ men qǐ cǎo de hé tóng. yǒu zhōng yīng wén liǎng zhǒng bǎn běn, liǎng zhǒng bǎn běn tóng děng yǒu xiào.  
Please go over it, and see if everything is appropriate.  
请过目(2)一下, 看看是否一切妥当。  
qǐng guò mù yī xià, kàn kàn shì fǒu yī qiè tuǒ dāng.

**B:** Let me consider it. Maybe we should add a sentence: "If one side fails to observe the contract the other side is eligible to cancel it, 我看看。也许我们该加上一句话: "如果一方不履行(3)合同, wǒ kàn kàn. yě xǔ wǒ men gāi jiā shàng yī jù huà: "rú guǒ yī fāng bù lǚ xíng hé tóng, and any losses should be incurred by the side breaking the contract."  
另一方则有权终止合同, 由此造成的损失必须由毁约(4)方承担(5)。”  
lìng yī fāng zé yǒu quán zhǒng zhǐ hé tóng, yóu cǐ zào chéng de sǔn shī bì xū yóu huǐ yuē fāng chéng dān."

**B:** Another thing is the time of delivery which is mentioned in the contract. I hope you can deliver the goods before October.  
另外, 对于合同中提到的交货(6)时间, 我希望你们能够在十月之前交货。  
lìng wài, duì yú hé tóng zhōng tí dào de jiāo huò shí jiān, wǒ xī wàng nǐ men néng gòu zài shí yuè zhī qián jiāo huò.

**A:** The shipment will be sent within the time limit.  
我们会及时装货。  
wǒ men huì jí shí zhuāng huò.  
But your letter of credit must be opened at least one month before the time of shipment,  
你方信用证(7)必须在装运前至少一个月开出,  
nǐ fāng xìn yòng zhèng bì xū zài zhuāng yùn qián zhì shǎo yī gè yuè kāi chū,

otherwise we won't be able to catch the ship.  
否则(8)我们将赶不上船。  
fǒu zé wǒ men jiāng gǎn bú shàng chuán.

**B:** No problem. I'll have the letter of credit opened as soon as I get back.  
没问题。我一回去, 就马上安排开立(9)有关信用证。  
méi wèn tí. wǒ yī huí qù, jiù mǎ shàng ān pái kāi lì yǒu guān xìn yòng zhèng.

**A:** That's great. The contract basically contains all we have agreed upon during our negotiations.  
很好。合同把我们谈判(10)达成的协议内容基本都写上了。  
hěn hǎo. hé tóng bǎ wǒ men tán pàn dá chéng de xié yì nèi róng jī běn dōu xiě shàng le.

**B:** Thanks. It looks workable.  
谢谢。看起来, 没什么问题了。  
xiè xiè. kàn qǐ lái, méi shí me wèn tí le.

**A:** Fine, then please sign here, and here. Each of us keeps one original and two copies.  
好, 请在这里签名, 还有这里。我们各自(11)保留一份正本(12)和两份副本。  
hǎo, qǐng zài zhè lǐ qiān míng, hái yǒu zhè lǐ. wǒ men gè zì bǎo liú yī fèn zhèng běn hé liǎng fèn fù běn.

**B:** Wishing our cooperation a happy success!  
祝我们合作愉快!  
zhù wǒ men hé zuò yú kuài!

**A:** To our happy cooperation. I hope this will lead to further business between us.  
合作愉快! 希望这次合作将进一步扩大双方的业务往来。  
hé zuò yú kuài! xī wàng zhè cì hé zuò jiāng jìn yī bù kuò dà shuāng fāng de yè wù wǎng lái.

## Vocabulary

(1) 版本	version	bǎn běn
(2) 过目	go over	guò mù
(3) 履行	observe the contract	lǚ xíng
(4) 毁约	break the contract	huǐ yuē
(5) 承担	be charged with	chéng dān
(6) 交货	delivery	jiāo huò
(7) 信用证	letter of credit	xìn yòng zhèng
(8) 否则	otherwise	fǒu zé
(9) 开立	open	kāi lì
(10) 谈判	negotiation	tán pàn
(11) 各自	each of us	gè zì
(12) 正本	original	zhèng běn

If you encounter any problems learning Chinese, please send us an email at [bizclass@businesstianjin.com](mailto:bizclass@businesstianjin.com)  
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Japanese

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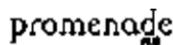
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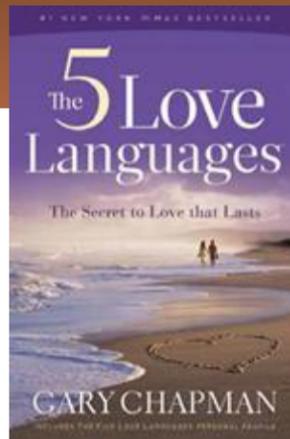
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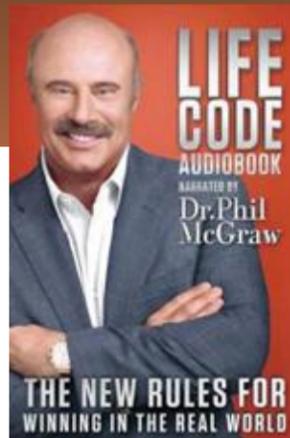
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QUOTATIONS OF THE MONTH

The spirit of rejection finds its support in the consciousness of separateness; the spirit of acceptance finds its base in the consciousness of unity. — Tagore

Advice is like snow, the softer it falls, the longer it dwells upon, and the deeper it sinks into, the mind. — Samuel Taylor Coleridge

Memories are like stones, time and distance erode them like acid. — Ugo Betti

You use a glass mirror to see your face: you use works of art to see your soul. — George Bernard Shaw

The Truth Behind the  
Mandarin Money Myth

By Josh Cooper



It really is astonishing how many people from all walks of life still come to China with dreams of becoming the go-to guy or gal when someone needs to bridge the language barrier for a big money business transaction. No matter how many other foreigners in any given city are chasing the same dream, these determined folks still plough on with grit and determination; many of them investing vast amounts of time, money and effort into achieving their ultimate goal of financial prosperity. Although I feel strongly compelled to point out the stark realities surrounding this common misconception, I must first start by saying that studying languages is one of my own personal passions and I have a tremendous amount of respect for anybody who reaches a high level of proficiency in anything other than their mother tongue.

Neither do I have any hang ups about learning languages in order to boost one's earning power. I am merely a great believer that when it comes to learning a language for economic reasons, it is far better to think of your new skills as a useful tool rather than an exclusive VIP ticket to the best expat jobs in town. Sadly enough, it does seem to be the case that a few expatriates quite rigidly cling to the latter perception of reality. First of all, let's identify some of the most common manifestations of this myth and look at where its proverbial seeds tend to be sewn. Perhaps the most frequently uttered rationale which comes from what I will cordially refer to as the 'Mandarin Money Chasers' is the idea that being fluent in Chinese will somewhat automatically lead to guanxi, which in turn ultimately translates into business opportunities and a string of endless success. Of

course, if one is looking to set sail on a business venture of some sort it is certainly advantageous to have a good command of the local lingo; not just in China but anywhere in the world. I can't help but feel that the misconceptions which usually come about in this type of scenario are more to do with how guanxi and business deals work than the value placed on knowing the Chinese language. Namely, you may be the most capable, charming and charismatic Chinese speaking waiguoren in the entire country, but without the commercial or industry specific skills and knowledge up your sleeve you will more than likely end up with very little in the way of a big cash reward for your years of intense studying. I would be willing to bet good money that just about every long term expat in China has had a family member or friend say something to them along

## Last Word

the lines of “Oh China is the next big superpower... if you learn the language you are in the money big time”. The first part of the statement is highly contentious in itself, but we’ll save that topic for another day. The crucial point here is that many people in the western world, who often have never been to China or taken the time to learn much about international affairs, have jumped on board the ‘Mandarin = money’ band wagon.

There is definitely something to be said for China’s rise to economic stardom and the un-escapable fact that the country’s language will be more widely used around the world over the coming decades. The reality though is that even if (or perhaps when) China becomes the world’s biggest economy etc, it won’t necessarily equate to a global hegemony or significant rise in demand for speakers of its native language. Historically there have been many instances whereby countries have grown economically but their language and cultures have failed to extend beyond their own national borders on a mass scale. The rise of Japan in the latter half of the 20th century is a good example.

When you spend a fair amount of time meeting new people around China you will run into foreigners from time to time who claim to have been given a cushy, high-rolling corporate position purely as a result of being on the scene for a while and cultivating connections. It is certainly tempting to buy into the dream of being such a great Chinese speaker and such a bubbly socialite that one day a rich factory owner will give you a call and beg you to take a big money job, perhaps as the head of his company’s international procurement department. While this kind of scenario isn’t completely unheard of, it is certainly an extremely rare occurrence.

The truth is that even if you do manage to land a managerial role within a private enterprise, whether it’s in an English training centre or an international export agency, you will more than likely find yourself

surrounded by Chinese people who would much rather practice their English with you than get into long, drawn-out Chinese conversations about the things you want to discuss. Not to accuse anybody of being poor conversationalists here, but there are a billion or so other people who speak their language natively and for most Chinese people you meet in companies which hire foreigners, it is probably more of a novelty for them to use even a few words of broken English with a foreigner than it is their mother tongue, fluent as you may be.

**When it comes to learning a language for economic reasons, it is far better to think of your new skills as a useful tool rather than an exclusive VIP ticket to the best expat jobs in town.**

Looking at things from a supply-side perspective, there is also the overwhelming fact that the Chinese are spending unthinkable amounts of their hard earned money on English language education for themselves and their children. Even without factoring in the millions of school children who are learning English whilst you read this article, there is already an oversupply of English language graduates. Many of these people have a high enough level to compete in the job market as translators or some other sort of role which involves simultaneously using English and Chinese language skills.

In order to expand the overall picture even further, let’s suppose for a moment that somehow you could reach a high enough level of both spoken and written Chinese (which would probably even need to extend beyond HSK level 6) to be

competitive against the vast number of English speaking Chinese people. Whether you are still living in China or back in your country of origin, you are still left with two very major questions to confront: can you offer more value for money than your Chinese counterparts, and will your Chinese level ever be comparable to a well educated bilingual Mandarin and English speaker- who was born and raised in the same nation as you? In the first instance, you may have more skills to bring to the table than a Chinese person of comparative ability in both languages. However, given that the average wage for graduates in this country rarely exceeds CNY 3,000 per month, you will have to be VERY special for employers to justify paying you a westerner-friendly salary for doing the same job that could be given to an eager young local.

To end this piece on a brighter note, despite the rather bleak picture that has been painted thus far, there are still some very compelling reasons to not give up on learning Chinese. Whilst the economic opportunities that arise solely from being able to translate are somewhat limited, it could give you the edge if you can combine it with other skills that are sought after in the marketplace. Quite obviously, an accountant, lawyer or teacher who is based in China and can speak Chinese fluently is usually a better candidate than one who can’t order a bowl of noodles and a pint of beer without the use of a translation device.

If you want to enhance your earning power whilst living here then you need to divide your time wisely between learning Chinese and also acquiring or building upon other abilities that you can use to demonstrate your worth to potential employers. You can be sure that even if knowing the language alone was ever enough to land you the job of your dreams, it almost certainly isn’t nowadays! **E**

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